

Date : 17/08/2021 2:05:10 PM
From : "Debbie Seagrott"
To : "Graham Fraine"
Subject : emails...
Attachment : s.73 Irrelevant information

s.73 Irrelevant information
copies s.73 Irrelevant information

RDMW docs - printed in homework and e-

Kind regards
Deb
Debbie Seagrott
A/Executive Officer to Leon Allen
A/Under Treasurer
Queensland Treasury
Level 38, 1 William Street, Brisbane 4001
Phone: (07) 303 51929
Mobile: s.73 Irrelevant information
Email: debbie.seagrott@treasury.qld.gov.au
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Unite & Recover

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Date : 28/06/2021 7:05:53 AM
From : "WISKAR David"
To : "Graham Fraine"

s.73 Irrelevant information

Graham,

I understand that you are coming to the discussion with Seqwater today regarding s.73 Irrelevant information

The attached is the briefing material that we have prepared for this meeting.

s.73 Irrelevant information

I had this on my list of key things to discuss at our meeting tomorrow.

If it is helpful to you, then I would be happy to have a short catchup on this matter this morning before the lunch time meeting with the Minister and the folk from Seqwater.

Thanks,



David Wiskar
Acting Deputy Director General
Water
Department of Regional Development, Manufacturing and Water

M: s.73 Irrelevant

E: david.wiskar@rdmw.qld.gov.au

A: 1 William Street,, Brisbane Qld 4000 | PO Box 15216 City East Qld 4002

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RECOMMISSIONING THE Western Corridor Recycled Water Scheme



SEQ Water Grid

s.73 Irrelevant information

We have been using the Grid and Gold Coast Desalination Plant (GCDP) to maximise supply from the Sunshine Coast and Gold Coast over summer, but central dams have continued to decline.

s.73 Irrelevant information

s.73 Irrelevant information

PRW supporters



SUBJECT: Meeting with Seqwater – Monday 28 June 2021 at TBC pm

RECOMMENDATION

It is recommended that you:

- **note** that you are meeting with Hon. Dr David Hamill AM, Chair and Neil Brennan, Chief Executive Officer, Seqwater.
- **note** David Wiskar, A/Deputy Director-General, Water and Dr Graham Fraine, incoming Director-General from the Department of Regional Development, Manufacturing and Water will attend the meeting.

DISCUSSION TOPICS

1. Drought preparedness in South East Queensland

Background and current status

s.73 Irrelevant information

sch3(2)(1)(b) Cabinet matter - Would reveal consideration of Cabinet/prejudice confidentiality

s.73 Irrelevant information

Endorsed by A/ED: Dan Harris
Business Group: Water Policy
Telephone: s.73 Irrelevant information

Endorsed by A/DDG: David Wiskar
Business Group: Water
Telephone: s.73 Irrelevant information

Approved by A/Director-General:
Michael Glover

...../...../ 2021



Council of Mayors
South East Queensland

12 May 2021

The Hon. Glenn Butcher
Minister for Water
Minister for Regional Development and Manufacturing
PO Box 15009
CITY EAST QLD 4002

Dear Minister *Glenn*

s.73 Irrelevant information

I write as Chair of Council of Mayors (SEQ), Australia's largest regional advocacy organisation, representing the more than 3 million people and eleven councils in South East Queensland.


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s.73 Irrelevant information

The first stage of our region's drought response has been activated, including increasing production from the Gold Coast Desalination Plant and activating community engagement to reduce water usage.

s.73 Irrelevant information

s.73 Irrelevant information



Cr Adrian Schrinner
Chair

Our ref:RM:LAB:D21/68283

14 May 2021

Hon Glenn Butcher MP

Minister for Regional Development and
Manufacturing and Minister for Water

PO Box 15009

CITY EAST QLD 4002

regionaldevelopment@ministerial.qld.gov.au

Hon Cameron Dick MP

Treasurer and Minister for Investment

GPO Box 611

BRISBANE QLD 4001

treasurer@ministerial.qld.gov.au

Dear Ministers

s.73 Irrelevant information



s.73 Irrelevant information

s.73 Irrelevant information

Seqwater will continue to respond to the current

drought through measures such as:

-

s.73 Irrelevant information

-

Using the Gold Coast Desalination Plant;

-

s.73 Irrelevant information

-

-

s.73 Irrelevant information

s.73 Irrelevant information

Yours sincerely

s.73 Irrelevant information

The Hon Dr David Hamill AM
Chairman

Date : 28/06/2021 10:35:36 PM
From : "Cameron McLeod"
To : "Graham Fraine"
Subject : FW: QCA Review of Seqwater prices - status, key dates and key messages/Q&As
Attachment : SEQ bulk water price review - Key messages and Q and A.docx;Seqwater review - information notice.pdf;image001.jpg;

Just FYI
Cameron McLeod
Assistant Under Treasurer
GOC Performance and Governance
Queensland Treasury
Level 22 1 William Street
Phone: (07) 3035 1490
Mobile [s.73 Irrelevant]
Email: cameron.mcleod@treasury.qld.gov.au
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From: Cameron McLeod
Sent: Monday, 28 June 2021 10:34 PM
To: Sarah.Mawhinney@ministerial.qld.gov.au
Cc: Sarah Amos <sarah.amos@treasury.qld.gov.au>; Louise Dunne <Louise.Dunne@treasury.qld.gov.au>; Matthew Dalglish <matthew.dalglish@treasury.qld.gov.au>; Graham Metcalf <graham.metcalf@treasury.qld.gov.au>
Subject: QCA Review of Seqwater prices - status, key dates and key messages/Q&As

s.73 Irrelevant information

Thanks

Cam
s.73 Irrelevant information

Seqwater's drought submission

- It is a requirement of the Referral Notice that Seqwater is to make a cost submission for drought conditions to enable the QCA to recommend a Drought Allowance that could recover incremental costs relating to, for example, water conservation measures and operating the Gold Coast Desalination Plant and Western Corridor Recycled Water Scheme (WCRWS).

s.73 Irrelevant information

Key messages and responses to potential questions

Key Messages

- The Government has directed the Queensland Competition Authority (QCA) to undertake the next review of South East Queensland (SEQ) bulk water prices and recommend prices for 2022-23 to 2025-26.

s.73 Irrelevant information

Drought allowance

- s.73 Irrelevant information
-
-
- SEQ is once again facing a drought situation, with water storages steadily declining since 2018. Seqwater has been undertaking drought response actions such as operating the Gold Coast Desalination Plant and Water Grid to preserve the supplies in Wivenhoe and Somerset dams.

s.73 Irrelevant information

Drought

Why is the QCA being asked to investigate a drought allowance?

- SEQ is currently facing a drought situation, with water storages steadily declining since 2018 and currently sitting around 60 per cent. Seqwater has been undertaking drought response actions, such as operating the Gold Coast Desalination Plant and Water Grid to preserve the supplies in Wivenhoe and Somerset dams.

Information notice

Review of Seqwater's bulk water prices for 2022–2026

June 2021

SUBMISSIONS

Closing date for submissions: 13 August 2021

Public involvement is an important element of the decision-making processes of the Queensland Competition Authority (QCA). Therefore submissions are invited from interested parties concerning the QCA's review of Seqwater's bulk water pricing practices. The QCA will take account of all submissions received within the stated timeframes.

Submissions, comments or inquiries regarding this paper should be directed to:

Seqwater bulk water price review 2022–26

Queensland Competition Authority

GPO Box 2257

Brisbane Q 4001

Tel (07) 3222 0555

Fax (07) 3222 0599

www.qca.org.au/submissions

Confidentiality

In the interests of transparency and to promote informed discussion and consultation, the QCA intends to make all submissions publicly available. However, if a person making a submission believes that information in the submission is confidential, that person should claim confidentiality in respect of the document (or the relevant part of the document) at the time the submission is given to the QCA and state the basis for the confidentiality claim.

The assessment of confidentiality claims will be made by the QCA in accordance with the *Queensland Competition Authority Act 1997*, including an assessment of whether disclosure of the information would damage the person's commercial activities and considerations of the public interest.

Claims for confidentiality should be clearly noted on the front page of the submission. The relevant sections of the submission should also be marked as confidential, so that the remainder of the document can be made publicly available. It would also be appreciated if two versions of the submission (i.e. a complete version and another excising confidential information) could be provided.

A confidentiality claim template is attached to this document (Appendix C). We encourage stakeholders to use this template when making confidentiality claims. The confidentiality claim template provides guidance on the type of information that would assist our assessment of claims for confidentiality.

Public access to submissions

Subject to any confidentiality constraints, submissions will be available for public inspection at our Brisbane office, or on our website at www.qca.org.au. If you experience any difficulty gaining access to documents, please contact us on (07) 3222 0555.

Contents

SUBMISSIONS	I
Closing date for submissions: 13 August 2021	i
Confidentiality	i
Public access to submissions	i
1 INTRODUCTION	1
1.1 Seqwater's bulk water supply activities	1
1.2 How Seqwater's prices are determined	1
1.3 Keeping updated on the review	2
2 SCOPE OF THE REVIEW	3
2.1 Establishing the revenue requirement	3
2.2 Converting the revenue requirement into prices	4
2.3 Determining a drought allowance	4
3 INFORMATION GATHERING	5
3.1 Information requests	5
3.2 Formal requests under the QCA Act	5
4 NEXT STEPS	6
APPENDIX A : REFERRAL NOTICE	7
APPENDIX B : MATTERS IN SECTION 26 OF THE QCA ACT	12
APPENDIX C : CONFIDENTIALITY CLAIM TEMPLATE	13

1 INTRODUCTION

The Queensland Government has directed the Queensland Competition Authority (QCA) to investigate Seqwater's bulk water pricing practices. The objective of the investigation is to recommend bulk water prices to apply from 1 July 2022 to 30 June 2026.

A referral notice to conduct the investigation was issued to the QCA under section 23 of the *Queensland Competition Authority Act 1997* (QCA Act).¹

The purpose of this information notice is to explain our general approach to the review, set out an indicative timeline, and provide information on how to make a submission.

1.1 Seqwater's bulk water supply activities

Seqwater is a government-owned statutory authority and monopoly supplier of bulk water to around three million people in south east Queensland.² Seqwater supplies treated bulk water to bulk supply points in eleven local government areas. The water is then delivered to households and businesses by the retailer or council servicing each area:

- Urban Utilities supplies the Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset local government areas.
- Unitywater supplies the Moreton Bay, Sunshine Coast and Noosa local government areas.
- Logan City Council, Redland City Council and Gold Coast City Council each supply their local government area.

While Seqwater also supplies water to other customers, including to Toowoomba and Gympie regional councils, irrigation customers and power stations³, the services provided to these customers are outside the scope of our review.⁴

1.2 How Seqwater's prices are determined

Seqwater charges the retailers and councils for supplying bulk water, and the charges are passed through to households and businesses in water bills.⁵ Water bills also include charges for the other services provided by retailers, including distributing water to the customer, removing and treating sewage, providing billing services, and dealing with customer enquiries.

The government determines bulk water prices⁶, but it can ask the QCA to investigate Seqwater's pricing practices and recommend prices.⁷ This will be our third review of Seqwater's bulk water prices. We completed our first review in 2015 and our second review in 2018.⁸ The government

¹ A copy of the referral notice is provided in Appendix A.

² More information about Seqwater can be found on its [website](#).

³ Seqwater, *Annual Report 2019–20*, September 2020, p. 4.

⁴ We have previously been asked to review irrigation prices, with our most recent review completed in January 2020 (see our [website](#) for more information).

⁵ The bulk water component of a water bill must be shown separately as 'State bulk water price' (*South-East Queensland Water (Distribution and Retail) Restructuring Act 2009*, s. 99AV(4)).

⁶ Under section 360W of the *Water Act 2000* (Qld).

⁷ The government has 90 days to accept or reject our recommendations (QCA Act, s. 36(2)).

⁸ More information about these reviews is available on our [website](#).

determined bulk water prices that were consistent with our recommendations in each of those reviews.

1.3 Keeping updated on the review

For more information about our review, you can visit our [website](#) or contact us on 07 3222 0555.

To receive updates on our review, please register your details at www.qca.org.au/email-alerts.

2 SCOPE OF THE REVIEW

When we conduct our review, we will have regard to the terms of the referral and the matters we are required to consider in the QCA Act.⁹ The key aspects of our review are to:

- establish the revenue requirement, reflecting our assessment of Seqwater's prudent and efficient costs of operating under normal (non-drought) conditions and the amount of price path debt to be recovered
- assess Seqwater's demand forecasts and convert the revenue requirement into prices
- establish a 'drought allowance' that could be added to the prices that would apply under normal conditions and enable the recovery of additional costs of operating under drought conditions.

2.1 Establishing the revenue requirement

Under the referral, we have been asked to recommend prices that would provide Seqwater with sufficient revenue to recover the prudent and efficient costs of providing bulk water supply services under normal (non-drought) conditions and to repay price path debt by 2027–28.

Assessing Seqwater's proposed costs

In accordance with the referral, the costs that are relevant to our review are those associated with providing bulk water supply services, including catchment management, and the costs of providing activities related to recreation management and flood mitigation. We have been asked to only include costs that are prudent and efficient.

We will assess Seqwater's proposed operating and capital expenditure and expect that Seqwater will include detailed information on its proposed costs in its submission.

We have been asked to adopt specific approaches to estimate some of the cost components, including the methodology for forecasting inflation and the approach to determining the 'cost of debt' component of the rate of return.

To ensure that Seqwater does not recover its costs twice, we have also been asked to remove the costs of supplying declared irrigation services. In addition, the revenue Seqwater receives from other sources, including water sales to power stations and councils outside south east Queensland, is not to be included in revenue allowances.

Establishing the price path debt balance

Price path debt is the under-recovery that has accumulated from the difference between the costs of supplying bulk water and the revenue earned from selling bulk water.

Price path debt has accumulated because prices have not fully recovered costs for several years. This is due to a government policy decision to moderate the customer impacts of recovering the costs associated with significant investments made to increase water supply during the

⁹ See Appendix B.

millennium drought.¹⁰ Under the referral, we have been asked to recommend prices that continue a pathway to repay price path debt by 2028.

The price path debt also operates as a true-up mechanism to capture some differences between forecast and actual costs and revenue over the previous regulatory period. To establish the opening price path debt on 1 July 2022, we have been asked to make an end-of-period adjustment to the debt balance as of 1 July 2017.¹¹ The adjustment should be made to reflect (among other things) the prudent and efficient costs arising from review events¹², and differences between forecast and actual revenue.¹³

2.2 Converting the revenue requirement into prices

Under the referral, we have been asked to recommend a single common price for all customers and to smooth price changes over the regulatory period. We have also been asked to recommend prices that are fully volumetric, which means that customers would pay a price for each kilolitre of water consumed, and no fixed charge.¹⁴ This is consistent with Seqwater's current pricing arrangements.

To convert the revenue requirement into a price per kilolitre, we require a forecast of water demand. We have been asked to assess the appropriateness of Seqwater's demand forecasts, but to ensure any adjusted forecast remains within the range published in Seqwater's water security program.¹⁵

2.3 Determining a drought allowance

Under the referral, we have been asked to recommend a 'drought allowance' that could be added to the prices that would apply under normal conditions. The drought allowance is to remain constant in real terms for the duration of the regulatory period. The allowance is to provide for Seqwater to recover the additional prudent and efficient costs of operating under drought conditions¹⁶, including the costs of mobilising the desalination and recycled water plants.

¹⁰ These investments included the Gold Coast Desalination Plant, the Western Corridor Recycled Water Scheme, and major pipelines to connect water sources and transport water around the region (Seqwater, *Water for life, South East Queensland's Water Security Program 2016–2046*, version 2, March 2017, p. 19).

¹¹ As of 1 July 2017, the price path debt balance was approximately \$2.4 billion. See QCA, *Seqwater bulk water price review 2018–21*, [final report](#), March 2018, p. 73.

¹² Review events are defined events that are largely outside of Seqwater's control and that cause an increase or decrease in revenue or costs. They include changes in law or government policy and drought response. See QCA, *Seqwater bulk water price review 2018–21*, [final report](#), March 2018, pp. 80–81; QCA, *SEQ Bulk Water Price Path 2015–18*, [final report](#), March 2015, pp. 91–94.

¹³ Due to differences between forecast demand and actual demand.

¹⁴ However, customers may pay a fixed charge to recover the costs of the other services provided by their retailer.

¹⁵ Seqwater released the latest version of the water security program in March 2017. See Seqwater, *Water for life, South East Queensland's Water Security Program 2016–2046*, version 2, March 2017.

¹⁶ Under the referral, drought operating conditions are defined as operating at or below the 'drought response' trigger specified in the water security program, which is when the key bulk water storage levels drop to 60 per cent (see Seqwater, *Water for life, South East Queensland's Water Security Program 2016–2046*, version 2, March 2017, p. 10).

3 INFORMATION GATHERING

We expect that Seqwater will provide detailed information to support its proposal, which is due by 30 June 2021. We may also require additional information from Seqwater or other stakeholders to inform our assessment.

3.1 Information requests

An important part of our review will be assessing the prudence and efficiency of Seqwater's proposed costs (see section 2). This will involve assessing information provided in Seqwater's submission, and sourcing further information from Seqwater if required.

Where we identify the need for additional information, we will generally seek to informally request the information from Seqwater or other stakeholders, and explain why we require it. We will seek to minimise the burden imposed by these requests, by providing adequate notice of the date we require the information.

It is important that stakeholders provide us with the requested information on time, to give us sufficient time to assess the information and meet the review deadlines in the referral.

3.2 Formal requests under the QCA Act

While our preference is to gather relevant information through an informal process, there may be instances where we decide to issue a formal notice to request information, in accordance with section 185 of the QCA Act.

If we issue a notice under section 185, the person must comply with the notice. This may include producing a document or providing a statement setting out the required information.

4 NEXT STEPS

Based on the timing in the referral, we have developed an indicative timetable for the review. The next step will be to receive Seqwater's submission, which is due by 30 June 2021. We will publish the submission on our website as soon as possible after it is received.

Public involvement is an important part of our review process, and we invite all stakeholders, including members of the community, to participate in our review. Stakeholders are invited to make an initial submission by **13 August 2021**. There will be another opportunity to make a submission after we release our draft report later this year.

Table 1 Indicative timetable

Step	Date
Referral notice issued	16 June 2021
Notice of investigation and guidance paper published	18 June 2021
Seqwater's submission due	By 30 June 2021
Initial submissions from stakeholders due	13 August 2021
Draft report provided to the government	By 30 November 2021
Draft report published	Early December 2021
Submissions on the draft report due	31 January 2022
Final report provided to the government	By 31 March 2022
Final report published	Early April 2022
Government expected to determine prices	May/June 2022
New prices expected to take effect	1 July 2022

APPENDIX A: REFERRAL NOTICE

Note: The referral notice was issued by the Treasurer and Minister for Investment on 16 June 2021.

QUEENSLAND COMPETITION AUTHORITY ACT 1997

SECTION 23

MINISTER'S REFERRAL NOTICE

Referral

Pursuant to section 23(1) of the *Queensland Competition Authority Act 1997* (the Act), I refer the monopoly business activity of bulk water supply by the Queensland Bulk Water Supply Authority (Seqwater) in the local government areas listed below to the Queensland Competition Authority (the Authority) for an investigation about the pricing practices relating to that activity with the objective of recommending the State bulk water prices (Prices) for Seqwater in the following local government areas for the period of 1 July 2022 to 30 June 2026 (the Regulatory Period).

Brisbane	Logan	Scenic Rim
Gold Coast	Moreton Bay	Somerset
Ipswich	Noosa	Sunshine Coast
Lockyer Valley	Redland	

(A) Pursuant to section 24 of the Act, I direct the Authority to consider and make recommendations about the following matters as part of its investigation:

- 1) Recommend Prices for the Regulatory Period that allow Seqwater sufficient revenue to recover the prudent and efficient costs of providing bulk water supply services (defined as per (C)(4)) and repay Price Path Debt (as per (C)(11) and (C)(14)) by 2027-28 under normal operating conditions as per (C)(2).
- 2) Prices are to be consistent with the following:
 - (a) bulk water costs include, but are not limited to:
 - i. prudent and efficient capital expenditure and operating expenditure as per (C)(5);
 - ii. a return on assets (including working capital) using a rate of return as per (C)(10);
 - iii. an allowance for tax (where applicable);
 - iv. interest on Price Path Debt as per (C)(13);
 - v. depreciation calculated as per (C)(8);
 - vi. any costs detailed in Seqwater's bulk water supply agreements; and
 - vii. additional prudent and efficient operating and capital costs arising from Review Events (defined as per (C)(14))
 - (b) the regulated asset base (RAB) is to be established as per (C)(6) and subject to the opening RAB dictated by (C)(7);
 - (c) repayment of Price Path Debt by 2027-28;
 - (d) prices as per (C)(1);
 - (e) forecast demand as per (C)(2)-(C)(3); and
 - (f) the inflation forecasting methodology as per (C)(9).
- 3) Price Path Debt is to be calculated as per (C)(11)-(C)(13);
- 4) A Drought Allowance is to be calculated as per (C)(15)-(C)(17); and
- 5) The other matters as per (C)(18)-(C)(19).

(B) Timing

- 1) Pursuant to section 24 of the Act, I direct the Authority to provide to the Minister for Water and me:
 - (a) a Draft Report by 30 November 2021, following on a submission being made by Seqwater by 30 June 2021; and
 - (b) a Final Report by 31 March 2022.



HON. CAMERON DICK MP

Treasurer and Minister for Investment

(C) DefinitionsPrice structure

- 1) The Authority is to recommend Prices that:
 - (a) are volumetric only with a single common price to apply for all SEQ council areas;
 - (b) are consistent with smoothing price changes over the Regulatory Period; and
 - (c) remain constant in real terms beyond the Regulatory Period until 2027-28.

Normal operating conditions and Forecast demand

- 2) For the purpose of recommending Prices, forecast demand is to be as provided by Seqwater for normal operating conditions and must be within the range (low-high) published in the SEQ Water Security Program.
- 3) The Authority can make adjustments to the normal operating conditions forecast demand to ensure it is appropriate for regulatory pricing purposes as long as any Authority adjusted forecast remains within the range (low-high) published in the SEQ Water Security Program.

Capital and Operating Expenditure

- 4) Capital and operating expenditure includes activities related to the provision of bulk water supply services (including catchment management) as well as activities related to recreation management and flood mitigation costs.
- 5) To assess capital and operating expenditure from 1 July 2022 to 30 June 2028, the Authority must:
 - (a) form a view on the prudence and efficiency of capital and operating expenditure, with the focus on cost areas which are material rather than matters which are likely to have a minor and inconsequential impact in total;
 - (b) to the extent that it is not practicable to form a view on the prudence and/or efficiency of aspects of capital expenditure (for example, because a project is not expected to be commissioned until later in the price path period), adopt an appropriate assessment approach; and
 - (c) have regard to the strategic and operational plans approved by the responsible Ministers under the South East Queensland Water (Restructuring) Act 2007.

RAB

- 6) The opening RAB as at 1 July 2017 is not to be optimised and the Authority is to accept the remaining lives as used by the Authority in the 2018-21 review.
- 7) To establish the opening RAB as at 1 July 2022, the Authority is to:
 - (a) assess actual capital expenditure from 1 July 2017 to 30 June 2022 (to the extent actual capital expenditure information is available) for prudence and efficiency. The review should focus on items that would have a material impact rather than matters which are likely to have a minor and inconsequential impact in total. Any findings of the Authority against the prudence and efficiency of projects sampled should not be extrapolated to un-sampled projects.

- (b) roll forward the RAB from 1 July 2017 to 30 June 2022, using actual capital expenditure, and forecast capital expenditure where actual expenditure is not available, adjusted for any findings as per (C)(7)(a); and
 - (c) adjust for depreciation and actual inflation over the period.
- 8) Depreciation is to be calculated using the straight-line method, reflecting the remaining useful life of the assets.

Forecast inflation

- 9) The forecast rate of inflation must be determined by the Authority using the 40-day average of the forward inflation rate for that year implied by traded zero-coupon Australian inflation swaps.

Rate of Return

- 10) In regard to the rate of return the Authority uses to recommend Prices, the following is to apply:
- (a) for assets (including working capital), a benchmark weighted average cost of capital (WACC) return, using a cost of equity as determined by the Authority for the equity component, and Seqwater's cost of debt as advised by Queensland Treasury Corporation (QTC) for the debt component; and
 - (b) if the cost of equity calculation determined by the Authority is lower than Seqwater's cost of debt, the rate of return applying to assets should be Seqwater's cost of debt as advised by QTC.

Price Path Debt

- 11) Price Path Debt is the accumulated under-recovery arising from the bulk water price path.
- 12) To establish the opening Price Path Debt as at 1 July 2022, the Authority is to make an end of period adjustment to the Price Path Debt as at 1 July 2017 based on:
- (a) an updated assessment of Maximum Allowable Revenue from 1 July 2017 to 30 June 2022 adjusting for the updated capital costs based on rolling forward the RAB as per item (C)(7);
 - (b) updating the rate of return and interest costs for the relevant actual cost of debt as advised by QTC;
 - (c) any prudent and efficient costs arising from Review Events as per (C)(14);
 - (d) any foregone revenue as a result of pricing amendments or decisions;
 - (e) Seqwater's actual revenue from 1 July 2017 to 30 June 2021 and forecast revenue for 1 July 2021 to 30 June 2022; and
 - (f) actual demand-related variable costs from 1 July 2017 to 30 June 2021 and forecast demand-related variable costs for 1 July 2021 to 30 June 2022.
- 13) Interest on Price Path Debt from 1 July 2022 is to be calculated by applying Seqwater's cost of debt as advised by QTC.

Review Events

- 14) Review Events are defined in accordance with the Authority's recommendations from the previous price review, as set out in its March 2018 report; with the Authority also to consider and make a recommendation on the appropriateness of future review events.

Drought Allowance

- 15) The Authority is to recommend a Drought Allowance that could be applied during the Regulatory Period, that is in addition to Prices under normal operating conditions as per (C)(1), and expected to provide Seqwater with total revenue sufficient to recover prudent and efficient costs associated with Drought operating conditions.
- 16) Drought operating conditions refers to a situation where Seqwater is operating at or below the 'Drought Response' trigger per the published SEQ Water Security Program for the length of the Regulatory Period.
- 17) The Drought Allowance is to:
- (a) include the incremental costs expected to be incurred during drought operating conditions including, but not limited to, costs associated with water conservation measures, and mobilisation of the Gold Coast Desalination Plant and the Western Corridor Recycled Water Scheme, with a focus on cost areas which are material rather than cost areas which are likely to have a minor and inconsequential impact in total;
 - (b) account for reduced forecast demand during drought operating conditions, noting that the Authority can make adjustments to the drought operating conditions forecast demand to ensure it is appropriate for regulatory pricing purposes as long as any Authority adjusted forecast remains at or above target demand consistent with medium level water restrictions as published in the Water Security Program (not including demand from power stations and Toowoomba Regional Council); and
 - (c) remain constant in real terms for the duration of the Regulatory Period.

Other Matters

- 18) Bulk water costs are to be offset by the below revenue streams, as advised from Seqwater:
- (a) revenue from the sale of water to power stations;
 - (b) revenue from other water sales;
 - (c) revenue from any other source, except revenue related to the hydroelectric power stations; and
 - (d) revenue as a result of pricing amendments or decisions.
- 19) Costs and revenues associated with Seqwater's declared irrigation services are to be excluded. The costs related to irrigation services are to be calculated consistent with the cost allocation approach adopted by the Authority in its review of Seqwater's irrigation price paths for 2020-24.

APPENDIX B: MATTERS IN SECTION 26 OF THE QCA ACT

Section 26 Matters to be considered by the QCA for investigation

- (1) In conducting an investigation under this division [Division 3, Part 3], the [QCA] must have regard to the following matters—
- (a) the need for efficient resource allocation;
 - (b) the need to promote competition;
 - (c) the protection of consumers from abuses of monopoly power;
 - (d) in relation to the goods or services to which the monopoly business activity relates—
 - (i) the cost of providing the goods or services in an efficient way, having regard to relevant interstate and international benchmarks; and
 - (ii) the actual cost of providing the goods or services; and
 - (iii) the standard of the goods or services, including quality, reliability and safety;
 - (e) the appropriate rate of return on assets;
 - (f) the effect of inflation;
 - (g) the impact on the environment of prices charged by the government agency or other person carrying on the monopoly business activity;
 - (h) considerations of demand management;
 - (i) social welfare and equity considerations including community service obligations, the availability of goods and services to consumers and the social impact of pricing practices;
 - (j) the need for pricing practices not to discourage socially desirable investment or innovation by government agencies and persons carrying on non-government business activities;
 - (k) legislation and government policies relating to ecologically sustainable development;
 - (l) legislation and government policies relating to occupational health and safety and industrial relations;
 - (m) economic and regional development issues, including employment and investment growth;
 - (n) if the monopoly business activity is a government business activity—any directions given by the government to the government agency by which the monopoly business activity is carried on.
- (2) If the investigation relates to a monopoly business activity involving the supply of water, the [QCA] must have regard to water pricing determinations.
- (3) Subsections (1) and (2) do not limit the matters to which the [QCA] may have regard in conducting an investigation.

APPENDIX C: CONFIDENTIALITY CLAIM TEMPLATE

Name of claimant: _____

Document associated with the claim: _____

<i>Page(s) and paragraph(s)</i>	<i>Category of confidentiality</i>	<i>Basis for claim</i>	<i>Information as to why disclosure is not in the public interest</i>
Outline the relevant pages and paragraphs associated with your claim.	Outline which category of confidentiality is associated with your claim: (a) Market-sensitive cost inputs (b) Market or strategic knowledge (c) Intellectual property (d) Personal information (e) Other.	Provide an explanation as to why the information falls within the selected confidentiality category and why the information is likely to damage your (or another party's) commercial activities if disclosed.	Provide any supporting information as to why it is not in the public interest to disclose the relevant information.

Date : 23/09/2021 12:39:42 PM

From : "CAVANAGH Peter"

To : "Frances Stewart" , "Graham Fraine"

Cc : "DLO RDMW" , "RDMW CLLO"

Subject : FW: Seqwater annual report and MBN

Attachment : Seqwater Annual Report 2020-21.pdf;Seqwater_Operational_Plan 2020-21.pdf;MBN 2020-21 annual report - CTS 14260-21 1888454 .DOCX;

Hi Frances and Graham,

The draft MBN for the Seqwater annual report is attached, as approved by Trevor Dann, Director with a drop copy to the ED and DDG Water. The annual report and operational plan are also attached -- no changes to the versions emailed to Frances earlier today.

The MBN is yet to be seen by Graham and so, is subject to DG approval.

Graham: you could either reply with electronic approval to progress the attached MBN with your e-signature, or wait until you're back tomorrow to see the hard copy.

Regards

Peter

If this email relates to a Cabinet-related matter, please strictly observe the governance requirements outlined beneath my signature block.

Peter Cavanagh

Assistant CLLO

Cabinet Services, Office of the Director-General

(working Monday – Thursday)

Department of Regional Development, Manufacturing and Water

s.73 Irrelevant information

Published on RDMW Disclosure Log
RTI Act 2009

Seqwater Annual Report 2020-21

Supporting Queensland's Recovery

Published on RDMW Disclosure Log
RTI Act 2009

21 September 2021

The Honourable Cameron Dick MP
Treasurer and Minister for Investment
GPO Box 611
BRISBANE QLD 4001

The Honourable Glenn Butcher
Minister for Regional Development and
Manufacturing and Minister for Water
PO Box 15009
CITY EAST QLD 4002

Dear Ministers

I am pleased to submit for presentation to the Parliament the Annual Report 2020-21 and financial statements for the Queensland Bulk Water Supply Authority, trading as Seqwater.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019*, and
- the detailed requirements set out in the Annual report requirements for Queensland Government agencies.

A checklist outlining the annual reporting requirements is provided at page 86 of this annual report.

Yours sincerely



The Honourable (Hon.) Dr David Hamill AM
Chairman

About this report

This annual report records Seqwater's achievements in 2020-21. Performance is measured against the objectives and targets established in the Strategic Plan 2020-21 – 2023-24 and Operational Plan 2020-21 and details financial performance for the year.

The report has been produced in accordance with the standards detailed in the following Queensland legislation and Government guidelines:

- *Financial Accountability Act 2009*
- *Financial Performance Management Standard 2019*
- *South East Queensland Water (Restructuring) Act 2007*
- *Annual report requirements for Queensland Government agencies (2020-21 reporting period).*

The report is available on Seqwater's website
<https://www.seqwater.com.au/corporate-publications>

A printed copy of the report is available on request.

Translation and interpreting assistance



Seqwater is committed to providing accessible services to people from all culturally and linguistically diverse backgrounds.

If you have difficulty understanding this annual report, please contact Seqwater to arrange an interpreter to share the report with you.

Your feedback is welcome

Please contact Seqwater's Strategy, Research and Performance team

Telephone: **1300 737 928**

Email: communications@seqwater.com.au

Acknowledging the First Australians

Seqwater respectfully acknowledge the Traditional Owners of the land, catchments and waterways on which it works, and pay respects to Elders past, present and emerging.

Seqwater Annual Report 2020-21

ISSN: 1837-4549

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Table of Contents

About this report	2
About Seqwater	4
Foreword	5
The year in review	6
Performance.....	8
Key performance indicators.....	8
Delivering on strategy.....	10
Improve safety and organisational culture	10
Improve processes, systems and planning ...	11
Strengthen financial sustainability	12
Increase water supply certainty	13
Increase customer, community and stakeholder support and satisfaction	13
Governance.....	15
Organisational chart	15
Executive	16
Seqwater Board.....	18
Corporate governance.....	20
Workforce planning and performance	28
Human rights	29
Information systems and record keeping	29
External scrutiny.....	29
Government directions	29
Corporate entertainment	30
Overseas travel	30
Open data.....	30
Audited Financials.....	31
Directions	81
Annual report requirements for Queensland Government agencies compliance checklist..	86
Glossary	88

About Seqwater

Seqwater is a statutory authority established by the Queensland Government under the *South East Queensland Water (Restructuring) Act 2007* and is a statutory body for the purposes of the *Financial Accountability Act 2009* and the *Statutory Bodies Financial Arrangements Act 1982*. Seqwater complies with the Bulk Water Supply Code and Bulk Water Supply Agreements.

Seqwater's purpose is to work with its customers to ensure provision of water for households, industry, agriculture and power generation along with maintaining popular recreational facilities and managing dams.

On behalf of its communities, Seqwater manages and maintains water supply assets, including dams, weirs, conventional water treatment plants, reservoirs, pumps and pipelines, the Gold Coast Desalination Plant and the Western Corridor Recycled Water Scheme. Its operations extend from the New South Wales border to the base of the Toowoomba ranges and north to Gympie.

It owns and operates the South East Queensland (SEQ) Water Grid, a 600 km two-way pipeline network that enables treated drinking water to be moved around the region, within the capacity limitations of those pipelines.

Seqwater supplies bulk treated drinking water to five retailer customers, Unitywater, Urban Utilities and the water businesses of the Logan, Redland and Gold Coast councils. These retailers in turn deliver drinking water to consumers through their distribution networks. Seqwater works with its retailer customers to achieve the best whole-of-system solutions.

In addition to urban bulk water supply, Seqwater supplies irrigation water to around 1,200 customers through seven schemes. Seqwater also has arrangements in place to supply water to Toowoomba and Gympie regional councils and power stations operated by Stanwell Corporation and CleanCo and provides access to diverse recreation opportunities on many of Seqwater's land and water storages.

Seqwater is committed to its contribution to the Queensland Government objectives for the community.

Water is fundamental to a liveable region. Sustaining communities and underpinning the economy is a bulk water supply that is safe, affordable and reliable. Seqwater is committed to *Water for life* and to working with its stakeholders, customers and communities to deliver this essential service in a way that aligns with community views and values.

Investment in the SEQ Water Grid and other water infrastructure supports a strong economy and ensures water now and for future generations.

Seqwater is committed to protecting the region's drinking water supply catchments and collaborating with government, industry and SEQ communities to improve catchment health.

Involving the people who live and work in the region in planning is fundamental to shaping a shared water future.

Seqwater regularly engage with its stakeholders, customers and communities to understand their needs and expectations. This planning contributes to the SEQ regional planning.

Foreword

The on-going threat of the COVID-19 pandemic and prevailing drought conditions in SEQ during 2020-21 were a reminder of the critical role Seqwater plays in supporting a healthy, livable and prosperous community. Seqwater is committed to supporting the Queensland Government in keeping Queenslanders safe in its response to the COVID-19 pandemic and to supporting Queensland's economic recovery through maintaining a safe and secure water supply.

The COVID-19 threat continued to challenge the business throughout 2020-21. With safety and wellbeing a priority, non-frontline employees worked from home from March to August 2020 and site restrictions were implemented to ensure the safety of the frontline workforce. Non-frontline employees commenced a gradual return to the workplace from August 2020 with processes and protocols implemented to ensure a safe return. All workers will return with minimum workplace presence expectations from 1 July 2021 within an adaptive response plan.

The drought continued across SEQ over the year with the SEQ Water Grid combined storage levels continuing to fall, particularly the region's central dams, Wivenhoe, Somerset and North Pine. Wivenhoe Dam, the region's largest and most important drinking water storage, dropped to low levels not seen since the Millennium Drought more than a decade ago. In response, Seqwater has optimised the use of the SEQ Water Grid, moving drinking water from its close to capacity coastal storages to take the pressure off its central dams and utilising climate independent water sources. Production at the Gold Coast Desalination Plant was increased up to 100% capacity as required and the Western Corridor Recycled Water Scheme was utilised to substitute water from dams to power stations with purified recycled water. A region-wide water conservation campaign saw the community reduce its water use over the year to help the drought response.



The Hon. Dr David Hamill AM
Chairman

At year end the SEQ Water Grid combined storage level was 60.2% and the combined Wivenhoe and Somerset storages was 49.0%, approximately 6.8% lower than at the same time last year. Accordingly, Seqwater will continue to implement the region's drought response plan into 2021-22 as required.

Seqwater's \$124.3 million investment in infrastructure and non-infrastructure projects over the year not only ensures critical water supply infrastructure for the delivery of a safe and secure bulk drinking water supply now and into the future, it creates jobs and supports a thriving economy.

Its capital program included the ongoing dam improvement program and upgrades to a number of water treatment plants across the region and planning for a significant upgrade to Somerset Dam. A contract was awarded to design and construct the South West Pipeline connecting the Beaudesert region to the SEQ Water Grid.

Seqwater continued to invest in vegetation and erosion repair works to improve the health of the drinking water catchment with more than 75% of these works delivered by its catchment partners across the region.

Despite its external challenges Seqwater continued to focus on and grow its culture with results showing that Seqwater maintained a sustainable safety culture and improved in 10 out of 12 organisational culture styles.

Seqwater continued its strategic initiative to improve its enterprise resource planning capability – targeting its finance, human resource, asset performance and management and supporting systems and delivered its emergency preparedness program.

More than ever, our thanks and gratitude go to Seqwater employees for their efforts, resilience, flexibility and dedication through a challenging year.



Mr Neil Brennan
CEO

The year in review

In 2020-21 Seqwater supplied 315,978 ML of treated water to its retailer customers, 4.5% less than in 2019-20. This decrease in consumption was welcome amidst ongoing drought conditions, particularly in the main storages of Wivenhoe and Somerset dams.

Seqwater also supplied 27,171 ML to Toowoomba Regional Council and power stations during the year, including 2,555 ML of purified recycled water to the Swanbank and Tarong power stations from the Western Corridor Recycled Water Scheme. This provided important support to water security for Toowoomba and the Tarong Power Station (owned by Stanwell Corporation) in particular, whose usual water sources had suffered from ongoing drought conditions.

A further 33,263 ML of raw water was supplied to irrigator customers under their individual water entitlements.

Seqwater also invested \$124.3 million in infrastructure and non-infrastructure investments. On behalf of the Queensland Government, Seqwater is undertaking planning and design of the Toowoomba to Warwick Raw Water Pipeline which is part of the Queensland Government's \$20 million drought resilience package for the Southern Downs region.

Seqwater welcomed approximately 3.1 million visitors to its recreation facilities in 2020-21, a significant increase on previous years.

COVID-19 response

Seqwater continued to implement business resilience plans to manage the impact of the COVID-19 pandemic on operations. Seqwater's response to the pandemic focused on four key objectives:

- protect the health and wellbeing of the workforce
- maintain the bulk supply of drinking water in SEQ and other supplies to Toowoomba Regional Council and power station customers
- maintain monitoring and other activities related to dam safety
- maintain capacity to perform flood mitigation services, including operation of gated dams.

With health, safety and wellbeing a priority, non-frontline employees worked from home from March to August 2020 and site restrictions were implemented to ensure the safety of the frontline workforce.

Non-frontline employees commenced a gradual return to the workplace during the year. To ensure a safe return to the workplace a *Returning to the Workplace Guideline* was developed and implemented and involved specific cleaning and sanitisation schedules and requirements, a restyled workplace to support social distancing, implementation of health declarations for visitors and return to workplace inductions for all employees.

Seqwater is committed to increased workplace presence with all employees required to attend the workplace a minimum of two days per week from 1 July 2021 (subject to ongoing pandemic response).

Throughout the year Seqwater monitored the COVID-19 environment and responded accordingly, proactively managing emerging scenarios through the established phases for its employees and closing and reopening of land and water-based recreation for the community to protect the health and wellbeing of critical workers.

Seqwater met its four key objectives throughout the pandemic to June 2021, and will continue focus on those objectives while the COVID-19 threat remains.

Drought response

In July 2020 the SEQ Water Grid combined storage level was at 63.7%. The region's 60% drought response trigger was reached in September 2020, and drought response conditions persisted through the remainder of the financial year. In accordance with the SEQ Drought Response Plan, the Gold Coast Desalination Plant commenced operating at up to 100% capacity and continued to do so throughout the year, contributing 19,485 ML to SEQ drinking water supply. Region-wide media campaigns were launched to encourage South East Queenslanders to reduce their water use and be water wise. The campaigns were broadcast through television, radio, digital video, social and convenience media.

The cost of drought response activities in 2020-21 was \$17.3 million. These costs were primarily associated with the operation of the Gold Coast Desalination Plant and partial operation of the Western Corridor Recycled Water Scheme to supply power stations as well as media campaigns delivering water conservation messaging.

The average residential water consumption was 170 litres per person per day (L/P/D) in 2020-21, 15 L/P/D less than the previous year.

A number of off-grid communities entered various levels of water restrictions in the Spring of 2020, including Canungra, Jimna, Beaudesert, Kooralbyn, Rathodowney and Dayboro. All except Dayboro exited drought response following rain in mid-December. Dayboro required periodic carting to maintain supply until early February 2021. Medium level water restrictions introduced in the Scenic Rim were lifted following rain in March 2021.

The SEQ Water Grid combined storage level peaked in April 2021 at 62.0%, however it was 60.2% on 30 June 2021.

While the SEQ region experienced above average rainfall on the coast during the year with many of the coastal dams full or near full, the drought remains very much in effect in the central region. At years' end the combined level of Wivenhoe and Somerset storages was 49.0%, which is approximately 6.8% lower than at the same time last year. Drought response initiatives continue to prioritise protecting water in Wivenhoe and Somerset dams and importing water in from the coastal areas where possible.

Performance

Key performance indicators

Financial performance

The 2020-21 budget was prepared based on fair weather conditions. Drought conditions during the year increased costs and reduced water demand and revenues.

During the early tenderer involvement and procurement phases, information emerged that the cost of the Lake Macdonald Dam upgrade would be significantly higher than the responsible Minister-approved budget. As a result, in December 2020

Seqwater made the prudent decision to reconsider the options for the project. This contributed to the capital program underspend.

The Ewen Maddock Dam upgrade project was delivered ahead of schedule and below total project budget, however to achieve this the annual spend on this project was over budget to allow for this efficiency.

Financial performance		
KPI	Budget	Actual
Operating revenue \$000	1,070,610	1,039,195
Operating expenditure \$000	286,692	299,787
EBITDA \$000	783,918	739,408
EBIT \$000	512,924	474,096
NPAT \$000	41,046	12,596
EBITDA margin	73.2%	71.2%
Total assets \$000	11,782,127	11,738,627
Capital expenditure \$000	175,611	124,340
Gearing ratio (debt to [debt + equity])	0.84	0.84
FFO Interest coverage	1.13	1.04
Capital replenishment ratio	0.65	0.47
Operating expenditure ratio	26.8%	28.8%

Non-financial performance

Bulk water sales to retailer customer were 3.3% below forecast. Water wise messaging and long periods of cool and/or wet days contributed to the lower than forecast demand. Although demand was reduced, production at the Gold Coast Desalination Plant was increased to respond to drought conditions.

Seqwater's dam inspection program was largely delivered, with the exception of the Baroon Pocket Dam inspection. This inspection was postponed due to a lockdown imposed in SEQ in response to a COVID-19 outbreak in late June 2021. The Baroon Pocket Dam inspection was rescheduled to July 2021.

Non-financial performance		
KPI	Target	Actual
Forecast water production (ML) (excluding power stations) ^{1, 2}	326,663	315,978
Lost time injury frequency rate (LTIFR) ³	≤3.50	3.45
Statutory notifications for environmental harm	0	0
Zones compliant with Australian Drinking Water Guidelines	100%	100%
Dam safety inspection program – legislative compliance	100%	90%

¹ These figures represent the retailer customers demand only.

² Seqwater's target is for the variance between actual and forecast production to be within 5% annually.

³ Seqwater always aspires for injuries of any type to be zero with an upper maximum LTIFR of ≤3.50 for 2020-21.

Delivering on strategy

The five objectives that form the core of Seqwater's strategy are outlined in Seqwater's Strategic Plan 2020-21 – 2023-24. They are:

- improve safety and organisational culture
- improve processes, systems and planning
- strengthen financial sustainability

- increase water supply certainty
- increase customer, community and stakeholder satisfaction and support.

Seqwater's undertakings in its Operational Plan 2020-21 contribute to attaining those objectives, and progress is set out below.

Improve safety and organisational culture

Health, safety and wellbeing

Seqwater is committed to its *Safe for life* promise and understands that leadership is key to achieving it.

Water for life conversations are intentional risk focused conversations and a fundamental leadership commitment to Seqwater's *Safe for life* promise. In 2020-21 Seqwater set an expectation for leaders to commence conducting monthly *Water for life* conversations. As a result, demonstrating leadership commitment to the *Safe for life* promise, delivery of *Water for life* conversations exceeded the target by 56% for the year.

The launch of the *Safe for life* dashboard provided leaders with greater visibility of timely information and safety performance. Seqwater's upgraded learning platform improved reporting capability as well as greater efficiency and enhanced usability.

Other health safety and wellbeing initiatives delivered in 2020-21 include:

- reviewed Seqwater's risk management tools and identified and implemented critical controls
- implemented new risk management tools
- assessed contractor management maturity and established current state maturity and areas of the end-to-end contractor management process to focus on to sustain and improve health and safety performance.

Organisational culture

Seqwater implemented a range of initiatives to support improved leadership effectiveness and cultural transformation during 2020-21.

Key leadership development programs such as the *Switch on safety* program and *The way we lead* (Seqwater's leadership development program) were implemented with delivery paused at times as part of the COVID-19 response. An executive leadership program commenced to improve team alignment, cohesiveness and performance.

A number of new initiatives were introduced including Seqwater's employee benefits and wellbeing program 'Boost' and Seqwater's recognition program. Since the launch of the recognition program 1,725 Everyday Moments eCards have been sent to recognise efforts and performance of teams and individuals.

In March 2020 over 80% of employees completed the Organisational Culture Survey (OCI) and Global Safety Index (GSI). This has been the first year that the results of the OCI and GSI have been considered collectively, with the results showing that Seqwater maintained a sustainable safety culture and improved in 10 of the 12 organisational culture styles identified in the OCI.

COVID-19 also provided the opportunity for Seqwater to drive cultural change by challenging the status quo and adapting approaches to support a virtual workforce. Leadership programs were redesigned to support virtual delivery and key events and awards were delivered through Microsoft (MS) Teams, live podcasts and pre-recorded video. With employee engagement a priority, the Executive utilised technology to deliver updates, ensuring employees were kept up-to-date on key business priorities.

Returning to the workplace

Following around 65% of its non-frontline workforce working from home from March 2020, Seqwater implemented a phased return to the workplace from August 2020. Recently it considered its longer-term approach to working arrangements. Seqwater sought independent advice on how to continue to ensure safe practices and implement working arrangements that support wellbeing and productivity. Based on that advice, non-frontline people will be provided with the ability to work both at home and in the office to provide the best outcome.

Industrial relations and remuneration practices review

Seqwater is committed to ensuring compliance with employment obligations. A comprehensive review of industrial relations and remuneration practices has been undertaken to assess compliance and determine areas for improvement. Where historical errors are identified and confirmed rectification payments including interest and, where applicable, superannuation will be made. Seqwater continues to work through identified issues and make rectification payments accordingly. Employment governance has been strengthened through the introduction of new employment and remuneration processes and practices. System improvements have also been identified as key enablers for success. Seqwater continues to work closely with internal and external stakeholders including employees and unions as part of the industrial relations and remuneration review process.

Improve processes, systems and planning

Enterprise resource planning and capability

Effective enterprise systems and processes are key enablers in meeting Seqwater's strategic objectives. In 2020-21 Seqwater continued its *Connect the dots* program – the strategic initiative that is improving Seqwater's enterprise resource planning capability – targeting its finance, human resource, asset performance and management and supporting systems.

In 2020-21 Seqwater:

- developed a capital program reporting process and dashboard to increase transparency across capital program delivery
- launched an enterprise-wide digital glossary
- standardised cyber security controls and practices across corporate and operational technology environments
- completed mapping of over 150 key business processes
- commenced foundational improvements to Seqwater's Enterprise Resource Planning environment
- designed an asset management improvement program for implementation over the next three years

- commenced strategic system improvements in asset data management, capital program reporting, payroll and procurement management.

Business resilience

Each year Seqwater plans and prepares to respond to a range of events. An annual program including document review, training and simulation exercises is undertaken to optimise resilience, preparedness and continuous improvement.

In 2020-21 Seqwater:

- prepared and submitted the annual Statement of Flood Preparedness to the Dam Safety Regulator
- undertook flood scenarios simulation exercises
- completed SEQ water supply system emergency response exercise
- reviewed the Seqwater Emergency Management Manual
- completed emergency response desktop exercises
- trained selected incident controllers and emergency management team members.

Strengthen financial sustainability

As the bulk water supplier for SEQ, 98% of revenue is derived from bulk water sales, with Seqwater financially reliant on bulk water pricing for the recovery of prudent and efficient operating and capital investment expenditure.

Seqwater manages \$10.9 billion of water supply assets and is financially leveraged at 84%, with funds from operations currently meeting debt servicing requirements. The current financial performance and highly leveraged position require the Board to rely on the Queensland Government's commitment to ensuring the solvency and ongoing viability of the entity.

Seqwater has budgeted \$985.4 million of capital expenditure over the next five years to 2025-26, this is an increase of around 57% on the estimated capital expenditure over the prior five-year period of around \$629.0 million. Significant projects being undertaken through the *Dam Improvement* program and other critical water supply projects are driving capital investment and requiring continued funding options analysis and risk based prioritisation of Seqwater's asset investment program.

	2020-21 Actual (\$000)	2019-20 Actual (\$000)
Earnings before interest and tax	474,096	486,255
Net profit after tax	12,596	37,098
FFO interest coverage	1.04	1.04
Debt to debt plus equity	0.84	0.84
Capital Investment	124,340	143,570

Bulk water price path review

Seqwater is a declared monopoly service under the *Queensland Competition Authority Act 1997*. Seqwater's prices are set by the Queensland Government, following a price review by the Queensland Competition Authority (QCA).

In June 2021 the Treasurer and Minister for Investment issued a referral notice directing the QCA to undertake a review of Seqwater's prudent and efficient costs and recommend bulk water charges to apply from 1 July 2022. Seqwater provided a detailed submission to the QCA on 30 June 2021 on its operations and proposed investments to maintain a safe and secure bulk water supply to its retailer customers, and in turn for the community.

Capital program

Seqwater invested \$124.3 million in capital projects in 2020-21. Program highlights include:

- completed upgrades at the Kenilworth Water Treatment Plant
- completed two concrete reservoirs at the Beaudesert Water Treatment Plant
- completed stage 2A of the Ewen Maddock Dam upgrade and reopened the recreation area to the public ahead of schedule, the project was

delivered at a cost of \$15.7 million, \$8.8 million below the budget of \$24.5 million

- continued work on the \$37.7 million Mt Crosby East Bank Water Treatment Plant filtration upgrade
- completed stage 1 of the Barnes Hill valve replacement
- received preliminary approval of aspects of the Mt Crosby East Bank Flood Resilience program from Brisbane City Council
- commenced the \$16.1 million Gold Coast Desalination Plant Reverse Osmosis Membranes replacement program
- progressed the Somerset Dam upgrade detailed business case
- awarded the contract for the design and construction of the \$95.2 million South West Pipeline connecting the Beaudesert region to the SEQ Water Grid
- commenced planning and design of the Toowoomba to Warwick Raw Water Pipeline
- completed pipeline repairs to improve water security on Karragarra Island
- commenced construction on the replacement of the Noosa Water Treatment Plant access bridge.

Increase water supply certainty

The *Water Security Program* is Seqwater's plan to provide the growing SEQ region with safe and reliable drinking water over the next 30 years.

In 2020-21 Seqwater continued the development of Seqwater's *Water Security Program*, version 3, due in 2022. This next version of the program is being developed in partnership with Seqwater's retailer customers and the Queensland Government, and incorporates insights from community engagement.

Seqwater also finalised the third year of its *Water Future* engagement and education program to support the development of SEQ's long term water supply plan. The program has allowed Seqwater to gain insight to community attitudes towards future water supply options, including additional climate

independent sources like desalination and purified recycled water. A review of this program will help shape the next version of community engagement about future water supply planning.

The program also included key stakeholder engagement, including local councils in SEQ, around climate independent sources to build understanding and advocacy. This included plant tours, presentations and briefings.

In addition, Seqwater continued to invest in maintenance and upgrades of key water assets including the Mt Crosby water treatment plants, SEQ's largest and most important plants.

Increase customer, community and stakeholder support and satisfaction

Community engagement

The aim of the *Water Future* program is to develop a water wise community, one which is connected to water, participates in decision making and acts to manage water. In 2020-21, the program focused on water wise behaviours including launching of a water wise promise initiative.

To ensure the health and safety of essential workers during Seqwater's COVID-19 pandemic response, the program went online and six virtual tours of the Gold Coast Desalination Plant were conducted with 70 attendees learning about the desalination process.

Seqwater continued to work with impacted communities about water infrastructure projects to build awareness and understanding and foster positive relationships with the communities it serves. In 2020-21 it:

- engaged impacted communities on water infrastructure projects including the Somerset, Lake Macdonald and Ewen Maddock dam upgrades, the South West Pipeline and the Mt Crosby East Bank Water Treatment Plant Filtration upgrade

- worked with the Somerset Dam upgrade Community Reference Group, consisting of residents, business owners, recreation users and a Council representative to identify project impacts, mitigation and management measures
- worked with the Lake Macdonald Community Reference Group, which consists of representatives of a number of community groups, recreation groups, local Council officer and local residents
- kept the Southern Moreton Bay Island residents informed on projects to replace 80 metres of pipeline and pipe burst repair activities
- partnered with the Mooloolah State School Parents and Citizens Association to provide free access to the local swimming pool while on-water recreation was closed at Ewen Maddock Dam due to essential upgrade work.

An improved version of Seqwater's free public safety app was also released ahead of SEQ's summer storm season, enabling residents and visitors to stay updated on water supply and recreation news.

Education

Seqwater's *H2O Kids* is an integrated learning program consisting of a suite of hands on experiences and resources for teachers, parents and students from prep to year 12. In 2020-21 the program reached 19,378 people and inspired students through storytelling and inquiry-based learning. As part of the COVID-19 pandemic response, incursions and excursions transitioned online for a period and ensured Seqwater continued to deliver school-based learning.

Seqwater's *Play it safe* educational program runs annually from December to Easter. The campaign seeks to drive greater safety awareness and behaviour around Seqwater's dams, lakes and parks with a focus on Seqwater's recreational sites. In December 2020 Seqwater delivered a series of *Play it safe* virtual sessions to 1,185 students in five schools across the region.

Working with customers

Seqwater works in close partnership with its retailer customers to achieve improved outcomes. In 2020-21 the partnerships:

- progressed the development of the *Water for SEQ Plan*, the focus of this collaborative strategic planning across the service providers aims to improve integrated water cycle planning to achieve better economic, environmental and social outcomes for SEQ and support regional planning
- implemented the *SEQ Drought Response Plan* including delivering water wise media campaigns, maintaining supply to off-grid communities, and preparing for potential implementation of water restrictions
- delivered a joint initiative with Urban Utilities to supply purified recycled water to a large industrial user to preserve dam levels in Wivenhoe and Somerset
- worked with Urban Utilities to identify opportunities across the supply system to ensure ongoing water security for the community supplied from the Lowood Water Treatment Plant
- well advanced the review of Water Quality Service Standards
- developed pricing principles in consultation with retailer customers to inform Seqwater's bulk water price submission to the QCA
- reviewed the *Bulk Water Supply Code (January 2013)*.

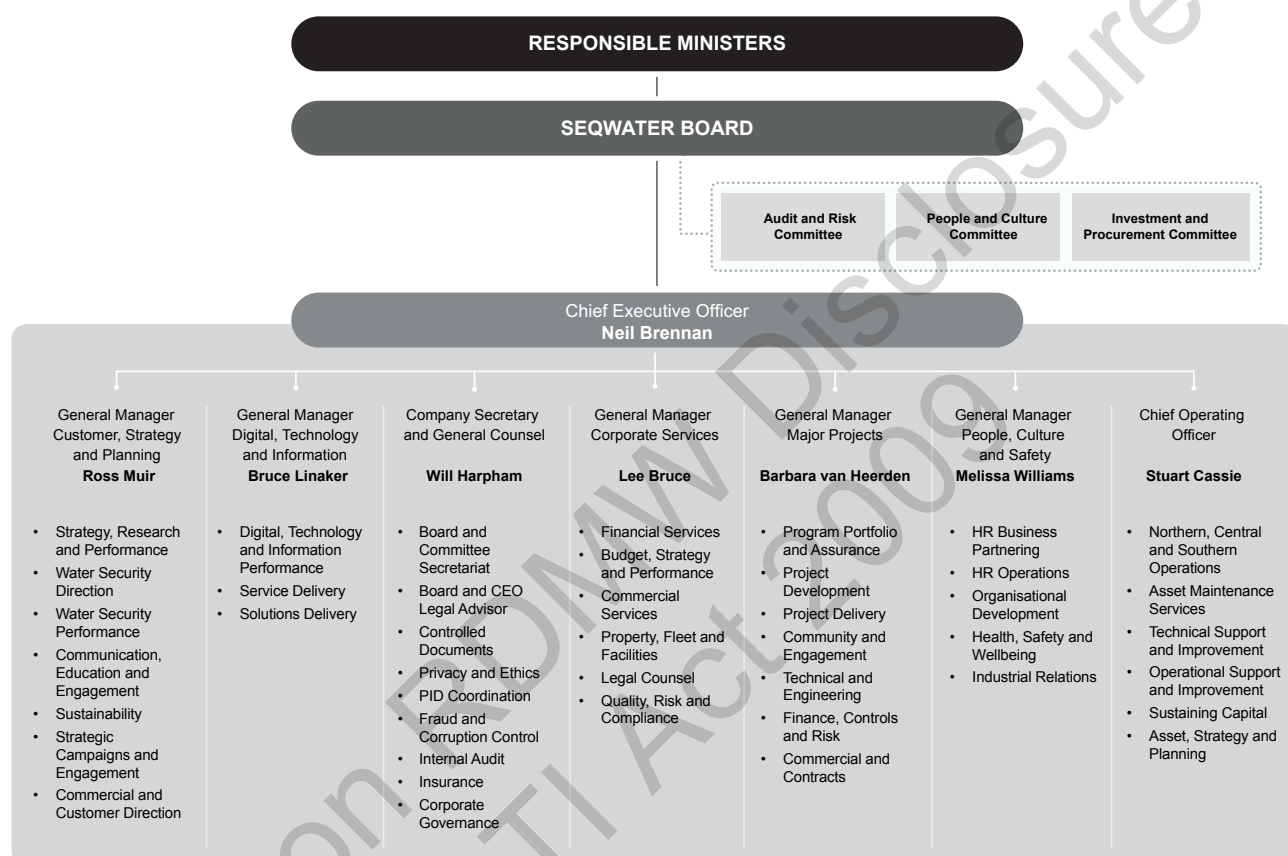
Catchment health and source water quality

In 2020-21 Seqwater invested approximately \$6.5 million in catchment management, with \$5.0 million allocated to partnership projects. Partnership projects included riparian weed control and revegetation work, landslip remediation and bank stabilisation, onsite wastewater system upgrades and other on-farm improvements.

Other projects delivered directly by Seqwater included continuing bank stabilisation and planting projects in the Pine River, mid Brisbane River and upper Brisbane River catchments, with planning underway for other projects in the mid Brisbane River and Stanley River catchments. Various offset projects were also delivered by Seqwater.

Governance

Organisational chart



Executive

The Executive provides leadership and direction to the workforce and drives the achievement of Seqwater's strategic priorities and regulatory obligations. Seqwater's Executive have three management committees:

- Health, Safety and Wellbeing Steering Committee
- Executive Fiscal Review Committee
- Major Projects Steering Group.

Health, Safety and Wellbeing Steering Committee

Membership of the committee is made up of the full Executive. The General Manager People, Culture and Safety chaired the committee in 2020-21. The committee's role is to:

- have oversight of the health, safety and wellbeing consultative framework within Seqwater
- resolve issues raised by Health, Safety and Wellbeing Regional Committees and the Electrical Safety Improvement Group
- monitor and review Seqwater's Health, Safety and Wellbeing Safety Management System to ensure its continuing suitability, adequacy and effectiveness
- identify and provide direction on opportunities, priorities and strategies to improve health, safety and wellbeing performance
- provide governance over the delivery of key strategies and initiatives established to improve health, safety and wellbeing performance.

Executive Fiscal Review Committee

Membership of the Executive Fiscal Review Committee comprises the Chief Executive Officer (CEO) (Chair), General Manager Corporate Services (Deputy Chair), General Manager Customer, Strategy and Planning and Company Secretary and General Counsel.

The Committee's primary role is considering matters which may have financial or budgetary implications for Seqwater over defined thresholds. The Committee's role includes the review and endorsement of initiatives or proposals that cannot be accommodated within existing budgets.

At the direction of the CEO, the Executive Fiscal Review Committee may also consider other fiscal issues that require dedicated or longer-term consideration.

Major Projects Steering Group

Membership of the Major Projects Steering Group comprises an independent Chair, CEO, Company Secretary and General Counsel, Chief Operating Officer (COO) and General Manager Corporate Services.

The purpose of the Major Projects Steering Group is to provide objective advice, insights and recommendations to the CEO and Seqwater Board (including Board Committees). The Major Projects Steering Group will also provide advice, insight and recommendations, and where necessary direction to the General Manager Major Projects.

The Major Projects Steering Group functions include:

- a governance and assurance role for major projects from planning, business case development, project delivery and handover - endorsing and monitoring the overall direction and delivery of major projects, whilst providing leadership support and guidance
- actively identifying opportunities to translate innovations or improvements applied through a major project into Seqwater's business as usual planning and delivery.

Seqwater engages with its responsible Ministers, Queensland Treasury, Department of Regional Development, Manufacturing and Water, State Development Infrastructure, Local Government and Planning, agencies, local government and the broader community in the planning and delivery of major projects.

In 2020-21 Seqwater's Executive comprised:

Neil Brennan

Chief Executive Officer

Neil joined Seqwater in August 2018 with a 32-year history in the Victorian water industry, most recently as Managing Director of Western Water. He was also the Interim Managing Director of Goulburn Murray Water, Managing Director at Central Highlands Water and held various Ministerial appointments to industry committees including as Director of the Board of the Energy and Water Ombudsman Scheme Victoria, Executive Council Member of the Institute of Water Administration and Chair of the Victorian water industry's Intelligent Water Networks Steering Group. Neil holds a Graduate Diploma in Management, a Master of Business Leadership and has completed the Oxford Advanced Management Programme.

Will Harpham

Company Secretary and General Counsel

Will has over 20 years of experience advising corporate and government entities across a variety of areas including major projects, transport and logistics, corporate governance, insurance, infrastructure and water supply. Prior to his current role he held management roles at LinkWater and Seqwater.

Stuart Cassie

Chief Operating Officer, Planning, Operations, Delivery

Stuart has over 25 years leadership experience in complex infrastructure assets, holding senior global operational roles in Tier 1 engineering and professional services organisations prior to his current role. He has acted as a consultant providing delivery and advisory services to assist large, complex infrastructure owners and developers evaluate, manage and deliver major capital projects and portfolios of sustaining capital projects for ongoing operations. Stuart has been an advisor to executives across sectors and jurisdictions including government infrastructure, energy and resources, oil and gas, and utilities in Australia, Europe, Africa, Middle East and North America.

Ross Muir

General Manager, Customer, Strategy and Planning

Ross has more than 25 years of experience in the water sector, specialising in commercial and regulatory aspects of water supply. Previously Ross was Seqwater General Manager, Water Services. Before joining Seqwater, Ross was a consultant for more than 10 years advising private sector and government clients in the Australian water sector on price regulation, infrastructure investments, institutional reform and water policy.

Melissa Williams

General Manager, People, Culture and Safety

Melissa has extensive human resource, customer and operations expertise with more than 20 years of experience working in the private, not for profit and public sectors. She has held senior roles in a diverse range of industries including energy, transportation, education and health/aged care.

Barbara van Heerden

General Manager, Major Projects

Barbara has extensive experience in all aspects of planning and delivery of major and complex infrastructure projects. Her diverse experience in managing and delivering large programs of work in public and private sector environments, provides her with a solid understanding of the governance and assurance requirements in project delivery. Prior to joining Seqwater, Barbara was the Regional Director for the Queensland Department of Transport and Main Roads North Coast and Wide Bay Burnett Region, responsible for leading the strategic direction, delivery of the capital program, and the maintenance and operation of the state-controlled road network for the region. Barbara has worked in infrastructure leadership roles in South Africa, Namibia, the United States of America and the United Kingdom. Barbara holds a Master's degree in civil engineering, is a fellow of Engineers Australia, is a registered professional engineer and a graduate of the Australian Institute of Company Directors.

Lee Bruce

General Manager, Corporate Services

Lee has over the past 10 years held executive and senior leadership roles and has extensive experience in managing diverse professional services including strategy, investment, finance, analytics, legal, ICT, projects, risk, quality, compliance, commercial services, sales and marketing, relationship and business management. Lee previously held the role of COO for the European Capital Markets and Treasury Solutions Division at Deutsche Bank London. Lee's most recent role was Director of Corporate Services for the Translational Research Institute, Brisbane.

Bruce Linaker

General Manager, Digital Technology Information

Bruce has held various executive-level and senior management roles supporting the successful delivery of technology programs. Recent roles include the CEO for eHealth Queensland and Chief Information Officer for Queensland Health, accountable for the delivery of in excess of \$1 billion worth of digital transformation projects. Prior to this, Bruce was based out of Manila where he led multiple digital transformation teams located throughout the Asia Pacific.

Seqwater Board

The Hon. Dr David Hamill AM (Chair)

Independent Board member

(appointed 1 October 2018)

The Hon. Dr Hamill is a professional non-executive company director with an extensive track record and Board experience. He is currently Chair of the Seqwater Board, Chair of Act for Kids, a Director of Brookfield Business Partners LP, Ebenezer Pastoral Pty Ltd, DBCT Management Pty Ltd, DBCT Investor Services Pty Ltd, DBCT Finance Pty Ltd and Auraway Pty Ltd.

Among his former roles, Dr Hamill was Chair of the Australian Red Cross Blood Service, Chair of the Gladstone Airport Corporation, Chair of the Queensland Museum, Director of Brookfield Infrastructure Partners LP and a member of the governing body (Senate) of the University of Queensland.

As the Member for Ipswich in the Queensland Parliament from 1983-2001, Dr Hamill held the portfolios of Treasurer (1998-2001), Minister for Education (1995-1996), and Minister for Transport and Minister Assisting the Premier on Economic and Trade Development (1989-1995).

A Rhodes Scholar, Dr Hamill is a graduate of both the University of Queensland (BA and PhD) and Oxford University (MA). He is a Fellow of the Chartered Institute of Transport, a Fellow of the Australian Institute of Company Directors and in 2009 he became a Member of the Order of Australia for service to the Parliament, the community, and to business.

Ms Penny Tovey

Independent Board member

(appointed 1 October 2018)

Ms Tovey has more than 25 years of experience in organisational leadership, legal compliance, industrial relations, human resources management, resource utilisation and organisational development. She is currently Chair of the State Government's Generator Shareholder Mandate Consultation Group and General Manager People and Culture at the Southport Sharks Club. Among her former roles, Ms Tovey was the Director of the Association of Professional Engineers Scientists and Managers Australia, owner/director of her own company Workplace Knowhow and has worked for both employer and employee organisations. She was also Chair of the Industrial Relations Committee for CleanCo.

Ms Marita Corbett

Independent Board member

(appointed 13 December 2019)

Ms Corbett is a Chartered Accountant, Certified Internal Auditor and Certified in risk management assurance. She has 30 years of experience as a governance, risk management and accounting professional, supporting organisations to improve operations and accomplish objectives through the evaluation of decision making, risk management, internal control and governance processes.

Ms Corbett has gained extensive business experience through her work with a number of large corporations with significant revenue and asset bases, diverse stakeholders, investments, commercial and operational scopes and risk-based decision-making requirements.

Ms Catherine Mickel

Independent Board member

(appointed 1 October 2020)

Ms Mickel is a physiotherapist with more than 30 years of experience across public, private and community health sectors. She is currently Chair of the Karuna Hospice Services and is a Director on the Nursing and Midwifery Board of Australia, Queensland. Ms Mickel is the former National President of the Australian Physiotherapy Association (APA) and was the APA's national spokesperson for seven years. She was the owner and director of Mickel Consulting, providing strategic advice to companies and organisations wanting to engage with Australian governments – local, state and federal.

Ms Gail Ker

Independent Board member

(appointment 1 October 2020)

Ms Ker is currently the CEO of Access Community Services Ltd and a board member on Migration Council Australia. She formerly served on a number of boards and advisory committees including Settlement Services Advisory Council and Community Advisory Committee of SBS and has more than 20 years' experience in the Australian multicultural, humanitarian and community sectors.

Mr John McEvoy

Independent Board member

(appointed 1 October 2020)

Mr McEvoy has 40 years of experience in the mobilisation and delivery of major capital investment programs and megaprojects within Australia and internationally. His former engagements in SEQ's water supply assets include Project Director of the Western Corridor Recycled Water Scheme as well as broader involvement in the delivery of a range of dams, water treatment plants and trunk mains across the region.

Mr Shane McGrath

Independent Board member

(18 December 2014 – 30 September 2017,
5 January 2018 – 30 September 2020)

Mr McGrath is a civil engineer with more than 30 years of experience in the water industry. He has extensive experience in senior leadership roles for asset creation and management of water supply infrastructure, including major dams, both in Australia and internationally. Mr McGrath is a Director of SGM Consulting, Chairman of the Australian National Committee on Large Dams, a member of the Dam Safety Committee of International Commission on Large Dams, a Fellow of the Institution of Engineers and a Chartered Professional Engineer.

Corporate governance

Seqwater has a framework of rules, relationships, policies, systems and processes in place to effectively and responsibly manage the organisation and give confidence to its stakeholders, customers and communities.

As a Government-owned statutory authority, Seqwater has Board approved governance arrangements, which reflect the governance requirements in relevant legislation and government guidelines. In 2020-21, quarterly performance reports were provided to its responsible Ministers. Seqwater worked cooperatively with its responsible Ministers' departments, Queensland Treasury and the Department of Regional Development, Manufacturing and Water.

From time to time Seqwater was required to report, communicate or engage with other government agencies. Seqwater continued to work collaboratively with government agencies to ensure appropriate application of government policies and directives to its operations.

The responsible Ministers have requested that Seqwater apply the *Corporate Governance Guidelines for Government Owned Corporations*, issued by Queensland Treasury. These guidelines have adopted the eight principles to corporate governance set out in the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations, which provide a framework to develop, implement, review and report on relevant corporate governance arrangements. An overview of Seqwater's corporate governance arrangements is set out in the following principles.

Principle 1 – Foundations of management and oversight

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

- set strategy and direction, and provide the governance framework for the organisation through the endorsement of financial, administrative and operational policies
- ensure Seqwater performs its functions and exercises its powers in a proper, effective and efficient way
- ensure strategic and operational planning objectives are achieved
- be accountable to the responsible Ministers for performance and governance
- review the annual performance of the CEO and the Company Secretary and General Counsel.

The Board has delegated specific powers and functions to Board Committees, the CEO, executives and other employees. The CEO is responsible to the Board for the management and performance of Seqwater and for the development and implementation of strategy. The CEO manages Seqwater in accordance with the strategic and operational plans. The CEO and executives'

performance is measured against Key Performance Indicators, and communicated to the responsible Ministers in line with the *State Government Policy for Government Owned Corporation Chief and Senior Executive Employment Agreement*.

While the provision to make performance payments is referenced in the key management personnel disclosures in the attached audited financial statements, in accordance with Queensland Government policy, no performance payments were made to the CEO or Executives during 2020-21 for the 2019-20 financial year, and no performance payments will be made to the CEO or Executives for the 2020-21 financial year.

Principle 2 – Structure the Board to add value

All members of the Board, including the Chair are non-executive members. The Board members are appointed by the responsible Ministers in accordance with the *South East Queensland Water (Restructuring) Act 2007*. All Board members who served during the reporting period were independent as assessed against the criteria in the *ASX Corporate Governance Guidelines*.

Board members are issued with an induction pack on appointment that details Seqwater's operational information, governance requirements and policies. Board members may seek independent professional advice on matters before the Board.

The Chair is responsible for identifying, assessing and enhancing Board members' competencies to ensure that the Board and each committee has members with appropriate qualifications.

The Board engaged an external consultant to conduct the review of its performance for 2019-20. Board members completed a confidential survey capturing their assessment of the performance of the Board and its committees, including in respect of good governance practice in the conduct of meetings, engagement with management, and secretariat support. The Board considered the survey outcomes in August and September 2020, and as a result, implemented refinements to its practice, including finalising the development of the Board's skill matrix during 2020-21.

Standing committees

The Board has three standing committees that meet periodically. On 30 June 2021 membership comprised:

- Audit and Risk Committee: Marita Corbett (Chair), Penny Tovey, Dr David Hamill, John McEvoy
- Investment and Procurement Committee: John McEvoy (Chair), Marita Corbett, Dr David Hamill, Catherine Mickel, Gail Ker
- People and Culture Committee: Penny Tovey (Chair), Dr David Hamill, Catherine Mickel, Gail Ker.

All Board members are entitled to attend committee meetings. The Board may form other committees, however during the period it requested any other matter be considered at a whole of Board level.

Audit and Risk Committee

The Audit and Risk Committee provided 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. Seqwater's internal audit function regularly reviewed and tested the effectiveness of the system and reported to the Audit and Risk Committee.

The Committee's duties and responsibilities are outlined in its Charter, and encompass oversight of compliance with all mandatory requirements of corporate governance. The Committee met six times in 2020-21 in July, August, October, February, March and May.

During 2020-21, the Committee considered amendments to and compliance with the requirements of the Committee's Charter and oversaw:

- the annual budget process and financial reporting, and recommended to the Board for approval
- the development of the Operational Plan 2021-22 and Strategic Plan 2021-25, and recommended to the Board for approval and submission to the responsible Ministers
- the preparation of the annual financial statements, including the asset valuation model and assumptions, and recommended to the Board for approval
- Queensland Treasury Corporations (QTC) management of Seqwater's debt pool in accordance with the QTC Mandate
- the external audit function and consideration of associated reporting
- the internal audit function and considered associated reporting, including progress against the 2020-21 Internal Audit Plan, and recommended to the Board for approval of the 2021-22 Internal Audit Plan
- fraud and corruption control activities, including progress against the 2020-21 Fraud and Corruption Control Plan, and recommended to the Board for the approval of the 2021-22 Fraud and Corruption Control Plan
- management's development of a Stakeholder Engagement Plan

- the Enterprise Risk Management Framework and associated reporting
- the strategy for and delivery of the annual renewal of the insurance program, and recommended to the Board for approval
- the review and update of relevant governance policies, and recommended to the Board for approval:
 - Audit and Risk Committee Charter
 - Internal Audit Charter
 - Seqwater's Policy Framework
 - Gifts and Benefits Policy
 - Trading in Securities Policy
 - Asset Management Policy Statement
 - Non-current Assets Policy.

In 2020-21 the Audit and Risk Committee considered audit reports, prepared by the Queensland Audit Office (QAO), which outlined all audit recommendations made by the QAO.

The Committee reviewed its prior year performance and provided associated reporting to the Board.

Investment and Procurement Committee

The Investment and Procurement Committee reviewed capital and operational investment and procurement decisions. The Committee ensured Seqwater met strategic, corporate and technical aspects of asset delivery and operational performance objectives, while managing the associated business risks and ensuring risk management systems were in place. The Committee's role, functions and duties are outlined in its Charter.

During 2020-21, the Committee:

- considered the 2021 Asset Portfolio Master Plan, which presents an integrated and optimised suite of infrastructure improvements to meet customer service requirements and manage risk over the next 30 years, and recommended to the Board for approval
- considered the 2021-22 capital program, including the elements of the *Dam Improvement* program and other major capital projects, and recommended to the Board for approval
- considered major capital investment and maintenance program business cases and critical supply contracts, including asset upgrades, analytical and laboratory services, maintenance services, and recommended to the Board for approval

- oversaw Seqwater's delivery of the 2020-21 infrastructure and non-infrastructure capital investment program, with a focus on efficient and effective outcomes
- considered management's proposed adjustments to the 2020-21 capital program, based on Management's risk-based reprioritisation process
- oversaw management's implementation of the information technology strategy, and an increased focus on improving cyber-security
- used its delegated authority to consider the approval of contracts up to a value of \$10 million
- oversaw Seqwater's performance of the major service contracts in relation to Seqwater's infrastructure assets
- considered the review and update of relevant governance policies and recommended to the Board for approval:
 - Investment and Procurement Committee Charter
 - Dam Safety Investment Policy.

During the period the Committee reviewed its prior year performance and provided associated reporting to the Board.

People and Culture Committee

The People and Culture Committee reviewed decisions and recommendations relating to Seqwater's people and culture initiatives, policies and programs and health safety and wellbeing program. The Committee's role, functions and duties are outlined in its Charter.

During 2020-21, the Committee oversaw:

- the development of the Board's skill matrix
- the annual CEO and executive performance⁴ for 2019-20, and recommended to the Board for approval
- management's implementation of Seqwater's health, safety and wellbeing program and associated risk management, in particular, the implementation of the Risk Management and Critical Controls Framework and the development of Seqwater's contractor management improvement initiative
- management's investigation and response to emergent people and culture issues
- management's development of Seqwater's succession planning program
- management's development of the proposed 2021-22 Organisational KPIs and targets and recommended to the Board for approval
- the review and update of relevant governance policies and recommended to the Board for approval:
 - People and Culture Committee Charter
 - Remuneration Policy
 - *The way we work* (our code of conduct)
 - Board Code of Conduct
 - Health, Safety and Wellbeing Policy Statement
 - Sponsorship Policy Statement.

During the period the Committee reviewed its prior year performance and provided associated reporting to the Board.

⁴ In accordance Government Policy, no performance payments were made to the CEO or Executives during 2020-21 for the 2019-20 financial year.

Government body

1 July 2020 to 30 June 2021

Seqwater Board

Act or instrument *South East Queensland Water (Restructuring) Act 2007*

Functions The Board is accountable to its responsible Ministers for the performance of Seqwater. It directs and monitors the affairs of Seqwater on behalf of its responsible Ministers and is responsible for Seqwater's overall corporate governance.

Achievements During 2020-21 the Board's key achievements included:

- oversight of Seqwater's response to the COVID-19 pandemic
- oversight of Seqwater's general business operations, including drought response
- oversight of Seqwater's capital program involving approval of major dam and water infrastructure development and upgrade projects
- approval of Seqwater's draft Operational Plan 2021-22 and draft Strategic Plan 2021-25.

Financial reporting The Board, through the Audit and Risk Committee, oversees financial reporting. The audited 2020-21 financial statements and related disclosures were approved by the Board on 12 August 2021.

Remuneration					
Position	Name	Meetings/ sessions attendance	Approved annual fee ⁵	Approved sub- committee fees if applicable ⁶	Actual fees received ⁷
Chair	Hon. Dr David Hamill	27 (12 Board, 15 committee)	\$100,000	\$4,500 per committee p.a. (Committee member)	\$113,500
Board member	Penny Tovey	21 (11 Board, 10 committee)	\$45,000	\$8,000 p.a. (Committee Chair) \$4,500 per committee p.a. (Committee member)	\$57,208
Board member	Marita Corbett	19 (10 Board, 9 committee)	\$45,000	\$8,000 p.a. (Committee Chair) \$4,500 per committee p.a. (Committee member)	\$62,963 ⁸
Board member	John McEvoy	15 (7 Board, 8 committee)	\$45,000	\$8,000 p.a. (Committee Chair) \$4,500 per committee p.a. (Committee member)	\$42,419
Board member	Catherine Mickel	14 (7 Board, 7 committee)	\$45,000	\$4,500 per committee p.a. (Committee member)	\$39,992
Board member	Gail Ker	13 (6 Board, 7 committee)	\$45,000	\$4,500 per committee p.a. (Committee member)	\$43,791 ⁹
Board member	Shane McGrath	6 (5 Board, 1 committee)	\$45,000	\$8,000 p.a. (Committee Chair)	\$13,250
Total out of pocket expenses		NIL			

⁵ Excludes superannuation contributions.

⁶ Excludes superannuation contributions.

⁷ Fees per annum, pro-rata based on membership during the period and excludes employer superannuation contributions, unless otherwise noted.

⁸ Invoiced fees include a provision for superannuation.

⁹ Invoiced fees include a provision for superannuation.

Principle 3 – Promote ethical and responsible decision making

Seqwater is committed to high standards of integrity, professionalism and accountability. Seqwater maintains several key corporate governance documents focused on ensuring public confidence and integrity in Seqwater and clearly establishing accountability and ethical decision-making expectations of Seqwater workers in the conduct of their duties.

The way we work, Seqwater's Code of Conduct and Seqwater's values describe the behaviours and culture expected of workers in delivering on the *Water for life* vision and *Safe for life* promise. *The way we work* forms part of Seqwater's recruitment process and onboarding program and is readily available internally and externally.

The way we work aligns with the *Public Sector Ethics Act 1994*, ethics principles and values and it is supported by several policies, procedures and documents. Associated human resource practices are reviewed every one to three years to ensure currency and alignment. In addition, Talent and Performance Plans enable regular conversations between employees and their leaders around living the values, goals and accountability.

The way we work training continues to be a core deliverable of Seqwater's learning platform, guiding values-based behaviour and ethical decision making.

High standards of integrity and ethical behaviour are required of any person who is carrying out duties for or on behalf of Seqwater. The Seqwater Board has a Board Code of Conduct policy that describes the

principles of conduct that are to be observed while undertaking duties or representing Seqwater.

Seqwater's Policy Framework details its policy governance hierarchy and establishes the requirements for policy development, implementation and review, and includes a list of all Board reserved policies and documents.

The Gifts and Benefits Policy details Seqwater's position on the giving, accepting and reporting of gifts and benefits.

The Trading in Securities Policy establishes protocols and restrictions to guard against potential conflicts of interests created by workers trading in securities or pursuing other investments.

The Conflict of Interest policy and procedure establish the requirement for identifying, declaring and managing conflicts of interest. An online declaration tool was developed and rolled out in 2020-21 making the process of declaring any conflicts generally, or as part of procurement activities easier to administer and ensure probity. In addition, updated conflict of interest training was developed and is anticipated to be delivered in 2021-22.

Seqwater's Fraud and Corruption Control Policy establishes accountabilities and responsibilities among its workers to prevent, detect and respond to fraud and corruption, and is overseen by Seqwater's Fraud Control Officer. Updated fraud and corruption control training has been developed for roll out to all employees in 2021-22.

Principle 4 – Safeguard integrity in financial reporting

The Board and the Audit and Risk Committee monitor and safeguard the integrity of Seqwater's financial reporting.

The Audit and Risk Committee provide assurance for financial reporting through review of accounting policy appropriateness, significant assumptions and judgements, and material estimations impacting on financial reporting.

Seqwater's Chair of the Board, CEO and General Manager Corporate Services annually certify that the financial statements represent Seqwater's financial performance and position and have been prepared in accordance with the *Financial*

Accountability Act 2009, *Financial and Performance Management Standard 2019* and other prescribed requirements.

In accordance with the *Auditor-General Act 2009*, the external audit function of Seqwater is performed by the QAO. The Audit and Risk Committee monitors the review and implementation of recommendations made by the internal audit function and external auditors.

Principle 5 – Make timely and balanced disclosures

Seqwater is committed to proactively communicating appropriate information to its stakeholders including its responsible Ministers, customers and the communities it serves.

Seqwater's communications to the responsible Ministers occur on a continuous disclosure basis, in addition to formal quarterly and annual reporting.

Briefing notes and other updates are provided, including communications on significant matters such as major capital projects and key operational matters such as drought response.

Seqwater maintains a publication scheme on its website to meet the requirements of the *Right to Information Act 2009*.

Principle 6 – Respect the rights of shareholders

Seqwater has a suite of documents which establish the formal communication between Seqwater and its responsible Ministers. These documents are supported by regular and detailed communications between Seqwater, its responsible Ministers and their departments.

Formal communications include:

- Strategic plan - a four-year plan that describes Seqwater's purpose, outlines its objectives and measures of success, demonstrates how it contributes to the Queensland Government's objectives for the community and outlines the critical issues for regional water supply.
- Operational plan - a one-year plan that outlines how Seqwater will deliver its services, establishes undertakings and performance targets for the financial year, and is agreed with its responsible Ministers.
- Quarterly performance reports - report on Seqwater's progress against the undertakings and performance targets established in the operational plan.
- Annual report - reports on Seqwater's non-financial and financial performance and achievements for the preceding financial year.

Principle 7 – Recognise and manage risk

Seqwater's Risk Management Policy Statement highlights its commitment to integrated, consistent and efficient assessment and management of risks to support the achievement of its strategic and operational objectives and to maximise opportunities.

Seqwater's Risk Appetite Statement highlights the nature and level of risk that Seqwater is willing and able to take in the pursuit of its strategic objectives and sets the parameters for how risk is to be managed to preserve and create value across the organisation. It is approved by the Board and reviewed annually by the Audit and Risk Committee.

Seqwater's Enterprise Risk Management Framework establishes the processes for assessing and managing risks and opportunities within the Board-approved risk appetite and is approved by the Board and overseen by the Audit and Risk Committee. The Framework aligns with *ISO 31000:2018 Risk Management Guidelines* and meets the requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019*.

A comprehensive review of the Enterprise Risk Management Framework, the Risk Appetite Statement and the Risk Management Policy Statement commenced in May 2021 to further streamline risk management at Seqwater.

While the CEO retains ultimate management accountability for managing risk across the organisation, risks relating to day-to-day operations and the delivery of corporate objectives are monitored by the Executive.

Seqwater recognises the importance of organisational culture in the success of an enterprise-wide risk management approach and continued to embed aligned risk-based decision-making across all plans and processes.

The following initiatives and activities were undertaken in 2020-21 to manage risks effectively and efficiently:

- all Board and Executive submissions and proposals included an assessment of the risks to the business to inform and enable risk-based decisions and prioritisation

- reviews of risk, opportunities, controls and initiatives were conducted throughout the year and reported quarterly to the Audit and Risk Committee
- risk assessments and information were integrated into strategic and operational planning, project management, capital and asset planning, incident and emergency response and business continuity planning protocols
- improvements were made to the management of strategic and operational risk information in a central system, enabling better reporting and analysis, and improved visibility of incidents, issues and risks
- fraud and corruption risk management and controls continued to be enhanced
- tools to gather information to assess and manage risks consistent with Seqwater's risk appetite for functional areas such as environment, water quality and safety were enhanced

- project delivery risk assessment and management tools were improved.

Seqwater has a Board-approved commercial insurance program.

Internal audits provided independent, objective assurance and aid in delivering on its purpose by systematically reviewing, evaluating and recommending improvements to risk management and governance processes, and system of internal controls. Internal audit is delivered through a co-sourced model with an independent external specialist service provided and managed in house.

The status of audit recommendations was reviewed quarterly and reported to the Board, the Audit and Risk Committee, the CEO and the Executive.

Principle 8 – Remunerate fairly and responsibly

Remuneration at Seqwater is determined based on the type of employee.

Board members

Seqwater Board members are engaged in accordance with the *South East Queensland Water (Restructuring) Act 2007*.

Executive

The *Government Owned Corporation Chief and Senior Executive Employment Arrangements Guideline* sets the requirements for determining employment conditions, including remuneration, for the CEO and executives.

- level and composition of remuneration is sufficient and reasonable while meeting customers' and shareholders' expectations in relation to value for money
- clear relationship between remuneration, the position and performance of individuals
- performance incentives (where applicable) are a reward for exceptional performance and are not an entitlement for performing the role.

In accordance with the *Government Owned Corporations – Wages Industrial Relations Policy (Temporary Addendum) 2020*, no wage increases or performance bonuses were paid in 2020-21.

Common law contract employees

Common law contract employee remuneration is both underpinned by the relevant enterprise agreement wages and conditions as well as being market aligned and reviewed annually based on independent remuneration advice considering the following principles:

- the relevant enterprise agreement wage and conditions
- clarity and transparency

Enterprise Agreement employees

Employees engaged under the enterprise agreement were remunerated in accordance with the *Seqwater Enterprise Agreement 2016-2019* or the *Seqwater Enterprise Agreement 2019-2023*. Both agreements are consistent with the *Government Owned Corporations – Wages Industrial Relations Policy 2015*.

In accordance with the *Government Owned Corporations – Wages Industrial Relations Policy (Temporary Addendum) 2020*, no wage increases were paid in 2020-21.

Workforce planning and performance

Seqwater takes a planned approach to determine resourcing and capability needs. Seqwater's workforce comprised 820.25 FTEs on 30 June 2021. In 2020-21 Seqwater's permanent separation rate was 7.25%.

With a diversity of roles, disciplines and locations, a range of sourcing techniques is used to find the best talent to support Seqwater in delivering on key priorities.

Seqwater's leaders are committed to building the talent pipeline and developing the capability of its people providing them with both formal and on-the-job development opportunities. The *Next Generation* program is a key element of Seqwater's talent strategy providing a structured approach for apprentices, trainees and graduates to join the Seqwater team. On 30 June 2021, Seqwater had 13 trainees, six apprentices and four graduates employed.

Workforce strategies and organisational design continue to be reviewed to ensure contemporary practice. The *Connecting our Business* initiative continued to be a key focus during the year helping to identify and realise opportunities across the business for which work can be more efficiently and effectively structured and performed.

Seqwater's workspaces, policies, information technology and physical locations enable its employees to work flexibly and to work across multiple locations, including their home, where their role permitted them to do so. Seqwater recognises that utilising hybrid working approaches can optimise productivity, while flexibility and choice can empower employees to enhance their work life balance and has helped keep employees safe during the COVID-19 pandemic. In the long term, hybrid working can help Seqwater attract and retain a strong workforce, while contributing to its goal of a safe, inclusive workplace that supports diversity and opportunity. The enterprise agreement provides employees with flexible working options to support employees to balance individual needs with operational requirements and to ensure optimal delivery of performance and outcomes. On 30 June 2021, 5% of Seqwater's workforce was working on a part-time basis.

Seqwater's three-year leadership development program, *The way we lead* came to a close in 2020-21. This program was fundamental in creating

the shared leadership purpose to drive culture and performance through values-based leadership. As the leaders of Seqwater navigated through uncharted and tumultuous times in 2020-21, it was concluded that the leadership team needed more growth. Development is now underway for a two-year integrated Leadership Strategy that will, across all channels including safety, wellbeing, and performance, practically equip its leaders for the now, strengthen the leadership pipeline for tomorrow, and prepare its leaders to take Seqwater into the future.

Seqwater is committed to embracing the diversity of its people and fostering an inclusive culture in which its people are empowered to be innovative and challenge the status quo. The Diversity and Inclusion Strategy (July 2021 – December 2022) reflects Seqwater's commitment to ensuring a safe workplace where employees are treated with dignity and respect and where discrimination, harassment and bullying is not tolerated.

Discovery day forms part of Seqwater's monthly onboarding program, which gives new employees the opportunity to gain further insight into Seqwater, its role and culture. This program was taken online during COVID-19 restrictions. Site tours of key assets usually participated in by new employees were paused to limit exposure of critical employees at Seqwater sites to the risks of COVID-19.

Seqwater's Talent and Performance Plans enable regular conversations around living the values, delivering on goals and accountability which is especially important if Seqwater is to achieve its *Water for life* vision.

Seqwater's excellence awards provide an opportunity to recognise and celebrate the achievements of colleagues and outstanding leadership behaviours across all levels of the business, regardless of position. Seqwater's health and wellbeing program which includes flu vaccinations and skin checks, continued to be delivered in 2020-21 with alternative models for delivery used to comply with COVID-19 restrictions.

Seqwater actively encourages constructive working relationships with its employees, delegates and the unions that are party to its enterprise agreement. It maintains effective consultative mechanisms with unions on industrial relations matters.

Human rights

Seqwater respects, protects, and promotes human rights in decision-making and actions.

To further the objects of the *Human Rights Act 2019*, in 2020-21 Seqwater:

- completed a project to identify and catalogue compliance obligations under the *Human Rights Act 2019* and requirements to establish governance processes to ensure ongoing compliance
- proposed updates to *The way we work*, Seqwater's Code of Conduct to include human

rights references and the development of a Human Rights Policy Statement to the People and Culture Committee June 2021 meeting to recommend approval by the Board in July 2021. These updates, proposed for 2021-22, will enable employees to further understand and promote human rights as they apply to their work and Seqwater's obligations to the Queensland public.

Seqwater received no human rights complaints in 2020-21.

Information systems and record keeping

An upgrade to the Electronic Document and Records Management System (eDRMS) and migration of controlled documents to be managed within the eDRMS were completed in 2020-21 resulting in a 5% increase in the capture of electronic records and improved life-cycle management of controlled documents.

To ensure records are discoverable and accessible for use and re-use, eDRMS mobility will be the main priority for 2021-22. The completion of this program of work will transfer Seqwater's footprint of digital records across its diverse landscape, allowing regional workers to access accurate and reliable records to complete tasks from within the field.

The COVID-19 pandemic has had an impact on how organisations manage and maintain business transactions and recordkeeping. New methods

of collaboration and the requirement to capture structured and unstructured information has seen the implementation of MS Teams and OneDrive to support an agile workforce. Records management training was delivered as part of the controlled document migration to eDRMS to select employees.

Seqwater has records located the Queensland State Archives and at an offsite records storage facility, however the identification of records due for disposal or retention that was scheduled for 2020-21 was not possible due to COVID-19 restrictions. This activity has been rescheduled for 2021-22.

Seqwater's records are retained and disposed of in accordance with Queensland State Archives, General and Retention Disposal Schedule as authorised under section 26 of the *Public Records Act 2002*.

External scrutiny

There was no external scrutiny undertaken in 2020-21.

Government directions

A copy of the Direction to the Board of Seqwater to implement the Toowoomba to Warwick Raw Water Pipeline preparatory works, issued in May 2021 is attached.

Corporate entertainment

There was no corporate entertainment in 2020-21.

Overseas travel

There was no overseas travel in 2020-21.

Open data

Information about consultancies is available online in lieu of inclusion in the annual report. This information will be available on the Queensland Government open data website (<https://data.qld.gov.au>).

Events after the balance date

On 8 September 2021, the NSW Court of Appeal overturned the original decision of the 2011 Flood Class Action and discharged Seqwater of all findings of breach of duty. The Entity is not liable to the plaintiff or any group members and the proceeding has been dismissed, subject to any residual issues in relation to costs. The plaintiff has been ordered to pay the Entity's costs of its appeal. No orders have yet been made in relation to the costs of the proceedings before the trial judge. The matter has been remitted to the primary judge to finalise the costs orders.

Audited Financials

**Queensland Bulk Water Supply Authority
(Trading as Seqwater)**

**Annual Financial Report
For the year ended 30 June 2021**

Table of contents

Statement of comprehensive income	34
Statement of financial position.....	35
Statement of changes in equity	36
Statement of cash flows	37
Notes to the statement of cash flows	38
Section 1 - About the entity and this financial report	39
A1 Basis of financial statement preparation	39
A1-1 Reporting entity	39
A1-2 Statement of compliance.....	39
A1-3 Impact of COVID-19	39
A1-4 Going concern	40
A1-5 Critical accounting estimates and judgements.....	40
A1-6 Basis of measurement	41
A1-7 Presentation	41
A1-8 Prior period adjustments	42
A1-9 Authorisation of financial statements for issue.....	42
A2 Objectives of the Entity	42
Section 2 – Notes about our financial performance.....	43
B1 Revenue	43
B1-1 Water sales	43
B1-2 Government grants and other contributions.....	44
B1-3 Other revenue	44
B2 Employee benefit expenses	44
B3 Supplies and services	46
B4 Finance/borrowing costs	46
B5 Other expenses	47
B6 Income tax equivalents	47
Section 3 – Notes about our financial position.....	48
C1 Cash and cash equivalents	48
C2 Trade and other receivables	48
C3 Property, plant and equipment and related depreciation expense	49
C3-1 Recognition and acquisition	49
C3-2 Measurement using historical cost.....	50
C3-3 Measurement using fair value	50
C3-4 Depreciation	54
C3-5 Capital expenditure commitments.....	55
C3-6 Impairment	55
C3-7 Property, plant and equipment – balances and reconciliation of carrying amount	56

C4	Intangible assets	58
C4-1	Recognition of intangible assets	58
C4-2	Amortisation	58
C4-3	Capital commitments	58
C4-4	Impairment	58
C5	Trade and other payables	60
C6	Employee benefits	60
C7	Interest bearing liabilities	61
C7-1	Funding facilities	61
C7-2	Credit standby arrangement	62
C7-3	Fair value disclosures for financial assets and liabilities measured at amortised cost	62
C8	Deferred tax assets and liabilities	62
C8-1	Recognised deferred tax assets and liabilities	63
C8-2	Movement in temporary difference during the year	63
C8-3	Tax losses	64
C9	Other liabilities	64
C10	Right of use assets and lease liabilities	64
C10-1	Leases as Lessee	64
C10-2	Leases as Lessor	65
C11	Asset revaluation surplus by asset class	66
Section 4	Notes about risk and other accounting uncertainties	67
D1	Financial risk disclosure	67
D1-1	Financial instrument categories	67
D1-2	Financial risk management	67
D1-3	Capital management	69
D2	Contingencies	69
D3	Events after the balance date	70
D4	Future impact of accounting standards not yet effective	70
E1	Key management personnel (KMP) disclosures	71
E1-1	Details of Ministerial KMP and remuneration policies	71
E1-2	Details of non-Ministerial KMP and remuneration policies	71
E2	Related party transactions	74
E3	Climate risk disclosure	75
	Management certificate for year ended 30 June 2021	76
	Independent audit report to the Board of Queensland Bulk Water Supply Authority	77

Statement of comprehensive income

for the year ended 30 June 2021

	Notes	2021 \$000	2020 \$000
Revenue			
Water sales	B1-1	1,016,782	1,022,477
Grants and other contributions	B1-2	13,348	14,471
Other revenue	B1-3	9,065	8,374
Total operating revenue		1,039,195	1,045,322
Revaluation increment	C3-7	-	34,962
Total revenue		1,039,195	1,080,284
Expenses			
Employee benefit expenses	B2	112,631	107,473
Supplies and services	B3	175,905	176,637
Depreciation and amortisation	C3-7	265,312	265,107
Finance/borrowing costs	B4	454,301	466,202
Other expenses	B5	11,251	9,850
Total operating expenses		1,019,400	1,025,269
Operating result before income tax		19,795	55,015
Income tax expense	B6	7,199	17,917
Operating profit / (loss)		12,596	37,098
Other comprehensive income			
Item that will not be reclassified subsequently to operating profit or loss:			
Increase in asset revaluation surplus net of tax		-	31,042
Total other comprehensive income		12,596	31,042
Total comprehensive income		12,596	68,140

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2021

	Notes	2021 \$000	2020 Restated* \$000
Current assets			
Cash and cash equivalents	C1	473,016	313,997
Trade and other receivables	C2	147,615	149,381
Inventories		9,812	9,374
Other current assets		5,876	5,248
Total current assets		636,319	478,000
Non-current assets			
Property, plant and equipment	C3-7	10,944,446	11,078,951
Right-of-use assets	C10	4,715	5,308
Intangible assets	C4-4	152,300	158,399
Other non-current assets		847	555
Total non-current assets		11,102,308	11,243,213
Total assets		11,738,627	11,721,213
Current liabilities			
Trade and other payables	C5	40,836	35,208
Employee benefits	C6	34,523	30,888
Interest bearing liabilities	C7	276,849	36,657
Lease liabilities	C10	435	386
Other current liabilities	C9	11,946	11,841
Total current liabilities		364,589	114,980
Non-current liabilities			
Employee benefits	C6	3,704	3,599
Interest bearing liabilities	C7	9,144,305	9,384,583
Lease liabilities	C10	4,741	5,176
Deferred tax liabilities	C8-1	192,288	185,089
Other non-current liabilities	C9	270,764	282,146
Total non-current liabilities		9,615,802	9,860,593
Total liabilities		9,980,391	9,975,573
Net assets		1,758,236	1,745,640
Equity			
Contributed equity		(715,888)	(715,888)
Asset revaluation surplus	C11	2,755,888	2,755,888
Accumulated deficit		(281,764)	(294,360)
Total equity		1,758,236	1,745,640

The accompanying notes form part of these financial statements.

*Refer to Note A1-8 for details regarding the restatement as prior period adjustments.

Statement of changes in equity

for the year ended 30 June 2021

	Accumulated deficit (restated)* \$000	Asset revaluation surplus \$000	Contributed equity \$000	Total \$000
Balance as at 1 July 2019 as previously reported	(327,343)	2,724,846	(715,888)	1,681,615
Prior period adjustment*	(4,115)	-	-	(4,115)
Balance as at 1 July 2019 restated	(331,458)	2,724,846	(715,888)	1,677,500
Operating profit	37,098	-	-	37,098
Total other comprehensive income:				
- increase in asset revaluation surplus	-	31,042	-	31,042
Balance as at 30 June 2020	(294,360)	2,755,888	(715,888)	1,745,640
Balance as at 1 July 2020	(294,360)	2,755,888	(715,888)	1,745,640
Operating profit	12,596	-	-	12,596
Balance as at 30 June 2021	(281,764)	2,755,888	(715,888)	1,758,236

The accompanying notes form part of these financial statements.

*Refer to Note A1-8 for details regarding the restatement as prior period adjustments

Statement of cash flows

for the year ended 30 June 2021

	Notes	2021 \$000	2020 \$000
Cash flows from operating activities			
<i>Inflows:</i>			
Receipts from water services		1,017,748	1,014,775
Grants received		418	3,089
Interest received		2,426	3,868
Other revenue		8,540	4,583
GST collected		30,452	32,903
<i>Outflows:</i>			
Payments to suppliers and employees		(288,613)	(311,542)
Finance and borrowing costs		(454,075)	(470,108)
GST paid		(30,246)	(32,951)
Other		(3,616)	(3,925)
Net cash provided by operating activities	CF-1	283,034	240,692
Cash flows from investing activities			
<i>Inflows:</i>			
Proceeds from sale of plant and equipment		401	1,436
<i>Outflows:</i>			
Payments for property, plant and equipment		(121,184)	(135,327)
Payments for intangibles		(2,546)	(6,943)
Net cash used in investing activities		(123,329)	(140,834)
Cash flows from financing activities			
<i>Outflows:</i>			
Lease payments		(686)	(658)
Net cash provided by financing activities		(686)	(658)
Net increase in cash and cash equivalents		159,019	99,200
Cash and cash equivalents at the beginning of the financial year		313,997	214,797
Cash and cash equivalents at the end of the financial year	C1	473,016	313,997

The accompanying notes form part of these financial statements.

Notes to the statement of cash flows

CF – 1 Reconciliation of profit for the period to net cash provided by operating activities

	2021 \$000	2020 \$000
Operating profit	12,596	37,098
Non-cash items included in operating result:		
Depreciation and amortisation expense	264,719	264,514
Losses/ (gains) on sale of property, plant and equipment	(177)	393
Lease	893	912
Income tax expense	7,199	17,917
Revaluation increment	-	(34,962)
Doubtful debts expenses	3	4
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	1,556	(7,296)
(Increase)/decrease in inventories	(437)	(1,032)
(Increase)/decrease in GST receivable	197	(38)
(Increase)/decrease in other current assets	(920)	(1,872)
Increase/(decrease) in trade and other payables	5,123	(25,062)
Increase/(decrease) in employee benefits	3,741	5,748
Increase/(decrease) in other liabilities	(11,382)	(11,382)
Increase/(decrease) in loan interest payable	(86)	(4,240)
Increase/(decrease) in GST payable	9	(10)
Net cash provided by operating activities	283,034	240,692

CF – 2 Changes in liabilities arising from financing activities

	Non cash changes			Cash flows			
	Opening balance \$000	Transfers to / (from) QTC \$000	New lease acquired \$000	Other \$00	Cash received \$000	Cash repayments \$000	Closing balance \$000
2021							
Leases	5,562	-	-	300	-	(686)	5,176
Borrowings	9,384,583	-	-	-	-	-	9,384,583
Total	9,390,145	-	-	300	-	(686)	9,389,759
2020							
Leases	-	-	5,900	320	-	(658)	5,562
Borrowings	9,384,583	-	-	-	-	-	9,384,583
Total	9,384,583	-	5,900	320	-	(658)	9,390,145

Section 1 - About the entity and this financial report

A1 Basis of financial statement preparation

A1-1 Reporting entity

The Queensland Bulk Water Supply Authority trading as Seqwater (the Entity) is a statutory body under the *Financial Accountability Act 2009*, the *Statutory Bodies Financial Arrangements Act 1982* and has been established under the *South East Queensland Water (Restructuring) Act 2007*. The Entity expires at the end of 99 years from when it was established on 16 November 2007. The Queensland Government is the successor in law at the expiry date. The Entity is controlled by the Queensland Government which is its ultimate parent.

The head office and principal place of business of the Entity is Level 8, 117 Brisbane Street, Ipswich QLD 4305.

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the Entity.

A1-2 Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with:

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB)
- the *Financial and Performance Management Standard 2019*
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2020
- other authoritative pronouncements.

A1-3 Impact of COVID-19

In response to the COVID-19 pandemic, the Entity commenced formal Emergency Management activities 9 March 2020, for the purposes of protecting workforce health and wellbeing, and maintaining water supply, dam safety activities and the capacity to perform flood mitigation services.

Operational financial impact

Financial responses to the COVID-19 pandemic have been varied, and include rent relief, reductions in employee benefits relating to future performance payments, as well as expenditure directly relating to specified activities including cleaning services and employee allowances.

The impact of these responses has been immaterial, with the provision of rent relief and increased employee allowances, being offset by the reduction in employee benefits relating to performance payments.

Asset valuation impact

The COVID-19 pandemic has been considered in the annual asset valuation through the examination of cashflow scenario impacts and commercial WACC adjustment.

At 30 June 2021 the Entity has not observed material changes in cashflow forecasts as a result of COVID-19 impacts and has therefore elected to record COVID-19 asset valuation impacts via the adjustment of the commercial WACC used in discounting future cashflows. The Entity's reported WACC of 5.90% (2020: 5.95%) includes a non-asset specific risk premium to reflect the current market environment.

A1-4 Going concern

The financial statements have been prepared on a going concern basis as the Board considers that there is a reasonable expectation that the Entity will be able to pay its debts as and when they fall due. Further, the Entity will remain a going concern for at least twelve months from the date of signing these financial statements for the following reasons:

- The Board relies on the Queensland Government's commitment to ensuring the solvency and ongoing viability of the Entity. This commitment was affirmed in a letter from the Hon. Glenn Butcher MP, Minister for Regional Development and Manufacturing and Minister for Water, and the Hon. Cameron Dick MP, Treasurer and Minister for Investment issued to the Entity on 29 June 2021. This letter is effective from 30 June 2021 to 21 August 2022;
- The Government's support for the Entity will include facilitating the provision of funding facilities through Queensland Treasury Corporation (QTC) to ensure the availability of funds to meet:
 - the working capital and capital works requirements of the Entity;
 - the financial commitments of the Entity under water supply agreements with its customers; and
 - the financial commitments and obligations incurred by the Entity as a result of the pricing structure, including any variations to funding requirements arising from the bulk water price path.
- The Government's commitment is provided on the basis that any funding made available to the Entity is consistent with arrangements agreed under the Entity's Operational and Strategic Plans, or as otherwise approved by the responsible Ministers under the *South East Queensland Water (Restructuring) Act 2007* or other applicable legislation (notably, the *Statutory Bodies Financial Arrangements Act 1982* (SBFA Act));
- The Entity's borrowings from QTC obtain the benefit of a State guarantee under section 21 of the SBFA Act; and
- As at 30 June 2021, the Entity has an approved working capital facility from QTC amounting to \$200 million (refer to Note C7-2) of which none has been drawn at 30 June 2021 and has a cash balance of \$473 million at 30 June 2021 (refer to Note C1).

A1-5 Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are found in the following notes:

Fair value	C3-3	Valuation of property, plant and equipment including key estimates and judgements
Depreciation and amortisation expenses	C3-4 and C4-2	Including estimated useful life and assessment on asset conditions
Employee benefits	C6	Including estimates related to long service leave
Income tax and utilisation of tax losses	C8	Recoverability of deferred tax assets and recognition of deferred tax liabilities
Contingencies	D2	Litigation in progress Judgements relating to the 2011 Floods Class Action

A1-6 Basis of measurement

Historical cost is used as the measurement basis in the financial report except for the following:

- Land, building and infrastructure assets which are measured at fair value (Note C3-3); and
- Provisions expected to be settled 12 or more months after reporting date which are measured at their present value (Note C6).

A number of the Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. exit price) regardless of whether the price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the Entity include, but are not limited to, published sales data for land, general office buildings and residential houses.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the Entity include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the Entity's assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities of the Entity for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- Level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- Level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

Except for cash and cash equivalents, none of the Entity's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

A1-7 Presentation

Currency and rounding

The financial statements are presented in Australian dollars. Amounts included in the financial statements have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparatives

Comparative information reflects the audited 2019-20 financial statements except where restated for identified prior period errors.

Current/non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date.

Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the Entity does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

A1-8 Prior period adjustments

During the reporting period, the Entity has undertaken a review of employment arrangements. While the review continues, work to date has identified that rectification payments were required to be made to current and former staff members in the review period from 1 January 2013.

An estimate has been completed for the period between financial years 2013 to 2019. The annual amounts were not material to profit for any of the individual years to which they related. A total of \$5.8 million is included in the restatement of retained earnings as required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

In addition, the Entity has recognised net \$1.1 million as an expense in 2021 relating to rectification payments. The estimate has been revised based on the ongoing employment arrangement considerations and additional data.

The prior period adjustment has been corrected by restating the affected financial statement line items for the prior periods as follows:

Balance Sheet (Extract)	As previously stated 30 June 2019 \$000	Increase/(decrease) 30 June 2019 \$000	Restated 30 June 2019 \$000
Current liabilities – employee Benefits	20,780	5,878	26,658
Non current liabilities - deferred tax liabilities	155,630	(1,763)	153,867
Net assets	1,681,615	(4,115)	1,677,500
Accumulated deficit	(327,343)	(4,115)	(331,458)
Total equity	1,681,615	(4,115)	1,677,500

A1-9 Authorisation of financial statements for issue

The financial statements were authorised for issue by the Board on 21 September 2021.

A2 Objectives of the Entity

The Entity is primarily involved in the supply of water services and carrying out water activities.

As set out in the *South East Queensland Water (Restructuring) Act 2007*, the Entity must carry out its functions as a commercial enterprise. The Entity meets the definition of a for profit entity for the purposes of the accounting standards.

Section 2 – Notes about our financial performance

B1 Revenue

Recognition occurs when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Entity and specified criteria have been met for each of the Entity's activities as described below. The Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

B1-1 Water sales

Revenue from contracts with customers is recognised when the Entity transfers control over a good or service to the customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations, significant payment terms, and revenue recognition for the Entity's water sales revenue from contracts with customers.

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Bulk water sales to distributor-retailers (DRs)	<ul style="list-style-type: none"> The Bulk Water Supply Agreements (BWSA) between the Entity and the DRs set out the terms and conditions for the monthly water billing. The unit price per megalitre is in accordance with the Ministerial set price. Based on the Entity's past experience, all the DR invoices are paid within the payment terms, no impairment indicator exists for the monthly billing to the DRs. 	The Entity recognises bulk water revenue monthly based on the actual megalitres supplied to the grid customer during the calendar month.
Bulk water sales to Stanwell Corporation, CleanCo Queensland and Toowoomba Regional Council	<ul style="list-style-type: none"> The bulk water supply agreements between the parties set out the terms and conditions for the monthly water billing. There are fixed and variable charges in the agreement. The charge rates are listed in the agreement and subject to annual review. Meter reading points and water supply calculation methodologies are clearly documented in the agreement. Based on the Entity's past experience, all the Stanwell Corporation and Toowoomba Regional Council invoices are paid within the agreed payment terms, no impairment indicator exists for the monthly billing to them. 	The Entity recognises bulk water revenue, including both fixed and variable charges monthly, based on the agreement price and water supply allocation methodology.
Water sales to irrigation	<ul style="list-style-type: none"> Section 146 of the <i>Water Act 2000</i> requires a standard supply contract to be in place when water entitlements are converted to water allocations. Irrigation customers have various supply contracts with the Entity. Charges for rural irrigation water are largely calculated based on two-part tariff charges. Part A relates to fixed costs based on water allocation volume and is applied quarterly in advance and Part B represents the charge for water use based on meter readings for the previous quarter. The charges for Part A and Part B are in accordance with the Ministerial set prices. 	The Entity recognises irrigation water sales revenue monthly, the fixed component is as per set charges and the variable component is based on the actual meter reading.

Revenue recognised over time

	2021 \$000	2020 \$000
Water sales – water grid	1,012,944	1,018,766
Water sales – irrigation	3,838	3,711
Total	1,016,782	1,022,477

B1-2 Government grants and other contributions

Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

In 2010, the Entity received \$408 million in capital grants from the Commonwealth department for the construction of Western Corridor Recycled Water assets. The \$408 million was recognised initially as unearned income and is recognised in the Statement of Comprehensive Income (\$11 million) on a systematic basis over the useful life of the asset (refer to Note C9).

Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received.

The Entity receives Community Service Obligation (CSO) payments from the Queensland Government in two parts. The rural water payment is for the provision of rural irrigation water to rural irrigators. The water planning development payment is for the activities to ensure compliance with regulatory and policy areas of resource management.

	2021 \$000	2020 \$000
CSO	1,602	1,971
Government grant	11,746	12,500
Total	13,348	14,471

B1-3 Other revenue

	2021 \$000	2020 \$000
Interest	2,385	3,676
Insurance claims	4,440	2,330
Other	2,240	2,368
Total	9,065	8,374

B2 Employee benefit expenses

	2021 \$000	2020 \$000
Employee benefits		
Wages and salaries	85,338	78,221
Annual leave expenses	7,985	8,081
Long service leave expenses	2,244	2,819
Employer superannuation contributions	10,355	10,584
Employee related expenses		
Workers' compensation premium	362	353
Payroll tax	4,853	4,700
Other employee related expenses	1,494	2,715
Total	112,631	107,473

Employee benefits

Employee benefits are expensed as the related service is provided.

Employer superannuation contributions, annual leave and long service leave are regarded as employee benefits.

Employee related expenses

Payroll tax and workers' compensation insurance are a consequence of employing employees and are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Superannuation schemes

The Entity currently contributes to QSuper for employees under both defined benefit and accumulation superannuation schemes. QSuper is a superannuation scheme for Queensland Government employees, the contribution rates are determined by the Treasurer on the advice of the State Actuary.

The Entity's obligation is limited to its contribution to QSuper. The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The Entity contributes to LGIASuper for employees under both defined benefit scheme and accumulation superannuation scheme. The Entity has no liability to or interest in LGIASuper other than the payment of the statutory contribution. Any amount by which either scheme is over or under funded would only affect future benefits and is not an asset or liability of the Entity at reporting date. Accordingly, there is no recognition in the financial statements of any over-or-under funding of LGIASuper.

The Entity also contributes to various superannuation funds as nominated by employees under superannuation choice of fund. The Entity has no liability to or interest in these funds other than the payment of the statutory contribution.

Superannuation contributions are expensed in the period in which they are paid or payable.

Full time equivalent employees

The number of employees including both full time and part time employees measured on a full time equivalent basis as at 30 June are:

	2021	2020
Number of employees		
Permanent employees	663	617
Fixed term employees	157	210
Total	820	827

Key management personnel and remuneration disclosures are detailed in Note E1.

B3 Supplies and services

	2021 \$000	2020 \$000
Labour hire	2,100	2,408
Consultancies and contractors*	17,380	26,913
Operational contracts	31,356	27,047
Energy	25,016	24,046
Information technology and communications	12,791	10,855
Repairs and maintenance – dams and weirs	4,502	5,262
Repairs and maintenance – water treatment plants	8,709	9,313
Repairs and maintenance – pipelines and other	14,841	14,512
Chemicals and treatments	27,298	29,049
Legal	7,205	4,109
Supplier and consumables	19,250	17,138
Bulk water service purchase payment	3,579	3,798
Other expenses	1,878	2,187
Total	175,905	176,637

*includes specialists for engineering, project management, environmental and asset management, accounting and economic advice.

B4 Finance/borrowing costs

	2021 \$000	2020 \$000
Interest paid or payable to QTC	453,988	465,868
Interest on lease liabilities	301	319
Other financial costs	12	15
Total	454,301	466,202

Finance/borrowing costs comprise:

- interest expense on bank overdrafts, short-term and long-term borrowings;
- unwinding of the discount on provisions; and
- ancillary administration charges.

Finance/borrowing costs are expensed in the Statement of Comprehensive Income using the effective interest method.

Finance/borrowing costs that are not settled in the period in which they arise are added to the carrying amount of the borrowing.

Finance/borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

No borrowing costs are capitalised into qualifying assets.

B5 Other expenses

	2021 \$000	2020 \$000
Insurance	7,940	5,949
External audit fees*	339	315
Rates and taxes	2,535	2,466
Losses/ (gain) on disposal - net	(177)	393
Other	614	727
Total	11,251	9,850

* Total audit fees quoted by the Queensland Audit Office relating to the 2020-21 financial statements are \$339k (2020: \$326k)

B6 Income tax equivalents

The difference between income tax expense provide in the Statement of Comprehensive Income and the prima facie income tax expense is reconciled as follows:

	2021 \$000	2020 \$000
Profit before income tax	19,795	55,015
Prima facie income tax thereon at 30% (2020: 30%)	5,939	16,505
Add:		
Recognition of under/over tax provision	(4)	-
Tax impact of revaluations on disposals	-	-
Recognition of capital losses	-	148
Depreciation difference on transferred council assets	1,261	1,261
Non-deductible expenses	3	3
Total	7,199	17,917

The Entity is a State body as defined under the *Income Tax Assessment Act 1936* and exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Service Tax (GST). The Entity has been a participant in the Australian Taxation Office (ATO) National Tax Equivalent Regime (NTER) from the date of establishment.

As a result, an "equivalent" or "notional income tax" liability is payable to Queensland Treasury for payment into the consolidated fund. Income tax expense comprises current and deferred tax. Income tax expense/(benefit) is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

GST credit receivable from, and GST payable to the ATO, are recognised (Note C2).

Section 3 – Notes about our financial position

C1 Cash and cash equivalents

	2021 \$000	2020 \$000
Cash at bank	18,154	20,909
Short-term deposits	454,862	293,088
Total	473,016	313,997

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. There are no bank overdrafts at reporting date.

C2 Trade and other receivables

	2021 \$000	2020 \$000
Trade debtors – retail	139,045	139,540
Trade debtors – other	5,518	6,590
Less: Provisions for impairment	(115)	(122)
Total	144,448	146,008
GST receivable	3,324	3,521
GST payable	(157)	(148)
Total	3,167	3,373
Total	147,615	149,381
Receivables arising from contracts with Customers		
Balance at 1 July	139,540	133,832
Increase / (decrease)	(495)	5,708
Balance at 30 June	139,045	139,540

Trade and other receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date.

Receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of those amounts required within 30 days from invoice date. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Impairment of receivables

An allowance for impairment of receivables reflects lifetime expected credit losses. No allowance for impairment of receivables is recorded for receivables owing from local water distributor-retailers, local councils and power stations in relation to water sales, due to its near zero risk. Where there is no reasonable expectation of recovering amounts owed by debtors, the debt is immediately written off.

The collectability of receivables is assessed periodically with provision being made where receivables are impaired. The calculations reflect historical observed default rates calculated using credit losses experienced on the past sales transactions during the last four years preceding 30 June 2021. All known bad debts were written-off as at 30 June.

No financial assets had their terms renegotiated to prevent them from being past due or impaired and are stated at the carrying amount as indicated.

Individually impaired receivable position (aged)

	2021			2020		
	Gross receivables \$000	Loss rate	Expected credit losses \$000	Gross receivables \$000	Loss rate	Expected credit losses \$000
Receivables						
1 to 30 days overdue	2	-	-	150	19%	29
31 to 60 days overdue	125	25%	31	176	19%	34
61 to 90 days overdue	20	25%	5	39	18%	7
>90 days overdue	495	16%	79	302	17%	52
Total overdue	642		115	667		122

Movement in allowance for impairment for impaired receivables

	2021 \$000	2020 \$000
Balance at 1 July	(122)	(135)
Decrease/ (increase) in allowance recognized in operating result	4	(5)
Amount written-off during the year in respect of bad debts	3	18
Total	(115)	(122)

C3 Property, plant and equipment and related depreciation expense

C3-1 Recognition and acquisition

Cost of acquisition

Historical cost is used for the initial recording of all property, plant and equipment acquisitions. Historical cost is determined as the value given as consideration and costs incidental to acquisition, plus all other costs incurred in getting the assets ready for use.

Assets acquired at no cost or for nominal consideration, other than from another Queensland Government entity, are recognised at their fair value at date of acquisition.

Costs incurred subsequent to the initial asset purchase are capitalised when the expenditure improves the condition of the asset beyond its originally assessed standard of performance or capacity. Outlays that do not meet the criteria for recognition as an asset are expensed in the financial year.

Basis of capitalisation and recognition thresholds

Items of property, plant and equipment with a historical cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Land	\$1
Building	\$10,000
Infrastructure assets	\$10,000
Plant and equipment	\$5,000

Items with a lesser value are expensed in the year of acquisition.

Land improvements are included in either the building, or the infrastructure asset class based on their proximity to the asset to which they relate.

Componentisation of complex assets

Complex assets comprise separately identifiable components (or groups of components) of significant value, that require replacement at regular intervals and at different times to other components comprising the complex asset.

On initial recognition, the asset recognition thresholds outlined above apply to the complex asset as a single item. Where the complex asset qualifies for recognition, components are then separately recorded when their value is significant relative to the total cost of the complex asset. Components whose value exceeds 10% of the complex asset's total cost are separately recorded only where a material difference in depreciation expense would occur.

When a separately identifiable component (or group of components) of significant value is replaced, the existing component(s) is derecognised. The replacement component(s) are capitalised when it is probable that future economic benefits from the significant component will flow to the Entity in conjunction with the other components comprising the complex asset and the cost exceeds the asset recognition thresholds specified above. Replacement components that do not meet the asset recognition thresholds for capitalisation are expensed.

Components are valued on the same basis as the asset class to which they relate. The accounting policy for depreciation of complex assets, and estimated useful lives of components, is disclosed in Note C3-4.

C3-2 Measurement using historical cost

Plant and equipment is measured at historical cost in accordance with the *Non-Current Assets Policies for the Queensland Public Sector*. The carrying amount for plant and equipment is not materially different from their fair value.

C3-3 Measurement using fair value

Land, buildings and infrastructure assets are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable.

Valuation of property, plant and equipment including key estimates and judgements

The fair value of land, buildings and infrastructure is measured as follows:

- where there is an active and liquid market for assets similar in type and condition, the fair value of an asset is its price in that market; and
- where there is no market price for the assets, fair value is either the depreciated replacement cost or the net present value of the cash flows from the asset.

The Board has adopted the following policies in respect of the measurement of fair value:

Class	Method of measurement of fair value	Frequency of measurement*
Land	Profession valuation – market value	5 years
Buildings	Professional valuation – market value/ current replacement cost	5 years
Infrastructure assets	Board adopted valuation – income approach	5 years

* Valuation are more frequent where the Board consider that there are indicators that period-end carrying values materially differ to their fair values.

The Entity has an established control framework with respect to the measurement of fair values. This includes a valuation team that oversees all significant fair value measurements, including Level 3 fair values, and reports directly to the General Manager Corporate Services. Discussions of valuation processes and results are held between the General Manager Corporate Services and the Audit and Risk Committee at least once a year in line with the Entity's annual reporting dates.

Land

Land was valued by an internal professional valuer between February and June 2020 with an effective date of 30 June 2020. The valuations were performed using the fair value principle by reference to observable prices in an active market as well as recent market transactions on an arm's length basis. A random sample of 5% of the valuation results were assessed by an external valuation professional, Herron Todd White, to certify appropriate methodology and practice had been adhered to.

Additions since the time of the independent valuations have been recorded at cost.

Land with a total value of \$26,496,275 (2020: \$26,496,275) representing reserve land is not included in the carrying value of land. As the land is retained by the Queensland Government, however, the economic benefit of the land accrues to the Entity and the land is administered by the Entity on behalf of the Department of Resources (held in their Statement of Financial Position).

Comprehensive revaluation by a professional valuer is undertaken every 5 years.

Buildings

Office buildings and rental properties were valued by an internal professional valuer, with an effective date of 30 June 2020. The valuations were performed using the fair value principles:

- where an "active liquid market" is available for an asset, that market price represents the best evidence of an assets fair value; and
- where an "active liquid market" for the asset does not exist, the best indication of its fair value is "current replacement cost".

Additions since the time of the valuations have been recorded at cost.

Comprehensive revaluation and condition assessment by a professional valuer are undertaken every 5 years.

Infrastructure assets

An income-based approach to fair value (adopting market participant principles as required by accounting standard AASB13 *Fair Value Measurement*) was undertaken as at 30 June 2021. The income approach converts multiple future cash flow amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

The following key estimates and judgements have been applied in adopting the income-based approach for valuation:

- drought likelihood probability has been factored into valuation inputs by the inclusion of a drought overlay scenario weighting, blending the drought and fair-weather asset valuation profiles;
- a demand forecast for physical sale projections and ongoing levels of service requirements that is considered 'most likely' given current trends;
- estimated future cash flows, based on management's estimate, have been projected over 30 years and discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset;
- the Weighted Average Cost of Capital (WACC) discount rate of 5.90% (2020: 5.95%) has been used to discount cash flows and has been developed from a market participant perspective;
- future capital expenditure and related revenues relating to restructuring or improving asset performance have been included in the cash flows, including forecast expenditure on water supply augmentation from the financial year 2028 as set out in the *South East Queensland's Water Security Program 2016-2046 (Version 2)*;
- fixed and variable operational expenditure derived from the Board approved 2021-22 Budget, extrapolated post financial year 2025 based on forecast production; and
- the projected regulatory asset base value (at a multiple of 1) has been used to compute the terminal value of the valuation.

The following pricing scenarios and weightings have been applied in the computed valuation of infrastructure assets. This approach is consistent with prior year's methodology of assigning likelihood weightings to pricing scenarios post 2028 when the current price path period concludes.

In the context of pricing scenarios, the current intention is to continue the bulk water price path which incorporates the repayment of Water Grid Debt by financial year 2028. Post this date the following pricing scenarios and weightings will be applied.

Pricing scenario	Scenario assumptions	2021	2020
1	QCA bulk water price path (including FY2023 reset) to FY2028, then annual CPI increases (2.5% pa)	40%	40%
2	QCA bulk water price path (including FY2023 reset) to FY2028, then full Maximum Allowed Revenue (MAR)* reversion from FY2029	10%	10%
3	QCA bulk water price path (including FY2023 reset) to FY2028, then a linear regression to MAR at next bulk augmentation completion date.	50%	50%

* Maximum allowed revenue (MAR) is the revenue the Entity can recover from its customers and is determined by the Queensland Competition Authority (QCA) with reference to four building blocks. These building blocks – operating expenditure, return on capital, return of capital and tax – are estimates of the various costs the Entity needs to incur to prudently and efficiently provide services to its customers over the regulatory period.

The occurrence of drought materially changes key estimates and inputs. As at reporting date the likelihood of drought occurring has a value of 50% and may continue to increase over the next 12 months. In consideration of this material change the 2021 asset valuation has been prepared with the inclusion of a drought overlay probability weighting, effectively blending two distinct valuations: drought and fair-weather valuation profiles.

Valuation profile	Profile assumptions	2021	2020
Fair-weather	Base assumptions for demand, operational and capital expenditure and pricing.	92%	92%
Drought	Drought overlay assumptions factor in water restrictions, increased operational and capital expenditure, and pricing impacts.	8%	8%

Level 3 significant valuation inputs and relationship to fair value

The following summarises the quantitative information on significant unobservable inputs (level 3) used measuring fair value.

Unobservable inputs	Nature and range of inputs	Relationship of unobservable input to fair value
Revenue forecast	Revenue cash flows for the financial year to (and including) financial year 2028 are based on the current QCA bulk water price path to 30 June 2021, and the estimated QCA bulk water price path from 2022 to 2028. The QCA bulk water price path has been determined using a building block approach and regulatory pricing principles. Demand forecast for physical sales projections have been forecast based on the 'most likely' growth scenario based on current trends.	A higher allowed rate of return increases the fair value. A higher demand forecast increases the fair value.
Operating expenditure	Operating expenditures are based on the corporate plans of management reflecting the expenditure required to operate and maintain the assets.	A lower operating expenditure increases the fair value.
Capital expenditure	Future capital expenditure required to ensure the security and reliability are based on <i>South East Queensland's Water Security Program 2016-2046 (Version 2)</i> , and the current Board approved Asset Portfolio Master Plan.	A lower future capital expenditure increases the fair value.
Terminal value	Terminal value is based on the QCA accepted regulated asset base and a terminal value multiple of 1.00 (2020: 1.00).	A higher terminal value and multiple increases the fair value.
WACC discount rate	A post tax nominal WACC of 5.90% with a range of 5.4% - 6.4% (2020: 5.95% with a range of 5.55% - 6.35%) has been applied in the valuation. The WACC discount rate used is based on professional valuation advice and is considered the best estimate of a long-term view of the market cost of capital.	The higher the nominal vanilla WACC, the lower the fair value.

A fair value assessment for the Entity was undertaken as at 30 June 2021 using the income approach methodology which determined the fair value to be \$11.1B (2020: \$11.2B).

Inherent uncertainty

The current methodology, and management estimates used as part of the income approach fair value calculation, contain inherent uncertainty derived from:

- pricing regulation post 2028 and the weighted pricing scenarios;
- impacts of unforeseen droughts and floods to management estimates;
- impacts of unforeseen future population and consumption projections;
- the level of service obligations of a market participant in relation to expected capital augmentation outlays; and
- the restricted freedom of utilisation of the infrastructure asset base.

In assessing the scenarios, and the application of the weightings, the Entity considered:

- the likely expectations from Queensland Government in a hypothetical sale of the assets, particularly avoidance of price shock/volatility for consumers and providing certainty to a purchaser regarding the ability to earn an adequate return on investment;
- domestic and international precedents in regard to the sale of public assets; and
- the application of a regulated pricing framework.

Management have used the most reasonable assumptions and estimates available at this time, as the basis for the fair value modelling.

The income-based valuation calculates the value of the Entity as a whole. From this value other non-current assets (land, buildings, plant and equipment, work in progress and intangible assets) are deducted, and the remaining value is apportioned to individual infrastructure assets on the basis of their depreciated replacement cost or cost.

Accounting for changes in fair value

Any revaluation increment arising on the revaluation of an asset is credited to the revaluation surplus of the individual asset, except to the extent it reverses a revaluation decrement for the individual asset previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that individual asset.

For assets revalued using a market or income-based valuation approach – accumulated depreciation and accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the ‘net method’.

C3-4 Depreciation

Property, plant and equipment is depreciated on a straight-line basis to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life.

Land is not depreciated as it has an unlimited useful life.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset.

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within property, plant and equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

Depreciation rates

The estimated useful lives applied for the current and comparative periods are as follows:

Class of fixed asset	Useful life
Buildings	5 – 40 years
Infrastructure	
Dams and Weirs	10 – 150 years
Water treatment plants	5 – 100 years
Pipelines and others	5 – 150 years
Plant and equipment	
Motor vehicle and boats	3 – 15 years
Other equipment	3 – 15 years

C3-5 Capital expenditure commitments

Capital expenditure commitments inclusive of non-recoverable GST input tax credits if any, contracted for at reporting date but not recognised in the accounts are as follows:

	2021 \$000	2020 \$000
Property, plant and equipment		
Within one year	115,658	79,722
One year and no later than five years	4,099	13,396
More than five years	-	-
Total	119,757	93,118

C3-6 Impairment

Indicators of impairment and determining recoverable amount

All property, plant and equipment assets are assessed for indicators of impairment on an annual basis or, where the asset is measured at fair value, for indicators of a change in fair value/service potential since the last valuation was completed. Where indicators of a material change in fair value or service potential since the last valuation arise, the asset is revalued at the reporting date under AASB 13 *Fair Value Measurement*. If an indicator of possible impairment exists, the Entity determines the asset's recoverable amount under AASB 136 *Impairment of Assets*.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Accounting for impairment

For assets measured at fair value, the impairment loss is treated as a revaluation decrease and offset against the asset revaluation surplus of the asset to the extent available. Where no asset revaluation surplus is available in respect of the asset, the loss is expensed in the statement of comprehensive income as a revaluation decrement. to the extent the original decrease was expensed through the statement of comprehensive income, the reversal is recognised in income, otherwise the reversal is treated as a revaluation increase for the asset through asset revaluation surplus.

For assets measured at cost, the impairment loss is recognised immediately in the statement of comprehensive income. Where an impairment loss subsequently reverses, impairment losses are reversed through income.

C3-7 Property, plant and equipment – balances and reconciliation of carrying amount

2021	Land \$000	Buildings \$000	Infrastructure			Plant and equipment \$000	Work in progress \$000	Total \$000
			Dams and weirs \$000	Water treatment plants \$000	Pipelines and other \$000			
Basis of measurement	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	Cost	
Fair value category	Level 2	Level 2	Level 3	Level 3	Level 3			
Amount	619,024	11,268	3,556,091	2,902,560	3,611,265	52,712	215,829	10,968,749
Less: accumulated depreciation	-	-	-	-	-	(24,303)	-	(24,303)
Carrying amount at 30 June 2021	619,024	11,268	3,556,091	2,902,560	3,611,265	28,409	215,829	10,944,446
<i>Represented by movements in carrying amount:</i>								
Balance at 1 July 2020	618,725	11,789	3,584,121	2,997,401	3,672,010	26,940	167,965	11,078,951
Acquisitions	299	-	-	-	-	2,104	120,344	122,747
Transfer between classes	-	-	19,546	36,492	12,655	6,585	(72,480)	2,798
Valuation increments (decrements) to P&L	-	-	-	-	-	-	-	-
Valuation increments to equity	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	(224)	-	(224)
Depreciation for the year	-	(521)	(47,576)	(131,333)	(73,400)	(6,996)	-	(259,826)
Carrying amount at 30 June 2021	619,024	11,268	3,556,091	2,902,560	3,611,265	28,409	215,829	10,944,446
Carrying amount under cost model at 30 June 2021	509,909	8,643	1,725,871	1,858,407	3,245,120	28,409	215,829	7,592,188

C3-7 Property, plant and equipment – balances and reconciliation of carrying amount

2020	Land \$000	Buildings \$000	Infrastructure			Plant and equipment \$000	Work in progress \$000	Total \$000
			Dams and weirs \$000	Water treatment plants \$000	Pipelines and other \$000			
Basis of measurement	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	Cost	
Fair value category	Level 2	Level 2	Level 3	Level 3	Level 3			
Amount	618,725	11,789	3,584,121	2,997,401	3,672,010	49,922	167,965	11,101,933
Less: accumulated depreciation	-	-	-	-	-	(22,982)	-	(22,982)
Carrying amount at 30 June 2020	618,725	11,789	3,584,121	2,997,401	3,672,010	26,940	167,965	11,078,951
<i>Represented by movements in carrying amount:</i>								
Balance at 1 July 2019	535,967	10,208	3,613,684	3,088,514	3,725,461	22,587	128,432	11,124,853
Acquisitions	6,391	-	-	-	-	2,962	127,148	136,501
Transfer between classes	-	-	17,217	38,786	23,471	8,141	(87,615)	-
Valuation increments (decrements) to P&L	35,686	(724)	-	-	-	-	-	34,962
Valuation increments to equity	41,566	2,781	-	-	-	-	-	44,347
Disposal	(885)	-	-	-	-	(820)	-	(1,705)
Depreciation for the year	-	(476)	(46,780)	(129,899)	(76,922)	(5,930)	-	(260,007)
Carrying amount at 30 June 2020	618,725	11,789	3,584,121	2,997,401	3,672,010	26,940	167,965	11,078,951
Carrying amount under cost model at 30 June 2020	509,610	8,971	1,728,287	1,897,933	3,301,104	26,940	167,965	7,640,810

C4 Intangible assets

C4-1 Recognition of intangible assets

Intangible assets that are acquired by the Entity are initially measured at cost.

Items of intangible assets with a cost or other value equal to, or in excess of, the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Land easement	\$1
Software purchased	\$100,000
Other intangible	\$100,000

Items with a lesser value are expensed in the year of acquisition.

Where there is an active and liquid market, intangible assets are carried at a revalued amount; otherwise they are carried at cost after initial recognition. If revalued, the same rules apply as to those for property, plant and equipment.

It has been determined that there is not an active market for any of the Entity's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses, where applicable.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss.

Intangible assets are subject to amortisation and impairment testing.

C4-2 Amortisation

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives applied for the current and comparative periods are as follows:

Class of intangible asset	Useful life
Land easement	70 – 150 years
Software purchased	5 years
Other intangible	40 years

C4-3 Capital commitments

All intangible capital expenditure commitments are within one year, the commitments as at 30 June are \$0.7M (2020: \$1.0M).

C4-4 Impairment

All intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Entity determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets are principally assessed for Impairment by reference to the actual and expected continuing use of the asset by the Entity, including discontinuing the use of software and land easements. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and its value-in-use.

C4-4 Intangible assets – balances and reconciliation of carrying amount

2021	Land easements* \$000	Software purchased \$000	Other intangibles \$000	Software work in progress \$000	Total \$000
Gross	153,026	19,239	5,002	6,774	184,041
Less: accumulated amortisation	(16,455)	(13,122)	(2,164)	-	(31,741)
Carrying amount at 30 June 2021	136,571	6,117	2,838	6,774	152,300
<i>Represented by movements in carrying amount:</i>					
Balance at 1 July 2020	138,316	6,146	2,961	10,976	158,399
Acquisitions	217	-	-	1,376	1,593
Transfer between classes	-	2,780	-	(5,578)	(2,798)
Disposal	-	-	-	-	-
Amortisation for the year	(1,962)	(2,809)	(123)	-	(4,894)
Carrying amount at 30 June 2021	136,571	6,117	2,838	6,774	152,300

*the remaining amortisation period for land easements is 70 years.

2020	Land easements \$000	Software purchased \$000	Other intangibles \$000	Software work in progress \$000	Total \$000
Gross	152,809	18,440	5,002	10,976	187,227
Less: accumulated amortisation	(14,493)	(12,294)	(2,041)	-	(28,828)
Carrying amount at 30 June 2020	138,316	6,146	2,961	10,976	158,399
<i>Represented by movements in carrying amount:</i>					
Balance at 1 July 2019	139,917	6,879	3,084	6,082	155,962
Acquisitions	355	-	-	6,714	7,069
Transfer between classes	-	1,820	-	(1,820)	-
Disposal	-	(124)	-	-	(124)
Amortisation for the year	(1,956)	(2,429)	(123)	-	(4,508)
Carrying amount at 30 June 2020	138,316	6,146	2,961	10,976	158,399

C5 Trade and other payables

	2021 \$000	2020 \$000
Current		
Trade and other payables	40,836	35,208
Total	40,836	35,208

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

C6 Employee benefits

	2021 \$000	2020 (restated) \$000
Current		
Salaries and wages accrued	3,451	2,905
Liability for long service leave	11,981	10,673
Liability for annual leave	10,681	9,749
Other employee entitlements	8,409	7,559
Total	34,523	30,886
Non-current		
Liability for long service leave	3,704	3,599
Total	3,704	3,599

Long service leave movement

	2021 \$000	2020 \$000
Balance at 1 July	14,272	12,411
Additional provision made	2,391	1,428
Provision utilized through payments	(978)	(1,067)
Changes in discount rate / passage of time	-	1,500
Balance at 30 June	15,685	14,272

Wages, salaries, annual leave and sick leave

Liabilities for short-term employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided up to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Entity expects to pay as at the reporting date, including applicable related on-costs.

For those entitlements not expected to be paid within 12 months, the liabilities are recognised at their present value, calculated using yields on fixed rate high quality corporate bonds of similar maturity.

Non-vesting sick leave is recognised as an expense as it is taken.

Other employee entitlements

Other employee entitlements are payments due to a group of current and former employees that are on individual employment contracts that have been identified to be also covered by the Seqwater Enterprise Agreement and have not received their full entitlement at the reporting date.

Long service leave

The long service leave provision represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date. The provision is calculated using the "shorthand measurement techniques" whereby 107% (2020: 107%) valuation factor is applied to the aggregate accrued long service leave liability. The valuation factor is reviewed periodically by Mercer Consulting (Australia) Pty Ltd, an independent actuarial firm, to ensure that it remains appropriate. The last valuation date is 30 June 2021.

C7 Interest bearing liabilities

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, and then subsequently held at amortised cost using the effective interest method.

Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise. Borrowings are split between current and non-current liabilities using the principles set out in the foreword and preparation information section of this financial report.

On 21 June 2021, QTC issued a letter confirming that the debt owing by the Entity under its long-term debt facility is not repayable within one year from 30 June 2021.

No assets have been pledged as security for any liabilities.

All borrowings are in Australian dollar denominated amounts with interest being expensed as it accrues, except for assets under construction (refer to Note B4). There have been no defaults or breaches of the loan agreement during the financial years. There is no early debt repayment planned.

Loan interest is payable monthly in arrears on the first day of the new month.

Carrying amount of outstanding loans were as follows:

	2021 \$000	2020 \$000
QTC – Water grid debt	2,157,372	2,157,458
QTC – Drought assets debt	5,404,919	5,404,919
QTC – Non-drought assets debt	1,858,863	1,858,863
Total	9,421,154	9,421,240
Loans interest payable – current	36,571	36,657
Loans principal - current	240,278	-
Loans principal – non current	9,144,305	9,384,583
Total	9,421,154	9,421,240

The Weighted Average Borrowing Rate for QTC borrowings as at 30 June 2021 is 4.80% (2020: 4.84%). Interest payments are made monthly in arrears at rates ranging from 4.21% to 5.02% (2020: 4.76% to 4.98%). Refer to Note D1-2 for sensitivity analysis.

C7-1 Funding facilities

The State Borrowing Program funding application is submitted annually by the Entity and is approved by the Queensland Government. The funding facility is maintained by QTC. The Entity did not apply for the State Borrowing Program funding for 2020-21.

C7-2 Credit standby arrangement

Drawn	-	-
Unused	200,000	200,000
Total	200,000	200,000

The credit standby facility remains fully undrawn at 30 June 2021 and is available for use in the next reporting period. The current overdraft interest rate is 0.19% (2020: 0.65%)

C7-3 Fair value disclosures for financial assets and liabilities measured at amortised cost

The Entity does not recognise any financial assets or financial liabilities at fair value, except for cash and cash equivalents.

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings which is determined for disclosure purposes is notified by QTC and calculated using discounted cash flow analysis and the effective interest rate. The fair value is determined by reference to published price quotations in an active market and reflects the value of the debt if the Entity repaid it in full at balance date. As it is the intention of the Entity to hold its borrowing for their full term, no adjustment provision is made in these accounts.

2021	Carrying amount \$000	Fair value \$000
QTC borrowings – loans	9,421,154	11,349,479
Total	9,421,154	11,349,479

2020	Carrying amount \$000	Fair value \$000
QTC borrowings – loans	9,421,240	11,881,927
Total	9,421,240	11,881,927

C8 Deferred tax assets and liabilities

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset (DTA) is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. DTAs are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

C8-1 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Property, plant and equipment	-	(1,270,754)	(1,270,754)
Lease liability	138	-	138
Provision for employee benefits	8,958	-	8,958
Tax losses	981,907	-	981,907
Government grant	84,644	-	84,644
Inventory	-	(443)	(443)
Accrued expenses	3,262	-	3,262
Total deferred tax assets / (liabilities)	1,078,909	(1,271,197)	(192,288)

Property, plant and equipment	-	(1,296,133)	(1,296,133)
Lease liability	76	-	76
Provision for employee benefits	8,316	-	8,316
Tax losses	1,012,282	-	1,012,282
Government grant	88,059	-	88,059
Inventory	-	(583)	(583)
Accrued expenses	2,894	-	2,894
Total deferred tax assets / (liabilities)	1,111,627	(1,296,716)	(185,089)

C8-2 Movement in temporary difference during the year

	2020 \$000	Recognised in profit or loss \$000	Acquired in equity \$000	2021 \$000
Property, plant and equipment	(1,296,133)	25,379	-	(1,270,754)
Lease liability	76	62	-	138
Provision	8,316	642	-	8,958
Tax losses	1,012,282	(30,375)	-	981,907
Government grant	88,059	(3,415)	-	84,644
Inventory	(583)	140	-	(443)
Accrued expenses	2,894	368	-	3,262
Total	(185,089)	(7,199)	-	192,288

	2019 (restated) \$000	Recognised in profit or loss \$000	Acquired in equity \$000	2020 \$000
Property, plant and equipment	(1,298,604)	15,776	(13,305)	(1,296,133)
Lease liability	-	76	-	76
Provision	6,359	1,957	-	8,316
Tax losses	1,044,066	(31,784)	-	1,012,282
Government grant	91,473	(3,414)	-	88,059
Inventory	(513)	(70)	-	(583)
Accrued expenses	3,352	(458)	-	2,894
Total	(153,867)	(17,917)	(13,305)	(185,089)

C8-3 Tax losses

A DTA is recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilised. DTAs are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

During the year ended 30 June 2021, \$101,146,920 of tax losses were utilised (2020: \$105,931,818) with tax losses carried forward at 30 June 2021 amounting to \$3,273 million (2020: \$3,374 million). A DTA of \$981 million has been recognised in relation to these carry forward tax losses as it is considered probable that future taxable profits will be generated against which the tax losses could be utilised.

C9 Other liabilities

	Notes	2021 \$000	2020 \$000
Current			
Unearned revenue – government grant	B1-2	11,382	11,382
Other		564	459
Total		11,946	11,841
Non-current			
Unearned revenue – government grant	B1-2	270,764	282,146
Total		270,764	282,146

C10 Right of use assets and lease liabilities

C10-1 Leases as Lessee

Right-of-use assets

	2021 \$000	2020 \$000
Building lease		
Opening balance at 1 July	5,308	5,900
Additions	-	-
Depreciation charge	(593)	(592)
Disposals / Derecognition	-	-
Other adjustments	-	-
Closing balance at 30 June	4,715	5,308

Lease liabilities

	2021 \$000	2020 \$000
Current		
Lease liabilities	435	386
Non-current		
Lease liabilities	4,741	5,176
Total	5,176	5,562

The Entity measures right-of-use assets at cost subsequent to initial recognition. The Entity has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases and leases of low value assets. The lease payments are recognised as expenses on a straight-line basis over the lease term. An asset is considered low value where it is expected to cost less than \$10,000 when new.

Where a contract has both lease and non-lease components such as cleaning services, the Entity allocates the contractual payments to each component on the basis of their stand-alone prices. However, for leases of plant and equipment, the Entity has elected not to separate lease and non-lease components and instead accounts for them as a single lease component.

When measuring the lease liability, the Entity uses its incremental borrowing rate as the discount rate where the interest rate implicit in the lease cannot be readily determined. To determine the incremental borrowing rate, the Entity uses loan rates provided by QTC that correspond to the commencement date and the term of the lease.

Details of leasing arrangements as lessee

Office accommodation with non-related party	In June 2019, the Entity signed a 10-year commercial lease for office accommodation in Brisbane City. Lease payments for this lease are initially fixed and are subject to market rent review at the fifth year and fixed rent increments in other years, nil option to extend. Refer to Note C10-1 for further details.
Office accommodation lease with QLD Government	In March 2014, The Entity entered a 15-year office accommodation arrangement with the Department of Energy and Public Works for the Ipswich office. As this arrangement is under the Government-wide frameworks and categorised as procurement of services rather than as leases because the Department of Energy and Public Works has substantive substitution rights over the assets. The related expenses are included in Note B3.
Leasehold land	The Entity leases land from the Department of Regional Development, Manufacturing and Water. The total annual leasehold land payments are less than \$20,000. Due to the immaterial payment amount, the Entity is treating these leases under the low value exemption of AASB 16. The related payments are recognised as supplies and consumables in Note B3 when incurred.

	2021 \$000	2020 \$000
(i) Amount recognised in profit or loss		
Interest expense on lease liabilities	301	319
Expenses relating to office accommodation with QLD Government	2,792	2,792
Expenses relating to leasehold lands	17	16
(ii) Total cash outflow for leases	686	658

C10-2 Leases as Lessor

Details of leasing arrangements as lessor

The Entity receives revenue from various parties for the exclusive right-to-use of the assets.

Grazing leases	Amounts receive for the exclusive use of land areas for cattle grazing. These leases are registered on title and can be re-assigned to new landowners. In this instance, the underlying asset is catchment land which has an enduring life and is an integral component of water allocation, hence, the land cannot be sold without restrictions that ensure the quality of catchment water.
Property / Facility Lease	The Entity leases residential properties and commercial facilities in various catchment areas to third parties. Due to the nature of these assets and significance to the Entity's core business, none of these assets will be sold to the lessees.

Lease income from operating lease is reported as other revenue in Note B1-3. The Entity does not have any financial leases.

The following table sets out a maturity analysis of future undiscounted lease payments receivable under the Entity's operating leases.

	2021 \$000	2020 \$000
Less than one year	808	681
Between one and five years	1,525	1,624
More than five years	8,609	8,741
Total	10,942	11,046

C11 Asset revaluation surplus by asset class

2021	Land \$000	Building \$000	Infrastructure \$000	Total \$000
Balance at 1 July 2020	108,422	3,968	2,643,498	2,755,888
Transfer between classes	-	-	-	-
Revaluation increments / (decrements)	-	-	-	-
Asset revaluation on disposal	-	-	-	-
Deferred tax liabilities	-	-	-	-
Balance at 30 June 2021	108,422	3,968	2,643,498	2,755,888

2020	Land \$000	Building \$000	Infrastructure \$000	Total \$000
Balance at 1 July 2019	79,326	2,022	2,643,498	2,724,846
Transfer between classes	-	-	-	-
Revaluation increments / (decrements)	41,566	2,781	-	44,347
Asset revaluation on disposal	-	-	-	-
Deferred tax liabilities	(12,470)	(835)	-	(13,305)
Balance at 30 June 2020	108,422	3,968	2,643,498	2,755,888

The asset revaluation surplus represents the net effect of upwards and downwards revaluation of assets to fair value.

Section 4 – Notes about risk and other accounting uncertainties

D1 Financial risk disclosure

D1-1 Financial instrument categories

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Entity becomes party to the contractual provision of the financial instrument. The Entity has the following categories of financial assets and financial liabilities:

	Notes	2021 \$000	2020 \$000
Financial assets			
Cash and cash equivalents	C1	473,016	313,997
Trade and other receivables	C2	147,615	149,381
Total		620,631	463,378
Financial liabilities			
Trade and other payables	C5	40,836	35,208
Interest bearing liabilities – QTC borrowing	C7	9,421,154	9,421,240
Total		9,461,990	9,456,448

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

D1-2 Financial risk management

The Entity's activities expose it to a variety of financial risks including credit risk, liquidity risk, and interest rate risk. Exposure to financial risks is managed in accordance with the Entity's approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Entity. The Entity measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement Method
Credit risk	Ageing analysis
Liquidity risk	Maturity analysis
Market risk – interest rate	Sensitivity analysis

Credit risk exposure

Credit risk exposure refers to the situation where the Entity may incur a financial loss as a result of another party to a financial asset failing to discharge their obligations.

The Entity is exposed to credit risk through its customers, investments with QTC and deposits held with banks. The Entity has a concentration of credit risk from receivables due from its customers. The QTC cash fund is an asset management portfolio that invests with a wide variety of high credit rating counterparts. Deposits are capital guaranteed. Other investments are held with highly rated and regulated financial institutions and whilst not capital guaranteed the likelihood of a credit failure is considered remote.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross amount of those assets inclusive of any provisions for impairment. The carrying amount of receivables represents the maximum exposure to credit risk (refer to Note C2).

No collateral is held as security and no credit enhancements relate to financial assets held by the Entity.

The following table represents the Entity's maximum exposure to credit risk based on contractual amounts net of any allowances:

	Notes	2021 \$000	2020 \$000
Financial liabilities			
Guarantee	D3	705	705
Total		705	705

Liquidity risk

Liquidity risk refers to the situation where the Entity may encounter difficulty in meeting obligations associated with financial liabilities. The Entity is exposed to liquidity risk through its trading in the normal course of business and borrowings from the QTC for asset acquisitions and capital works. The Entity manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long-term, to cater for unexpected volatility in cash flows.

100% (2020: 100%) of QTC borrowings are interest only with no fixed repayment date for the principal component. For the purposes of producing the maturity analysis, only the principal amount has been allocated to the over five-year time band.

The following tables set out the liquidity risk of financial liabilities held by the Entity. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at balance date.

2021	Payable in			Total \$000
	<1 year \$000	1 5 years \$000	>5 years \$000	
Financial liabilities				
QTC borrowings - loans	686,497	2,831,073	7,995,687	11,513,257
Trade and other payables	40,836	-	-	40,836
Total	727,333	2,831,073	7,995,687	11,554,093

2020	Payable in			Total \$000
	<1 year \$000	1 5 years \$000	>5 years \$000	
Financial liabilities				
QTC borrowings - loans	454,075	1,815,942	9,384,583	11,654,600
Trade and other payables	35,208	-	-	35,208
Total	489,283	1,815,942	9,384,583	11,689,808

Market risk – interest rate

The Entity is exposed to interest rate risk through its borrowings from QTC and cash deposited in interest bearing accounts. The risk in borrowing is effectively managed through QTC's capacity to issue securities with variable terms allowing an appropriate duration for debt. The Entity manages its loan portfolio by setting, monitoring and adjusting the terms and duration as allowed under its commercial financing contract with QTC.

The Entity does not trade in foreign currency and is not materially exposed to commodity price ranges.

Interest rate sensitivity analysis

The following sensitivity analysis depicts the outcome to the Statement of Comprehensive Income if interest rates change by +/- 1% from the year-end rates applicable to the Entity's financial assets and liabilities. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. This is mainly attributable to the Entity's exposure to variable interest rates on its borrowings from QTC.

2021	Net carrying amounts \$000	1%		+1%	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
Cash and cash equivalents	473,016	(4,730)	(4,730)	4,730	4,730
QTC borrowings – loans	9,421,154	3,237	3,237	(2,839)	(2,839)
Overall effect on profit and equity		(1,493)	(1,493)	1,891	1,891

2020	Net carrying amounts \$000	1%		+1%	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
Cash and cash equivalents	313,997	(3,140)	(3,140)	3,140	3,140
QTC borrowings – loans	9,421,240	4,508	4,508	(3,688)	(3,688)
Overall effect on profit and equity		1,368	1,368	(548)	(548)

D1-3 Capital management

The Entity must give the responsible Ministers an estimate of its net profit for the year, and a recommendation on the amount of annual return to be paid. The recommendation is to be provided to Ministers between 1 and 15 May prior to the end of the financial year. Before the end of the financial year, the responsible Ministers must either approve the recommendation or direct the Entity to pay another amount (though not more than the estimated net profit previously advised) as decided under section 53 of the *South East Queensland Water (Restructuring) Act 2007*. The return must be paid within 6 months after the end of the financial year.

Annual return payable in 2021 is \$0 (2020: \$0).

	Notes	2021 \$000	2020 \$000
Total borrowings	C7	9,421,154	9,421,240
Total assets (excluding cash and cash equivalents)		11,265,611	11,407,216
Gearing ratio		84%	83%

D2 Contingencies

Insurance claims

The Entity has the following insurance claims in progress as at 30 June 2021:

- in relation to the insurance matter relating to the January 2011 South East Queensland flood (refer to the litigation in progress section).

Remuneration Rectification

The Entity continues the review of its remuneration practices and is committed to rectifying all areas of risk. This may result in further amounts being payable to former and current staff.

Financial guarantees and associated credit risk

	2021 \$000	2020 \$000
A guarantee provided to Stanwell Corporation Limited, in respect of the operation and maintenance agreement of the Wivenhoe Hydro Plant	200,000	200,000
Guarantees provided to Sentinel Regional Office Pty Ltd, in relation to the lease premises at 200 Creek Street, Brisbane	494,851	494,851
A guarantee provided to Australian Energy Market Operator limited as a market participant to comply with certain prudential requirements	10,000	10,000
Total	704,851	704,851

No defaults have occurred and the Entity does not expect that the guarantee will be called upon. The guarantees are not recognised on the Statement of Financial Position as the probability of default is considered remote.

As financial guarantee contracts are measured in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the Entity has disclosed the details of the guarantee in this note, in addition to Note D1-2 Financial Instruments for full transparency purposes.

Litigation in progress

As at 30 June 2021, the following cases were filed in the courts naming the Entity as defendant:

- The Entity was one of three defendants in representative proceedings filed July 2014 in connection with the January 2011 Floods. The trial commenced October 2017 in the Supreme Court of New South Wales, with judgement handed down in favour of the plaintiff in November 2019. The Entity appealed the judgement, and the appeal was heard in May 2021, refer to Note D3.
- A second claim, relating to the matter above was filed on 9 January 2017. This claim was commenced on behalf of all group members in the proceedings above except for the lead plaintiff (Rodriguez & Sons Pty Ltd) and mirrored the allegations in the substantive class action claim. The proceedings have been discontinued against the Entity save for the issue of costs. No damages were awarded to any of the plaintiffs in this proceeding. Resolution of any residual issues in relation to costs will be determined as part of the initial class action claim.
- A statement of claim against the Entity's contractor in respect of outstanding sub-contractor charges, the Entity is named as second defendant.
- A claim against the Entity in respect all alleged refusal to access reservoir tower to install telecommunications infrastructure under Telemetry Access Permit.

As at 30 June 2021, a debt recovery claim in respect of outstanding irrigation water charges was filed in the courts naming the Entity as plaintiff.

As at 30 June 2021, the Entity has joined four native title claims as a respondent in areas with Entity assets.

It is not possible to make a reliable estimate of the final amounts payable, if any, in respect to the litigation before the courts at this time.

D3 Events after the balance date

On 8 September 2021, the NSW Court of Appeal overturned the liability judgement and all findings of breach of duty. The Entity is not liable to the plaintiff or any group members. The proceeding has been dismissed, subject to any residual issues in relation to costs. The plaintiff has been ordered to pay the Entity's costs of its appeal. No orders have yet been made in relation to the costs of the proceedings before the trial judge. The matter has been remitted to the primary judge to finalise the costs orders.

D4 Future impact of accounting standards not yet effective

All other Australian accounting standards and interpretations with future effective dates are either not applicable to the Entity's activities or have no material impact on the Entity.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2020-21.

E1 Key management personnel (KMP) disclosures

E1-1 Details of Ministerial KMP and remuneration policies

The Entity's responsible Ministers are identified as part of the Entity's KMP, consistent with additional guidance included in the revised version of *AASB 124 Related Party Disclosures*. These Ministers are the Hon. Cameron Dick MP, Treasurer, Minister for Investment and the Hon. Glenn Butcher MP, Minister for Regional Development and Manufacturing and Minister for Water, commenced on the 19 November 2020. The Hon. Dr Anthony Lynham, former Minister for Natural Resources, Mines and Energy up to 11 November 2020 and the Hon. Steven Miles, former Minister for Regional Development and Manufacturing and Minister for Water from the 12 November up to 18 November 2020.

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Entity does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

E1-2 Details of non-Ministerial KMP and remuneration policies

The following details for non-Ministerial KMP reflect those positions that had authority and responsibility for planning, directing and controlling the activities of the Entity during 2020-21. Further information on these positions can be found in the body of the Annual Report under the section relating to Governance.

Board Members remuneration

Board members' fees include fees paid for membership of the Audit and Risk Committee, the Investment and Procurement Committee and the People and Culture Committee. The Board members who were paid, or were due to be paid directly or indirectly from the Entity were:

	2021		2020	
	Salary and fees \$	Superannuation contribution \$	Salary and fees \$	Superannuation contribution \$
David Hamill	113,500	10,830	113,500	10,782
Penny Tovey	57,208	5,459	52,500	4,988
Marita Corbett	62,963	-	32,858	-
John McEvoy	42,419	4,054	-	-
Catherine Mickel	39,992	3,822	-	-
Gail Ker	43,791	-	-	-
Marina Vit	-	-	53,000	5,035
Shane McGrath	13,250	1,259	52,083	4,948
John Dempsey	-	-	13,250	1,259
Michael Arnett	-	-	14,375	1,366
Total	373,123	25,424	331,566	28,378

Hon Dr D Hamill appointed as Chairman of the Board on 1 October 2018.

P Tovey appointed as Member of the Board on 1 October 2018.

M Corbett appointed as Member of the Board on 13 December 2019.

G Ker appointed as Member of the Board on 1 October 2020.

J McEvoy appointed as Member of the Board on 1 October 2020.

C Mickel appointed as Member of the Board on 1 October 2020.

M Vit appointed as Member of the Board on 1 October 2016, her appointment ended on 30 June 2020.

S McGrath appointed as Member of the Board on 18 December 2014, his term of appointment ended on 30 September 2017. Mr McGrath was reappointed as a Member of the Board on 5 January 2018, his appointment ended on 30 September 2020.

J Dempsey appointed as Member of the Board on 23 December 2016, his appointment ended on 30 September 2019.

M Arnett appointed as Member of the Board on 1 January 2013, his appointment ended on 30 September 2019.

Key executive management personnel

Position	Responsibilities
Chief Executive Officer (CEO)	Ensure the efficient, effective and economic administration of the Entity.
Chief Operating Officer (COO)	Manage medium and short-term planning to support bulk water supply services. Undertake the delivery of projects including the design and construction of upgrades and renewals on the Entity's infrastructure. Lead asset management and technical services including asset information, engineering, water quality and environment. Operation and maintenance of catchment and bulk water supply services to meet customer service requirements and regulatory obligations. Report on, and optimise, asset and operations performance.
General Manager Corporate Services	Provide bulk water supply service support functions including legal, financial, commercial services, quality, risk and compliance. Align corporate services to business requirements. Manage and report on corporate performance. Manage corporate assets including property, fleet and facilities.
General Manager People, Culture and Safety	Establish strategies and systems for human resource, health and safety. Provide human resource, health and safety leadership including recruitment, training, investigations, standards, and assurance. Lead culture development, organisational change management and employee engagement.
General Manager Major Projects	Set and implement the strategy and framework for planning and delivery of the Entity's high value capital projects across the bulk water supply network. Through dynamic multidisciplinary teams plan and deliver large-scale capital projects.
General Manager Digital Technology Information	Develop and implement the Entity's strategic technology framework to maximise the value of technology related business investments that assist the Entity to achieve corporate and operational goals. Implement energy management systems and technologies. Support the development of new technologies that deliver efficiency and connectivity.
General Manager Customer, Strategy and Planning	Work directly with customers to manage service delivery, service regulation and water supply planning. Undertake research, regional and local area planning with a focus on water security. Manage pricing and regulatory frameworks. Develop and manage strategic direction, corporate planning, stakeholder engagement, community engagement, communications and education. Coordinate strategic relationships.
General Counsel and Company Secretary	Carry out corporate administration of the Entity with a focus on compliance to statutory and regulatory requirements. Align and report on requirements of the Board including internal audit, governance and control, fraud and corruption.

Key executive management remuneration policies

Remuneration policy for the Entity's key executive management is managed by the Board under the direction set by the Responsible Ministers as provided for under the State Water Authorities - Governance Arrangements for Chief and Senior Executives. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The contracts provide for the provision of performance related cash bonuses and other benefits including car parking.

Remuneration expenses for key executive management personnel comprise the following components:

- short-term employee expenses which include:
 - salary, allowances and leave entitlements earned and expensed for the entire year, or for the part of the year during which the employee was a key management person;
 - performance payments recognised as an expense during the year; and
 - non-monetary benefits - consisting of provision of a living-away-from-home allowance (LAFHA) with fringe benefits tax applicable to the benefit.
- long-term employee expenses include amounts expensed in respect of long service leave entitlements earned;
- post employee expenses include amounts expensed in respect of employer superannuation obligations;
- termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

Position	1 July 2020		30 June 2021			
	Short term employee expenses		Long term employee expenses ^	Post employment expenses	Termination benefits	Total expenses
	Monetary expenses \$	Non monetary expenses \$				
N Brennan – CEO	455,255	-	10,054	20,745	-	486,054
S Cassie – COO	407,447	-	9,887	37,853	-	455,187
R Muir – GM	383,520	-	9,305	36,448	-	429,273
L Bruce – GM	350,502	-	8,842	39,741	-	399,085
M Williams – GM	326,623	-	7,938	30,778	-	365,339
B van Heerden – GM	324,384	-	8,381	39,939	-	372,704
B Linaker – GM	316,175	-	7,878	30,166	-	354,219
W Harpham – GC	231,949	-	6,007	23,529	-	261,485
Total	2,795,855	-	68,292	259,199	-	3,123,346

N Brennan appointed as CEO on 20 August 2018.
S Cassie appointed as COO on 11 November 2019.
R Muir appointed as GM on 18 September 2017.
L Bruce appointed as GM on 25 November 2019.

M Williams appointed as GM on 4 November 2019.
B van Heerden appointed as GM on 4 November 2019.
B Linaker appointed as GM on 21 October 2019.
W Harpham appointed as GC on 27 September 2019.

Position	1 July 2019		30 June 2020			
	Short term employee expenses		Long term employee expenses ^	Post employment expenses	Termination benefits	Total expenses
	Monetary expenses \$	Non monetary expenses \$				
N Brennan – CEO	523,775	11,004	12,019	20,745	-	567,543
S Cassie – COO	269,498	-	6,322	24,022	-	299,842
R Muir – GM	373,633	-	18,035	35,491	-	427,159
L Bruce – GM	208,496	-	5,024	25,620	-	239,140
M Williams – GM	211,662	-	5,132	22,067	-	238,861
B van Heerden – GM	218,249	-	5,262	26,835	-	250,346
B Linaker – GM	236,995	-	5,496	20,884	-	263,375
W Harpham – GC	197,118	-	7,647	19,083	-	223,848
D Spiller - GM	119,927	-	-	12,954	116,307	249,188
D Gregory – CFO	90,270	-	-	11,227	102,420	203,917
S Frazer - GC	83,513	-	-	13,256	100,239	197,008
L Kearins – GM	58,749	-	-	11,181	101,677	171,607
A Canning – A/GM	78,383	-	-	9,399	94,587	182,369
Total	2,670,268	11,004	64,937	252,764	515,230	3,514,203

*Long-term employee benefits are accrued annually, when an employee leaves or takes long service leave the resulting entry is a reversal.

D Spiller appointed as GM on 1 May 2013, left on 4 October 2019.
D Gregory appointed as CFO on 27 April 2017, left on 4 October 2019.
S Frazer appointed as GC on 1 January 2013, left of 26 September 2019.

L Kearins appointed GM on 18 September 2017, left on 4 October 2019.
A Canning acting as GM from 9 October 2017, left on 20 September 2019.

Performance payments

Performance bonuses may be paid or payable annually depending upon satisfaction of key performance criteria. The calculation of the cash performance bonuses is as per the Entity's Remuneration Policy. Performance payments of key executive management are capped at 15% of total fixed remuneration. The amount payable is tied to the achievement of pre-determined Entity and individual performance targets as approved by the Board.

The cash performance bonuses for the 2020-21 year are yet to be determined by the Board. No performance bonus was approved by the Board for the 2019-20 year in line with the Queensland Government COVID-19 guidelines.

	Performance bonuses \$	Payment date
Performance payments during 2020-21 with respect to 2019-20 year	-	N/A
Performance payments during 2019-20 with respect to 2018-19 year	147,749	11 October 2019

E2 Related party transactions

Board members' transactions

Ms Marita Corbett was appointed as a Board member on 13 December 2019. On 28 January 2020 the Board appointed Ms Corbett as Chair of the Audit and Risk Committee and Member of the Investment and Procurement Committee. Ms Corbett has arranged for her employer, BDO Service Pty Ltd (BDO) to invoice the Entity in respect of her Board and Committee remuneration, refer to Note E1-2. BDO provided professional and financial advisory services to the Entity, total amount paid \$125,878 (2020: \$156,888), and commitment at reporting date is \$429,174(2020: \$275,606). Ms Corbett has no involvement in the provision of these services.

Ms Gail Ker was appointed as a Board member on 30 September 2020. Ms Ker is the CEO of Access Community Services (ACS). ACS is engaged by the Federal Government to provide employment facilitation-type services in the Wivenhoe and Gold Coast regions in which Seqwater operates. Ms Ker has no involvement in the provision of these services.

Transactions and outstanding balance with State of Queensland controlled entities

The Entity is controlled by the Queensland Government and as a result there are a significant number of interactions with other entities controlled by the same parent. The Entity procures services from a number of Queensland Government departments on normal commercial terms.

The following entities have the same controlling entity as the Entity and therefore are considered to be related parties. Transactions with these entities during the year are:

- QTC, a Queensland Government owned corporation, provided loan debt funding to the Entity under normal commercial terms and conditions, refer to Note C7.
- QCA - investigation and recommendation on the price practices as per the Minister's Referral Notice, total amount paid \$0 (2020: \$97,076) and \$0 commitment at reporting date;
- Department of State Development, Infrastructure, Local Government & Planning - management of acquisition of land and easements along pipeline corridor, total amount paid \$10,357 (2020: \$147,061) and \$0 commitment at reporting date;
- Department of Energy and Public Works – Lease of premise, total amount paid \$3,641,122 (2020: \$4,183,278), and commitment at reporting date is \$4,227,568;
- CS Energy – electricity energy supplier for the Entity, refer to Note B3; and
- Department of Regional Development, Manufacturing and Water provided CSO payments to the Entity for the provision of rural irrigation water, refer to Note B1-2.

E3 Climate risk disclosure

The financial statements have been prepared in consideration of climate related risks and associated potential impacts on the amounts and disclosures contained therein. Key estimates and judgements have been made with reference to the Entity's Climate Change Adaptation Strategy and the Queensland Government Climate Adaptation Strategy and Built Environment and Infrastructure Sector Adaptation Plan.

Climate risk assessment

The Entity acknowledges that the climate is changing and that historic climate conditions are unlikely to represent conditions that will be experienced in the future. In recognition of this position, the Entity accesses the most up to date, relevant climate change projections applying to operations and operating environments (currently Queensland Department of Environment and Science's future climate projections).

In alignment with the Queensland Climate Adaptation Strategy: Built Environment and Infrastructure Sector Adaptation Plan, the Entity has assessed the financial impacts relating to operations and cashflow, asset values and financing.

Operations and cashflow

The Entity's Climate Change Adaptation Strategy acknowledges the need for adaptation activity advancement in areas impacting water security, assets and infrastructure, research, communication, insurances, emergency management and catchment resilience, with each of these having the potential to impact financial resources.

Under the current regulatory framework, the Entity is able to recover expenditure that is prudent and efficient, with specified review events for drought, flood and other emergency responses. Given the regulatory ability to recover expenditure for these items, as well as variances in demand, it is palpable that any loss of financial resources associated with climate risk is temporary, with no permanent shortfall impacting on medium to long-term financial sustainability.

Asset valuation

The Entity considers climate change risk in the valuation of assets through the inclusion of drought associated scenario overlay, with the drought overlay valuing the impact that drought has on revenue, operations and investment.

At 30 June 2021 the drought overlay probability is 8% and is reflected in current year asset valuation.

Financing

The solvency of the Entity is guaranteed by written commitment from the Queensland Government, including the provision of funding facilities.

In the event of climate change related risks transpiring, short-term funding needs will be met under this commitment, with medium to long-term requirements met via the pricing recovery mechanisms of the regulatory framework.

Management certificate for year ended 30 June 2021

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 40 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material aspects; and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Queensland Bulk Water Supply Authority for the financial year ended 30 June 2021 and of the financial position at the end of that year.

We acknowledge responsibility under s.7 and s.11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

The Hon Dr David Hamill AM
Chairman



Signature

Date 21/09/2021 10:20 AM

Neil Brennan
Chief Executive Officer



Signature

Date 21/09/2021 1:26 PM

Lee Bruce
General Manager Corporate Services



Signature

Date 21/09/2021 11:59 AM

INDEPENDENT AUDITOR'S REPORT

To the Board of Queensland Bulk Water Supply Authority

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Bulk Water Supply Authority.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of property, plant and equipment (infrastructure assets)

Refer to Note C3-3 of the financial statements.

Key audit matter	How my audit addressed the key audit matter
<p>Management has estimated the fair value of the entity's infrastructure assets to be \$10.07b as at 30 June 2021. The fair value measurement is based on an estimation of future cash flows discounted to a present value.</p> <p>The valuations are dependent on certain key assumptions that require significant management judgement including the following in respect of:</p> <ul style="list-style-type: none"> • Demand: estimation of long term population growth and consumption rates. • Discount rate: a nominal post-tax discount rate reflecting what a market participant would use. • Capital expenditure: estimating future capital required to meet demand, comply with legislative obligations and maintain service levels. • Bulk water pricing: uncertainty of price structure post 2028 and the use of weighted pricing scenarios. • Terminal value: a projected regulatory asset base value to compute the terminal value. 	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices. • Checking, on a sample basis, the accuracy and relevance of the input data used, including by reconciling input data to supporting evidence such as approved budgets. • Assessing the reasonableness of cash flow forecasts and terminal value estimates relative to the regulator-approved determination, board approved budgets, historical growth trends, long-term asset management plans and other relevant internal and external evidence. The reasonableness of board approved budgets was assessed with reference to their historical accuracy and the budget preparation process. • Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research. • Challenging the reasonableness of key assumptions based on our knowledge of the entity and industry. • Performing a sensitivity analysis to assist in considering the potential impact of reasonably possible changes (downside/upside) in these key assumptions. • Verifying the mathematical accuracy of the net present value calculations.

Useful lives estimated for depreciation expense

Refer to Note C3-4 of the financial statements.

Key audit matter	How my audit addressed the key audit matter
<p>The straight-line depreciation method used required significant judgements for:</p> <ul style="list-style-type: none"> • Identifying the significant parts of infrastructure that have different useful lives • Forecasting the remaining useful lives of those significant parts. 	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating management's approach for identifying the parts of infrastructure that have different useful lives, having regard to recent replacement projects and long-term asset management plans. • Evaluating remaining useful life estimates for reasonableness with reference to management's documented assessments, historical disposal rates, condition assessments for older assets, and long-term asset management plans and budgets.

Other information

Other information comprises financial and non-financial information (other than the audited financial report). Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the entity for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2021:

- I received all the information and explanations I required.
- I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.



Brendan Worrall
Auditor-General

21 September 2021

Queensland Audit Office
Brisbane

Directions

SOUTH EAST QUEENSLAND WATER (RESTRUCTURING) ACT 2007

SECTION 61

DIRECTION TO THE BOARD OF THE QUEENSLAND BULK WATER SUPPLY AUTHORITY

Definitions and Interpretation

1. In this Direction, these terms have the following meanings:

Act	<i>South East Queensland Water (Restructuring) Act 2007.</i>
Board	the board of Seqwater.
Department	the Department of Regional Development, Manufacturing and Water.
Director-General	the director-general of the Department and includes any person acting in that office from time to time.
Project	the proposed Toowoomba to Warwick Raw Water Pipeline, which builds on the existing Toowoomba pipeline from Wivenhoe Dam, and includes: <ul style="list-style-type: none"> (a) anything else to do with matters in relation to Seqwater that arises because of the Project; (b) any due diligence, preparatory or investigatory activities in relation to the above matters; and (c) anything else necessary, incidental, consequential or convenient to facilitate or support the above matters.
Seqwater	the Queensland Bulk Water Supply Authority (ABN 75 450 239 876).
State	the State of Queensland.

2. A term used in this Direction which is not otherwise defined has the same meaning as that term is given in the Act.
3. Words in the singular include the plural and vice versa, unless the context otherwise requires.

Direction

4. In accordance with section 61 of the Act, we, the responsible Ministers of Seqwater, direct the Board of Seqwater to:

- (a) implement the works required to prepare the Project for construction (up to \$8.1 million) by 28 February 2022. This includes:
 - (i) project management mobilisation;
 - (ii) final design;
 - (iii) regulatory, environmental and heritage approvals;
 - (iv) survey and geotechnical activities; and
 - (v) establishing the preferred operating and maintenance model, including forecast operating costs, based on assumptions endorsed by the Department and Queensland Treasury.


A project management plan (to provide details of the activities and timelines) is to be developed in consultation with the Department that aligns with the delivery of the work under this Direction;

- (b) fund up to \$0.6 million (as part of the \$8.1 million identified in clause 4(a)) in professional services required by the Department for the Project (to be managed by invoices between the Department and Seqwater), including legal assistance, communications, procurement and risk management services and undertaking an independent peer review of the pipeline design and cost;
- (c) provide full cooperation and assistance to the State, the responsible Ministers and their respective advisors to implement clause 4(a);
- (d) give effect to any written request of the Director-General, or their delegate, for the purposes of this Direction;

- (e) notify the Director-General of the Board's proposed course of action to implement this Direction; and
- (f) where there is an ambiguity or doubt about the meaning or intent of this Direction, Seqwater and the Board give effect to the interpretation of the Director-General as advised to them in a written clarifying statement.

Dated this 24th day of May 2021.


The Honourable Cameron Dick MP
Treasurer
Minister for Investment


The Honourable Glenn Butcher MP
Minister for Regional Development and
Manufacturing and Minister for Water

Published on RDMW Disclosure Log
RTI Act 2009

Annual report requirements for Queensland Government agencies compliance checklist

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7	Page 1
Accessibility	<ul style="list-style-type: none"> Table of contents Glossary 	ARRs – section 9.1	Page 3 Page 88
	<ul style="list-style-type: none"> Public availability 	ARRs – section 9.2	Page 2
	<ul style="list-style-type: none"> Interpreter service statement 	Queensland Government Language Services Policy ARRs – section 9.3	Page 2
	<ul style="list-style-type: none"> Copyright notice 	Copyright Act 1968 ARRs – section 9.4	Page 2
	<ul style="list-style-type: none"> Information Licensing 	QGEA – Information Licensing ARRs – section 9.5	N/A
General information	<ul style="list-style-type: none"> Introductory information 	ARRs – section 10	Page 4 & 6
Non-financial performance	<ul style="list-style-type: none"> Government's objectives for the community and whole-of-government plans/specific initiatives 	ARRs – section 11.1	Page 4
	<ul style="list-style-type: none"> Agency objectives and performance indicators 	ARRs – section 11.2	Page 18-14
	<ul style="list-style-type: none"> Agency service areas and service standards 	ARRs – section 11.3	Page 4
Financial performance	<ul style="list-style-type: none"> Summary of financial performance 	ARRs – section 12.1	Page 8
Governance – management and structure	<ul style="list-style-type: none"> Organisational structure 	ARRs – section 13.1	Page 15
	<ul style="list-style-type: none"> Executive management 	ARRs – section 13.2	Page 16-19
	<ul style="list-style-type: none"> Government bodies (statutory bodies and other entities) 	ARRs – section 13.3	Page 24
	<ul style="list-style-type: none"> Public Sector Ethics Act 1994 	Public Sector Ethics Act 1994 ARRs – section 13.4	Page 25
	<ul style="list-style-type: none"> Human Rights Act 1994 	ARRs – section 13.5	Page 29
	<ul style="list-style-type: none"> Queensland public service values 	ARRs – section 13.6	N/A

Summary of requirement		Basis for requirement	Annual report reference
Governance – risk management and accountability	• Risk management	ARRs – section 14.1	Page 21
	• Audit committee	ARRs – section 14.2	Page 21
	• Internal audit	ARRs – section 14.3	Page 27
	• External scrutiny	ARRs – section 14.4	Page 29
	• Information systems and recordkeeping	ARRs – section 14.5	Page 29
	• Information security attestation	ARRs – section 14.6	Page 29
Governance – human resources	• Workplace planning and performance	ARRs – section 15.1	Page 28
	• Early retirement, redundancy and retrenchment	Directive No.11/12 Early Retirement, Redundancy and Retrenchment ARRs – section 15.2	N/A
Open data	• Statement advising publication of information	ARRs – section 16	Page 30
	• Consultancies	ARRs – section 33.1	https://data.qld.gov.au
	• Overseas travel	ARRs – section 33.2	N/A
	• Queensland Language Services Policy	ARRs – section 33.3	N/A
Financial statements	• Certification of financial statements	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1	Page 76
	• Independent Auditor's Report	FAA – section 62 FPMS – section 46 ARR – section 17.2	Page 77

Glossary

AASB	Australian Accounting Standards Board	LTIFR	Lost Time Injury Frequency Rate
ABN	Australian Business Number	M	Million
ACS	Access Community Services	MAR	Maximum allowed revenue
ARRs	Annual Reporting Requirements	ML	Megalitres (Million litres)
APA	Australian Physiotherapy Association	MP	Member of Parliament
ASX	Australian Securities Exchange	MS	Microsoft
BDO	BDO Services Pty Ltd	NPAT	Net Profit After Tax
BWSA	Bulk Water Supply Agreement	NTER	National Tax Equivalent Regime
CEO	Chief Executive Officer	OCI	Organisational Culture Survey
CFO	Chief Financial Officer	PTY LTD	Proprietary Limited
COO	Chief Operating Officer	QAO	Queensland Audit Office
CPI	Cost Price Index	QCA	Queensland Competition Authority
CSO	Community Service Obligation	QLD	Queensland
Dr	Doctor	QTC	Queensland Treasury Corporation
EBIT	Earnings Before Interest and Tax	SBFA Act	Statutory Bodies Financial Arrangements Act
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation	SEQ	South East Queensland
eDRMS	electronic Document and Records Management System	WACC	Weighted Average Cost of Capital
FAA	Financial Accountability Act 2009		
FBT	Fringe Benefit Tax		
FFO	Funds from Operations		
FPMS	Financial and Performance Management Standard 2019		
FTE	Full Time Equivalent		
GC	General Counsel		
GM	General Manager		
GSI	Global Safety Index		
GST	Goods and Services Tax		
Hon.	Honourable		
ICT	Information Communication Technology		
KMP	Key Management Personnel		
KPI	Key Performance Indicator		
LAFHA	Living-away-from-home allowance		
Ltd	Limited		
L/P/D	Litres per person per day		

Published on RDMW Disclosure Log
RTI Act 2009

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Release

Seqwater **Operational Plan 2020-21**



Performance agreement

Board statement and agreement of responsible Ministers

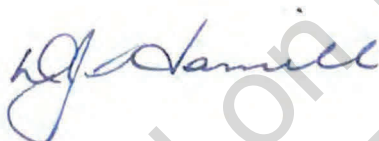
The Seqwater Operational Plan 2020-21 (Plan) is presented in accordance with Chapter 2, Part 4 of the *South East Queensland Water (Restructuring) Act 2007* (Restructuring Act).

The Plan is the performance agreement between the Seqwater Board and its responsible Ministers, the Honourable Cameron Dick, Treasurer and Minister for Investment, and the Honourable Glenn Butcher, Minister for Regional Development and Manufacturing and Minister for Water.

The Plan sets out Seqwater's financial and non-financial performance targets for the year, together with its major activities, objectives, undertakings, policies, investments and borrowings. It aligns with Seqwater's *Strategic Plan 2020-24*, which is included in this document.


Seqwater will 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 Plan. These changes will be dealt with in accordance with the requirements of the Restructuring Act.

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



.....
Honourable Dr David Hamill AM
Chairman

Date: 9th December 2020



.....
Honourable Cameron Dick,
Treasurer and Minister for Investment

Date: 09.02.2021



.....
Honourable Glenn Butcher,
Minister for Regional Development and
Manufacturing and Minister for Water

Date: 3.2.2021

Chairman's foreword

Seqwater is pleased to present its Operational Plan 2020-21 to its responsible Ministers.

In 2020-21, our Operational Plan will pursue five strategic objectives that are set out in the four-year strategic plan. It demonstrates our commitment to continue to serve South East Queensland's growing communities, with our service population set to reach four million by 2027-28. We will ensure we are ready for this growth, with plans in place to meet the demands of a thriving region in the years beyond.

We will continue to work on our region's long-term water supply plan, the South East Queensland Water Security Program version 3, to manage the demands of population growth and the impact of climate change. We know new water infrastructure is a significant inter-generational investment. We want our communities to be part of our planning and to ultimately help shape our water future.

Over the next 10 years Seqwater will make an unprecedented investment in critical water supply infrastructure, delivering key projects including the South West Pipeline, to meet the growing communities of Logan and Scenic Rim, dam upgrades and refurbishments of key water treatment assets.

As Seqwater continues to shape its workforce responding to changes in the environment, we will drive improvements in culture and leadership. We will support our people through development programs, effective leadership and implementation of our safety culture strategy and culture transformation program.

In 2020-21 Seqwater will continue to invest in improving the health of drinking water catchments across South East Queensland. More than half of our investment will be delivered by catchment partnership groups and local councils across the region.

As always, we carefully balance our investments with optimal value for our communities as we progress on our path to strengthen financial sustainability. Seqwater cannot achieve its objectives alone. We are proud of our open and effective relationships with our retailer customers as we work together to identify and deliver whole-of-system improvements.

We will comply with all relevant Government policies and guidelines, work collaboratively with our retailer customers and seek value for the people of South East Queensland.

Honourable Dr David Hamill AM
Chairman

Contents

1. Seqwater's role	4
2. Strategy, risks and opportunities	5
2.1 Seqwater's vision, promise and values.....	5
2.2 Risks and opportunities	6
3. Undertakings	9
3.1 2020-21 plan	9
3.2 Key policies.....	13
4. Business performance	16
4.1 Performance measures	16
4.2 Assumptions	17
4.3 Financial statements.....	18
4.4 Notification of capital program	21
5. Outlook	24
5.1 Strategic Plan 2020-24	24
5.2 Five-year financial outlook.....	26
Attachment 1 – Employment and industrial relations plan	30
Employment and industrial relations approach	30
Significant and emerging issues.....	31
Employment and industrial relations plan.....	32
Attachment 2 – Sponsorship, advertising, corporate entertainment and donations	38
Attachment 3 – Impact of drought	41

1. Seqwater's role

Seqwater delivers a safe, secure, and cost-effective bulk water supply for over three million people across South East Queensland (SEQ). It provides irrigation water, as well as essential flood mitigation services, catchment management and recreation facilities.

On behalf of its communities, Seqwater manages and maintains 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. Its operations extend from the New South Wales border to the base of the Toowoomba ranges and north to Gympie.

It owns and operates the SEQ Water Grid, a 600km two-way pipeline network that enables treated drinking water to be moved around the region, between Greater Brisbane and the Sunshine Coast, Redlands Coast and Gold Coast.

Seqwater supplies bulk treated drinking water to five retailer customers, Unitywater, Urban Utilities and the water businesses of the Logan, Redland and Gold Coast councils. These retailers in turn deliver drinking water to consumers through their distribution networks. Seqwater works with its retailer customers to achieve the best whole-of-system solutions.

In addition to urban bulk water supply, Seqwater supplies irrigation water to about 1,200 farmers and growers through seven schemes. Seqwater also has arrangements in place to supply water to Toowoomba and Gympie regional councils and power stations operated by Stanwell Corporation and CleanCo.

Seqwater provides access to diverse recreation opportunities on Seqwater's land and water storages.

Core business activities consistent with Seqwater's role as a statutory authority include:

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

This plan details how Seqwater will deliver on these activities in 2020-21.

2. Strategy, risks and opportunities

2.1 Seqwater's vision, promise and values

2.1.1 Vision

Seqwater is committed to being respected as a leading water authority and achieving our vision - **Water for life**.

2.1.2 Vision statement

We are respected as a leading water authority.

By excelling locally and thinking globally, our knowledge and expertise is guiding water policy, and the use of technology in our industry.

We are a safe, inclusive workplace that supports diversity and opportunity. We invest in our people and empower them to make decisions and challenge the status quo.

We respect the traditional owners of the land, catchments and waterways on which we operate, and seek to continue their tradition of stewardship. By partnering with our communities, customers and government, we are helping shape livable, healthy catchments and communities for generations to come.

2.1.3 Promise

Seqwater's **Safe for life** promise reflects our commitment to keeping ourselves, each other and our communities healthy, safe and well at work and at home.

2.1.4 Values

Seqwater's corporate values are:

- Integrity – be honest and do the right thing
- Respect – work together, seek to understand, value differences, and bring your best
- Care – look after yourself, each other and our communities
- Courage – speak up, find better ways, lead by example.

2.2 Risks and opportunities

2.2.1 Risks

Seqwater maintains an enterprise risk management system, explained further in the key policies section 3.2.6. In 2020-21 Seqwater continues to operate in a COVID-19 environment which may potentially affect a number of Seqwater's enterprise risks – water supply, water quality, workplace, health and safety risks, etc. Similarly, as SEQ remains in drought readiness, should the dry conditions continue it may affect enterprise risks including water security, water quality and financial sustainability. Seqwater's enterprise risks are detailed in Table 2.2.1.1.

Table 2.2.1.1

Risk	Key mitigation strategies
Workplace health and safety	All officers and workers are health, safety and wellbeing leaders, with a responsibility to actively participate in the development and implementation of safe work practices and procedures. We will comply with the work health and safety performance requirements set by relevant legislation. We will continue to foster a strong safety culture through our <i>Safe for Life</i> strategy with focus areas of prioritised initiatives, and ongoing enhancement of our Work Health and Safety Management System.
Major supply asset failure	Asset management planning and a condition monitoring program routinely reviews, identifies and treats risks to the asset base. Supply modelling and contingency planning support Seqwater's ability to mitigate the impacts and implement preventative controls. Seqwater's capital investment decisions address the potential for major supply asset failure using risk informed priorities.
Financial sustainability	Effective Board policy and business governance frameworks are in place to promote prudent operational, investment and capital structure decisions, that enable Seqwater to strengthen financial sustainability.
Water security	The Water Security Program, a requirement under the <i>Water Act 2000</i> , is Seqwater's plan for providing South East Queensland's drinking water over 30 years. Seqwater has comprehensively examined demand, supply and the operation of the Water Grid – the three levers that work together to secure the region's water supply. The program sets out the plan to manage drought, including how and when to use higher cost climate-resilient water infrastructure such as the Western Corridor Recycled Water Scheme. Seqwater's usage of such infrastructure occurs efficiently and effectively as possible.
Stakeholder relations	Seqwater has a brand, reputation and relationship management framework, an engagement strategy, and targeted plans to engage with stakeholders, customers and communities with the aim to secure, maintain and grow trust in and advocacy for Seqwater. These plans are actively implemented and monitored throughout the year.
Supply obligations	Seqwater maintains a compliance framework that provides regular oversight of its legislative and regulatory obligations and identifies risk areas where water supply service obligations may not be within Seqwater's direct control. Seqwater is working to clarify the commercial relationships with its retailer customers, through the development of bulk water service standards considering regulation and current and future contractual arrangements and requirements, with the aim to improve the delivery of services, and be better positioned to advocate for public policy and regulatory changes.

Risk	Key mitigation strategies
Environment	Seqwater has a certified Environmental Management System in place to ensure environmental compliance and prevent environmental harm from its operations. Site operational process controls and regular reviews support this. Training is provided to staff to raise environmental awareness, and scientific research undertaken to improve Seqwater's understanding of potential environmental issues and impacts across our catchments and areas of operation.
Technology security	With digital systems now intrinsic to Seqwater's operations, the need to effectively and efficiently manage cyber risk is essential to meeting regulatory obligations and delivering safe and reliable water services to the community. Seqwater's cyber security strategy aims to standardise cyber practices and improve cyber maturity through integration of leading practices into business operations, actively govern cyber security performance through top-down risk ownership and leadership and increase organisational cyber security awareness.
Public safety	Seqwater maintains recreation assets on a programmed schedule and in accordance with risk-based assessments and actively works with enforcement agencies in relation to water activities and illegal access. Seqwater's <i>Play it safe</i> public education campaign encourages visitors to plan ahead and practice safe behaviours at Seqwater's dams, lakes and parks.
Emergency management	Seqwater adopts a comprehensive approach to emergency management encompassing the management of risk originating from hazards through a continuous cycle of prevention, preparedness, response and recovery. Using a combination of emerging risk identification and lessons learned from whole-of-system desktop and live simulations and actual disruption events, plans and procedures are reviewed and updated to increase organisational resilience.
Major dam failure	To ensure dams are safely operated and maintained, as well as minimising the risks associated with dam failure and flood events, Seqwater has a comprehensive Dam Safety Management Program which comprises a number of elements including operations, maintenance, ongoing safety surveillance, safety review, reporting, condition assessment, individual and portfolio risk assessments, emergency preparedness and a dam improvement program. Seqwater's Dam Safety Investment Policy deals with the prioritisation of investment for works on dams identified to meet ANCOLD standards its dam improvement program.
Attraction and retention	Seqwater's workforce and succession planning processes and learning and development program help build the skills and capability of the workforce. Employee surveys are conducted to identify opportunities for improvement. A people strategy is in place to drive a number of transformational levers with the aim of fostering an inclusive culture that attracts, engages, develops, and retains diverse talent, developing leadership capability and improving organisational performance, culture and engagement.
Water quality	Seqwater continues to implement and maintain its Drinking Water Quality Management Plan, consistent with the Australian Drinking Water Guidelines framework, relevant legislation, and the Standard for Food Safety Management Systems. Seqwater commits to ensuring that the system operates on the concept of multiple barriers, through a number of programs designed to act in concert to protect water quality, including training, system audits and engineered barriers in addition to water treatment processes. The barriers extend to water source protection and catchment health, which plays an active role.
Fraud and corruption	Seqwater's fraud and corruption control strategy is based on the recognised best practice approach of prevention, detection and response as well as compliance with established policies, procedures, values and the law. A Fraud and Corruption Working Group monitors, reviews and reports on specific fraud and corruption risks. Data analysis provides oversight of high-risk transactional functions – accounts payable, vendor master files, payroll and corporate credit card use. A customised fraud and corruption awareness program has been rolled out across Seqwater commencing with top tier key focus areas, e.g. finance, operations, and project delivery.

Risk	Key mitigation strategies
Water supply	To ensure future bulk water supply demands can be met from an operational perspective, Seqwater continues to ensure proper prioritisation and timely delivery of water treatment plant capacity upgrades and SEQ Water Grid augmentation projects. To support this, Seqwater has committed to improvement initiatives to strengthen its capital planning, delivery capabilities, processes and systems.

2.2.2 Opportunities

In 2020-21, Seqwater has identified the following opportunities to support improved delivery of its services:

- drive performance improvements and efficiencies through implementing business realignment, enterprise planning and systems transformation and process improvement
- drive improvements in the planning and delivery of large capital projects through the implementation of a dedicated major projects team
- improve resilience of its current asset base through criticality assessment and resilience planning
- improve long term planning through incorporating climate change considerations in modeling assumptions
- undertake a strategic assessment for the next major water supply augmentation
- identify and acquire strategically located land packages for future supply sources.

3. Undertakings

3.1 2020-21 plan

3.1.1 Service delivery

Seqwater is committed to maximising value to South East Queenslanders. Delivering its core services to its customers and South East Queensland communities remains Seqwater's priority, including:

- a safe, reliable and affordable bulk water supply
- water for irrigation
- flood mitigation services
- public access to water and land-based recreation in and around its lakes
- long-term water security planning
- water source protection, by partnering with stakeholders considering the catchment as a whole.

3.1.2 Delivering on strategy

South East Queensland's population continues to grow. By 2027-28, Seqwater will need to supply bulk water for four million people. In pursuit of its *Water for life* vision and to meet this increasing demand, Seqwater has set a destination:

Seqwater is ready and able to provide safe, affordable and reliable bulk water for four million South East Queenslanders.

Seqwater has identified five strategic objectives to focus on over the next four years to enable the destination to be reached:

- increase customer, community and stakeholder support and satisfaction
- increase water supply certainty
- strengthen financial sustainability
- improve processes, systems and planning
- improve safety and organisational culture.

We have set measures of success across these five strategic objectives.

Increase customer, community and stakeholder support and satisfaction

In 2020-21, Seqwater will continue to engage and educate stakeholders and communities through the Water Future Program, with the goal of achieving a water wise community. A water wise community is connected to water, participates in decision making and acts to manage water sustainably.

To achieve this goal, Seqwater will continue to partner with its retailer customers, South East Queensland's water service providers, to deliver the program in their service territories and pursue opportunities to involve local and regional stakeholders including community, industry and environmental groups.

In particular Seqwater will promote facts about purified recycled water and increase awareness and familiarity with purified recycled water through targeted promotional campaigns.

Seqwater will continue to engage with its retailer customers to improve integrated planning across the SEQ network to provide improved water supply infrastructure that meets end customers' needs and best value outcomes.

Undertakings

Seqwater will:

- engage impacted communities about water infrastructure projects to build awareness and understanding, and to foster positive relationships with the communities it serves
- publish information about purified recycled water and increase awareness through targeted promotional campaigns
- partner to identify opportunities and deliver whole-of-supply system improvements and improve catchment health and source water quality.

Increase water supply certainty

Seqwater's Water Security Program is developed to plan how the water supply system will be operated and augmented over the next 30-year period to meet growing demand. The current program (version 2) was set in 2017. The next program (version 3) is under development and will consider new information, provide increased certainty for future augmentation options and consider the impacts of climate change.

Seqwater's drought response plan outlines key actions to manage supply shortages caused by extended drought. This plan is set out in the current Water Security Program (2017) and will continue to be implemented as required.

The resilience of Seqwater's asset base is paramount, Seqwater will continue to understand and quantify the resilience of the key water supply assets to inform its capital program planning and delivery.

Undertakings

Seqwater will:

- continue to develop the Water Security Program version 3
- implement the Drought Response Plan as required.

Strengthen financial sustainability

Seqwater will progress its financial sustainability objective through driving operational efficiency and asset program optimisation strategies, as well as proactive measures relating to debt portfolio management.

Seqwater will continue to plan for long term water security, delivering its annual capital program to ensure the provision of safe and reliable bulk water services and meet legislative and regulatory obligations. Seqwater continues to pursue opportunities to achieve further operational efficiencies, including the incorporation of the Queensland Competition Authority efficiency target into operating budgets.

In 2020-21 Seqwater will deliver services within operating budgets, under normal operating conditions.

Undertakings

Seqwater will:

- deliver an optimised capital program, meeting water security and program efficiency requirements
- undertake planning for the next bulk water price path review and submission to the QCA.

Improve processes, systems and planning

Each year Seqwater plans and prepares to respond to a range of events. An annual program including document review, training and simulation exercises is undertaken to optimise resilience and preparedness and drive continuous improvement.

In 2019 Seqwater restructured to better align its functions with its strategic objectives and to drive improvements in planning and delivery of its services.

An enterprise planning and systems transformation program commenced in 2019, the aim of which was to define and develop future state business capability requirements, introduce business process management and define technology architecture requirements. This work will continue in 2020-21, targeting our finance, human resource, asset performance/management, and supporting systems.

Over the next 10 years Seqwater has an unprecedented number of high complexity major projects that need to be delivered to meet water security and flood resilience demands. A dedicated team has been established to manage the planning and delivery of the significant program of works.

Undertakings:

Seqwater will:

- commence improvements in Work Health and Safety, finance, human resource and asset management systems
- ensure resilience and emergency preparedness, by continuing to undertake the activities listed in Table 3.1.2.1.

Table 3.1.2.1

Activity	Completed by
Annual statement of preparedness	September 2020
Undertake flood scenarios	November 2020
South East Queensland water supply system emergency response exercise	November 2020
Selected emergency management team annual update training	December 2020
Selected incident controllers annual update training	December 2020
Seqwater emergency management desktop exercise	December 2020
Seqwater Emergency Management Manual annual review	June 2021

Improve safety and organisational culture

In 2020-21 Seqwater will continue to drive positive safety performance and culture improvements as well as continue to support trainee, apprentice and graduate development through its ongoing Next Generation program.

Undertakings

Seqwater will continue to:

- implement the long-term safety culture strategy
- drive cultural change through targeted initiatives
- drive improved performance through leadership development and reporting capability.

3.2 Key policies

3.2.1 Governance and prudent financial information

Seqwater will continue to review existing governance arrangements to streamline processes, and to deliver improved effectiveness and efficiency.

Seqwater will comply with all relevant legislation, Government policies and guidelines.

The Chief Executive Officer, under the direction of the Board, is responsible for ensuring that prudent financial practices are applied within Seqwater.

3.2.2 Capital structure strategy and borrowings

Seqwater manages operations, investment and borrowings prudently and efficiently. Seqwater will continue to manage matters within its current control, such as prudent investment in infrastructure, efficient operating costs, interest rate risk management strategies and consideration of refinancing options as appropriate.

No new debt or borrowings are anticipated in 2020-21 under normal operating conditions.

3.2.3 Annual return

Within six months of the end of each financial year, Seqwater is required to pay the State an annual return as determined by the responsible Ministers.

To determine the amount to be paid, Seqwater must provide the responsible Ministers an estimate of its net profit for the year, with a recommendation on the amount of annual return to be paid by 15 May each year.

Seqwater will comply with all relevant legislation, Government policies and guidelines.

3.2.4 Weighted average cost of capital

The weighted average cost of capital applied will be consistent with Government policy.

3.2.5 Treasury Policy

Seqwater has policies to minimise investment and borrowing risk. Seqwater's Treasury Policy has been implemented to ensure a prudent and efficient approach to the management of assets and liabilities associated with the financing of Seqwater's business.

Seqwater will comply with all relevant legislation, Government policies and guidelines.

3.2.6 Risk management

Seqwater maintains an enterprise risk management system which aligns with the *AS/NZS ISO 31000: Risk Management Principles and Guidelines*. The system comprises a risk management policy statement, risk appetite statement, and enterprise risk management framework. The system outlines a process for identifying, analysing, evaluating, treating, and monitoring risks. Seqwater's enterprise risks and key mitigation strategies are outlined in Section 2.2.1 of this Plan.

3.2.7 Employment and industrial relations

An Employment and Industrial Relations Plan is provided as Attachment 1. Remuneration arrangements for the Board members, the Chief Executive Officer and executives of Seqwater are detailed in the Employment and Industrial Relations Plan.

3.2.8 Bulk water pricing

Seqwater will apply bulk water prices in 2020-21 as set by the Minister for Natural Resources, Mines and Energy.

3.2.9 Network service plans

Seqwater will continue to prepare and publish network service plans for each of its irrigation water supply schemes and to consult annually with customers. In addition, Seqwater will work with customers to strengthen customer relationships by responding to customer requests to establish formal Customer Councils to improve customer engagement and transparency.

3.2.10 Sponsorships, advertising, corporate entertainment and donations

Sponsorship, advertising, corporate entertainment and donations budget expenditure is detailed in Attachment 2.

3.2.11 Recreation Policy

In March 2020, Seqwater's Board approved The Recreation Policy Statement with a desired outcome:

To provide access to a diversity of recreation opportunities on Seqwater's land and water storages without compromising our ability to provide safe, secure and cost-effective water and catchment services.

This outcome will be achieved through the following key objectives:

- provide recreation opportunities that are within our capacity to deliver safe drinking water
- promote safe recreational use, building on the strong safety culture within Seqwater
- ensure sustainable outcomes through balancing values and interests including, for example, recreation, visual amenity, noise, the environment, cultural heritage and our neighbours (Sustainable Recreation)
- engage with our partners, stakeholders and the SEQ communities to enable equitable and inclusive access to our recreation facilities
- give public access precedence over commercial or exclusive use and provide recreation access that represents value for money, noting that recreation costs are included in bulk water charges paid by the people of SEQ.

3.2.12 Queensland disaster management arrangements

Seqwater assists local and district disaster management groups as an active advisor, as detailed in the Bulk Authority Emergency Response Plan, Emergency Management Manual and Manuals of Operational Procedures for Flood Mitigation. Seqwater provides direct advice on disaster risks relating to flood, bush fire and dam infrastructure, and works collaboratively with its retailer customers to provide advice on drinking water supply.

Seqwater has developed an emergency management training program, which provides competency-based learning for Seqwater employees and contractors to respond in accordance with its Emergency Management Manual. The training plan incorporates a Queensland disaster management arrangements module, which provides training to liaison officers within the State Disaster Coordination Centre

3.2.13 Acquisition and disposal of major assets

Seqwater manages its assets under its *Non-current Asset Accounting Policy*, which complies with section 18(3) of the *Financial and Performance Management Standard 2019*. The policy outlines identifying, acquiring, maintaining, disposing of, valuing or revaluing and recording or writing off assets, and aligns with Queensland Treasury's *Non-current asset policies for the Queensland Public Sector*.

Seqwater will comply with all relevant legislation, government policies and guidelines.

3.2.14 Procurement

The *Queensland Procurement Policy 2019* has been incorporated into Seqwater's procurement policy, procedure and associated guidelines. These documents govern all procurement activity performed by Seqwater.

4. Business performance

4.1 Performance measures

4.1.1 Financial performance measures

Table 4.1.1.1

KPI	2020-21 forecast				
	Q1	Q2	Q3	Q4	Full year
Operating revenue \$000	267,401	274,368	267,527	261,314	1,070,610
Operating expenditure \$000	70,610	71,361	68,877	75,844	286,692
EBITDA \$000	196,791	203,007	198,650	185,470	783,918
EBIT \$000	129,129	134,501	131,600	117,694	512,924
NPAT \$000	10,891	14,650	12,620	2,885	41,046
EBITDA margin	73.6%	74.0%	74.3%	71.0%	73.2%
Total assets \$000	11,749,681	11,768,218	11,785,523	11,782,127	11,782,127
Capital expenditure \$000	24,575	31,291	49,659	70,086	175,611
Gearing ratio (debt to [debt + equity ratio])	0.84	0.84	0.84	0.84	0.84
FFO Interest coverage	1.14	1.18	1.16	1.04	1.13
Capital replenishment ratio	0.36	0.46	0.74	1.03	0.65
Operating expenditure ratio	26.4%	26.0%	25.8%	29.0%	26.8%

4.1.2 Non-financial performance measures

Table 4.1.2.1

KPI	2020-21 targets				
	Q1	Q2	Q3	Q4	Full year
Forecast water production (ML) ¹	80,213	84,316	82,081	80,053	326,663
Lost time injury frequency rate (LTIFR) ²	≤3.5	≤3.5	≤3.5	≤3.5	≤3.5
Statutory notifications for environmental harm	0	0	0	0	0
Zones compliant with Australian Drinking Water Guidelines	100%	100%	100%	100%	100%
Dam safety inspection program – legislative compliance	100%	100%	100%	100%	100%

¹ These figures represent the retailer customers demand only.

² Seqwater's target for injuries of any type is always zero with an upper maximum LTIFR of ≤3.5 for 2020-21.

4.2 Assumptions

Seqwater's budget forecast is based on the assumptions in Table 4.2.1

Table 4.2.1

Economic indices	
CPI	Outer year projections include escalations based on recommendations in the QCA Final Report (March 2018).
Wage growth	Outer year projections include escalations based on recommendations in the QCA Final Report (March 2018).
Long term interest rates	As per QTC projected interest rates as at July 2020.
Revenue	
Water sales	Distribution / retail revenue is calculated using the recommended prices in the QCA Final Report (March 2018) for 2018-21 and forward estimates.
Demand	Consistent with Seqwater's Annual Operating Strategy for 2020-21.
Operating expenses	
Seqwater	Developed using a top-down baseline budgeting methodology aligning to the QCA Final Report (March 2018) and Board approved expenditure.
Capital	
Phasing	Project completion dates and budget estimates listed in section 4.4 are reflective of the different stages of maturity in project planning and are based on the best information available at the time of preparing this Plan.
Changes in forecasts	Project completion dates are indicative and subject to change based on weather conditions, unplanned operational changes and/or capital delivery timetabling changes due to emerging or changing priorities. Project budget estimates increase in certainty as projects progress through Seqwater's project gateway process. Therefore, cost estimates are subject to change.
Project Gateways	Seqwater works closely with Building Queensland on projects over \$50 million and has aligned its project gateway process (gates 0, 1 and 2) with the <i>Building Queensland Business Case Development Framework</i> .

The 2020-21 budget is prepared based on fair weather conditions and does not include any contingency for weather events such as cyclones, floods and drought. Under the terms of the QCA review set by the Treasurer, Seqwater will seek to recover costs through a review event in the next price review, using the existing review event mechanisms from the 2018 Queensland Competition Authority bulk water pricing review. Claims for these events are generally ex-post based on actual, provable, prudent and efficient incremental expenditures.

Details of the potential expenditure resulting from drought response triggers, as set out in the Water Security Program version 2, are provided in Attachment 3.

4.3 Financial statements

4.3.1 Statement of comprehensive income³

Table 4.3.1.1

	2020-21 budget				
	Q1	Q2	Q3	Q4	Full year
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Operating revenue					
Water services	262,942	269,798	262,820	256,568	1,052,128
Interest income	637	747	872	928	3,184
Other revenue	3,822	3,823	3,835	3,818	15,298
Total operating revenue	267,401	274,368	267,527	261,314	1,070,610
Operating expenses					
Employee expenses	24,976	29,198	25,019	28,844	108,037
Supplies and services	45,634	42,163	43,858	47,000	178,655
Total operating expenses	70,610	71,361	68,877	75,844	286,692
EBITDA	196,791	203,007	198,650	185,470	783,918
Depreciation and amortization	67,662	68,506	67,050	67,776	270,994
Other asset revaluations, losses and write downs	0	0	0	0	0
EBIT	129,129	134,501	131,600	117,694	512,924
Finance/borrowing costs	113,571	113,572	113,572	113,572	454,287
Profit (loss) before income tax	15,558	20,929	18,028	4,122	58,637
Taxation (expense) benefit	(4,667)	(6,279)	(5,408)	(1,237)	(17,591)
Net profit (loss) after income tax	10,891	14,650	12,620	2,885	41,046

³ Rounding has been used in these calculations.

Statement of financial position⁴

Table 4.3.1.2

	2020-21 budget				
	Q1	Q2	Q3	Q4	Full year
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Current assets					
Cash and cash equivalents	360,760	411,884	453,439	450,000	450,000
Trade and other receivables	174,322	179,097	172,387	169,674	169,674
Inventories	9,374	9,374	9,374	9,374	9,374
Other current assets	5,803	5,803	5,803	5,803	5,803
Total current assets	550,259	606,158	641,003	634,851	634,851
Non-current assets					
Property, plant and equipment	11,046,624	11,009,343	10,989,722	10,989,290	10,989,290
Other non-current assets	152,798	152,717	154,798	157,986	157,986
Total non-current assets	11,199,422	11,162,060	11,144,520	11,147,276	11,147,276
TOTAL ASSETS	11,749,681	11,768,218	11,785,523	11,782,127	11,782,127
Current liabilities					
Trade and other payables	46,900	47,353	49,475	45,137	45,137
Employee benefits	25,009	25,009	25,009	25,009	25,009
Interest payable	37,832	37,832	37,832	37,832	37,832
Other current liabilities	11,883	9,038	6,192	14,780	14,780
Total current liabilities	121,624	119,232	118,508	122,758	122,758
Non-current liabilities					
Employee benefits	3,600	3,600	3,600	3,600	3,600
Interest bearing liabilities	9,384,583	9,384,583	9,384,583	9,384,583	9,384,583
Deferred tax liabilities	191,520	197,799	203,208	204,444	204,444
Other non-current liabilities	287,708	287,708	287,708	275,941	275,941
Total non-current liabilities	9,867,411	9,873,690	9,879,099	9,868,568	9,868,568
TOTAL LIABILITIES	9,989,035	9,992,922	9,997,607	9,991,326	9,991,326
NET ASSETS	1,760,646	1,775,296	1,787,916	1,790,801	1,790,801
Equity					
Contributed equity	(715,888)	(715,888)	(715,888)	(715,888)	(715,888)
Asset revaluation reserve	2,755,888	2,755,888	2,755,888	2,755,888	2,755,888
Accumulated profit (loss)	(279,354)	(264,704)	(252,085)	(249,199)	(249,199)
TOTAL EQUITY (DEFICIENCY)	1,760,646	1,775,296	1,787,916	1,790,801	1,790,801

⁴ Rounding has been used in these calculations.

4.3.2 Statement of cash flows⁵

Table 4.3.2.1

	2020-21 budget				
	Q1	Q2	Q3	Q4	Full year
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cash flow from operating activities					
<i>Inflows</i>					
Receipts from water services	239,996	265,999	270,508	253,132	1,029,635
Receipts from leases, rentals and other	2,978	981	978	1,180	6,117
Interest received	637	747	872	928	3,184
<i>Outflows</i>					
Payments to suppliers and employees	(59,781)	(71,644)	(67,477)	(74,925)	(273,827)
Interest paid	(112,321)	(113,496)	(113,496)	(113,496)	(452,809)
Net operating cash flows	71,509	82,587	91,385	66,819	312,300
Cash flow from investing activities					
<i>Inflows</i>					
Proceeds from sale plant and equipment	0	0	0	0	0
<i>Outflows</i>					
Payments for acquisition of property, plant and equipment	(24,575)	(31,291)	(49,659)	(70,086)	(175,611)
Net investing cash flows	(24,575)	(31,291)	(49,659)	(70,086)	(175,611)
Cash flow from financing activities					
<i>Inflows</i>					
QTC borrowings/capitalised interest	0	0	0	0	0
<i>Outflows</i>					
Lease Payments	(171)	(172)	(171)	(172)	(686)
Net financing cash flows	(171)	(172)	(171)	(172)	(686)
Net increase (decrease) in cash held	46,763	51,124	41,555	(3,439)	136,003
Cash and cash equivalents at the beginning of the financial period	313,997	360,760	411,884	453,439	313,997
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	360,760	411,884	453,439	450,000	450,000

⁵ Rounding has been used in these calculations.

4.4 Notification of capital program

Seqwater's 2020-21 capital program is budgeted at \$175.6 million, an increase on the previous financial year exceeding \$21 million⁶.

The planned program for 2020-21 includes significant capital expenditure for the continuation of dam improvement projects as well as upgrades at several water treatment plants.

Capital asset expenditure⁷

Table 4.4.1

	2020-21 budget				
	Q1	Q2	Q3	Q4	Full year
Asset group	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Infrastructure capital					
Natural	1,344	1,419	875	929	4,567
Water storage	5,544	12,590	22,988	33,025	74,147
Water treatment	8,973	6,879	12,073	20,209	48,134
Water transport	6,106	7,744	7,402	10,005	31,257
Purified recycled water	258	249	250	241	998
Irrigation	129	750	702	0	1,581
Recreation	84	0	78	258	420
Other infrastructure	455	139	1,625	3,260	5,479
Total infrastructure capital	22,893	29,770	45,993	67,927	166,583
Non-infrastructure capital					
Information communication and technology	988	762	1,260	1,038	4,048
Land compensation	0	0	1,648	300	1,948
Laboratory data systems	220	283	283	347	1,133
Fleet	201	201	201	201	804
Building	273	275	274	273	1,095
Total non-infrastructure capital	1,682	1,521	3,666	2,159	9,028
TOTAL CAPITAL EXPENDITURE	24,575	31,291	49,659	70,086	175,611

⁶ Budget increase is measured against 2019-20 Queensland Government Budget Paper 3 value of \$154m.

⁷ Rounding has been used in these calculations.

Key projects for 2020-21 are listed in Table 4.4.2.

Table 4.4.2

Project	Details	Project expected completion	2020-21 budget (\$000)	Total project cost (\$000) ⁸	Project status ⁹	Investment approval level	Investment approval status
Projects over \$10 million							
Lake Macdonald Dam upgrade	Upgrade to comply with dam safety regulations	2023-24	\$24,850	\$127,278	Procurement	Responsible Minister	Ministerial approval received
South West Pipeline ¹⁰	Pipeline to connect Beaudesert to the SEQ Water Grid to secure long-term water supply	2022-23	\$11,496	\$95,200 ¹¹	Procurement	Responsible Minister	Ministerial approval received
Ewen Maddock Dam safety upgrade stage 2A	Upgrade to comply with dam safety regulations	2021-22	\$11,000	\$24,500	Delivery	Board	Board approved
Mt Crosby East Bank Water Treatment Plant filtration upgrade	Refurbish the 20 Mt Crosby East Bank Water Treatment Plant filters to maintain and improve capability and reliability of SEQ Water Grid	2022-23	\$6,268	\$34,948	Delivery	Board	Board approved
Mt Crosby Weir Bridge structure upgrade ¹²	A new vehicle bridge is being constructed to improve flood resilient access between East and West Bank, and upgrade safety to current standards	2022-23	\$567	\$22,660	Detailed business case	Board	Board approved
Western Corridor Recycled Water Scheme (WCRWS) mobilisation	WCRWS may be mobilised in accordance with Seqwater's Drought Response Plan ¹³	N/A	\$0	\$180,000 ¹⁴	Detailed business case	Responsible Minister	Board approved pending responsible Ministers' approval
Gold Coast Desalination Plant - Reverse Osmosis Membranes Replacement	Replace and refurbish membrane filters at the Gold Coast Desalination Plant	2021-22	\$6,637	\$16,086	Procurement	Board	Board approved

⁸ Figures are based on Board-approved 2020-21 Q0 forecast (August 2020) unless otherwise stated.

⁹ Project Status is in accordance with Queensland Treasury Project Assessment Framework stages.

¹⁰ Formerly reported as Beaudesert Water Supply Zone upgrade (South West Pipeline).

¹¹ As per the addendum to the detailed business case approved by the responsible Minister (March 2020).

¹² This project will not commence until a Heads of Agreement is reached with Brisbane City Council regarding ownership of the bridge post construction.

¹³ This project is dependent on the relevant drought trigger being reached.

¹⁴ The exact split of operational and capital expenditure is an accounting classification consideration, yet to be finalised. For completeness, the entire forecast project budget is reported.

Operational Plan 2020-21

Project	Details	Project expected completion	2020-21 budget (\$000)	Total project cost (\$000) ¹⁵	Project status ⁹	Investment approval level	Investment approval status
Somerset Dam upgrade	Upgrade to comply with dam safety regulations	2025-26	\$11,030	\$325,660 ¹⁵	Detailed business case	Responsible Minister	Board approved preliminary business case. Detailed business case in development
East Bank Substation upgrade to 11kV and enabling works	Upgrade of substation to 11kV and associated enabling works to increase flood resilience	2022-23	\$4,909	\$35,600	Procurement	Board	Board approved

Notes:

1. Notification of capital projects between \$10 million and \$40 million will be reported to the responsible Ministers through the Quarterly Performance Report following Board approval of a detailed business case.
2. Projects over \$10 million will be included in the Operational Plan and reported on through Quarterly Performance Reports following Board approval of a detailed business case or following commencement of engagement with Building Queensland, whichever occurs first.
3. Correspondence will be sent to the responsible Ministers seeking approval for capital projects of \$40 million or greater.
4. Seqwater will advise of projects nearing the \$10 million and \$40 million thresholds through quarterly reporting.
5. Seqwater will also comply with relevant Building Queensland requirements.

¹⁵ Total project cost is as per Board approved preliminary business case. This is subject to change through the development of the detailed business case with Building Queensland.

5. Outlook

5.1 Strategic Plan 2020-24



Our vision

Water for life

We are respected as a leading water authority.

By excelling locally and thinking globally, our knowledge and expertise is guiding water policy, and the use of technology in our industry.

We are a safe, inclusive workplace that supports diversity and opportunity. We invest in our people and empower them to make decisions and challenge the status quo.

We respect the traditional owners of the land, catchments and waterways on which we operate, and seek to continue their tradition of stewardship. By partnering with our communities, customers and government, we are helping shape liveable, healthy catchments and communities for generations to come.

Our promise

Safe for life

Our values

Integrity

Respect

Care

Courage

Our role

We source, store, treat and supply bulk water from catchments and climate-resilient sources to service 3.4 million people in South East Queensland.

We work in partnership with the region's retailer customers—Unitywater, Urban Utilities and the water businesses of Redland, Logan and Gold Coast councils—to provide a safe, affordable and reliable drinking water supply.

We also supply irrigation water to 1200 farmers and growers, manage dams that help mitigate the impact of flooding in the region, and provide park and lake recreation facilities visited by more than 2.5 million people each year.

Critical issues in achieving our vision

The issues and risks most critical to delivering on our strategic plan are:

- a growing population
- weather extremes and climate change
- providing value for our customers
- financial sustainability
- organisational culture and performance.

Strategic Plan 2020-21 - 2023-24

How we contribute to

Queensland Government objectives

Water is fundamental to a liveable region. Sustaining communities and underpinning our economy is a bulk water supply that is safe, affordable and reliable. We are committed to *water for life* and to working with our stakeholders, customers and communities to deliver this essential service in a way that aligns with community views and values.

Our investment in the South East Queensland Water Grid and other water infrastructure supports a strong economy and ensures water now and for future generations.

We are committed to protecting our drinking water supply catchments and collaborating with government, industry and our communities to improve catchment health.

Involving the people who live and work in the region in our planning is fundamental to shaping our shared water future. We regularly engage with our stakeholders, customers and communities to understand their needs and expectations. This planning contributes to the South East Queensland Regional Plan.

Where we want to be

South East Queensland's population continues to grow. By 2027-28, Seqwater will need to supply bulk water for four million people.

In pursuit of our vision and to meet the increased demand for water, we have set our destination:

Seqwater is ready and able to provide safe, affordable and reliable bulk water for four million South East Queenslanders.

With our destination in mind, we will safely deliver the right service, at the right time, to the right quality, at the right cost. It is important that South East Queenslanders value water, use water efficiently, and trust Seqwater to manage water wisely. We must have the plans in place and be ready to supply water for four million people. We are ready for growth challenges beyond four million.

Our strategic objectives

To ensure a balanced approach, we have set five strategic objectives and measures of success.

Strategic Objectives	Increase customer, community and stakeholder support and satisfaction	Increase water supply certainty	Strengthen financial sustainability	Improve processes, systems and planning	Improve safety and organisational culture
Objective description	Customers, community and stakeholders have distinct, yet overlapping interests in the supply of water. Their support and satisfaction are critical to how Seqwater delivers bulk water.	The ability to supply bulk water in all weather conditions and all climatic conditions, to a population expected to increase 25% in the foreseeable future.	Balance the competing needs of debt management, operating and capital costs, with affordability for customers and community.	Seqwater's operations deliver bulk water to the Australian Drinking Water Guidelines, evolving in efficiency and meeting regulatory compliance. Operations must be ready and able to respond to emergencies.	Organisational culture supports high performance for all strategic objectives. Employees and contractors for Seqwater, supplying the bulk water service, work in a healthy and safe environment.
Measures of success	<ul style="list-style-type: none"> Stakeholder and customer satisfaction Community water knowledge 	<ul style="list-style-type: none"> Supply reliability Development of Water Security Program version 3 	<ul style="list-style-type: none"> Opex and Capex spend to budget Debt management Prudent and efficient investment 	<ul style="list-style-type: none"> Drinking water quality performance Environmental performance Emergency readiness Regulatory compliance 	<ul style="list-style-type: none"> Work health and safety performance Organisational culture

5.2 Five-year financial outlook

5.2.1 Statement of comprehensive income^{16 17}

Table 5.2.1.1

	Financial year				
	2020-21	2021-22	2022-23	2023-24	2024-25
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Operating revenue					
Water services	1,052,128	1,105,088	1,163,600	1,228,146	1,290,236
Interest income	3,184	3,016	2,086	1,084	526
Other revenue	15,298	13,346	13,395	13,446	13,498
Total operating revenue	1,070,610	1,121,450	1,179,081	1,242,676	1,304,260
Operating expenses					
Employee expenses	108,037	115,689	117,995	121,652	125,424
Supplies and services	178,655	164,676	170,376	175,720	181,817
Total operating expenses	286,692	280,365	288,371	297,372	307,241
EBITDA	783,918	841,085	890,710	945,304	997,019
Depreciation and amortisation	270,994	276,749	280,024	284,403	289,375
Other asset revaluations, losses and write downs	0	0	0	0	0
EBIT	512,924	564,336	610,686	660,901	707,644
Finance/borrowing cost	454,287	443,009	411,692	382,594	355,338
Profit (loss) before income tax	58,637	121,327	198,994	278,307	352,306
Taxation (expense) benefit	(17,591)	(36,398)	(59,698)	(83,492)	(105,692)
Net profit (loss) after income tax	41,046	84,929	139,296	194,815	246,614

¹⁶ Rounding has been used in these calculations.

¹⁷ Dollar amounts are nominal values.

5.2.2 Statement of financial position^{18 19}

Table 5.2.2.1

	Financial year				
	2020-21	2021-22	2022-23	2023-24	2024-25
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Current assets					
Cash and cash equivalents	450,000	250,000	150,000	65,000	85,000
Trade and other receivables	169,674	178,772	164,859	174,168	183,121
Inventories	9,374	9,374	9,374	9,374	9,374
Other current assets	5,803	5,803	5,803	5,803	5,803
Total current assets	634,851	443,949	330,036	254,345	283,298
Non-current assets					
Property, plant and equipment	10,989,290	11,021,579	11,046,175	11,098,830	11,104,944
Other non-current assets	157,986	159,074	158,115	155,150	152,773
Total non-current assets	11,147,276	11,180,653	11,204,290	11,253,980	11,257,717
TOTAL ASSETS	11,782,127	11,624,602	11,534,326	11,508,325	11,541,015
Current liabilities					
Trade and other payables	45,137	42,805	44,704	45,660	46,160
Employee benefits	25,009	25,009	25,009	25,009	25,009
Interest payable	37,832	36,280	33,662	31,229	28,949
Interest bearing liabilities	0	0	0	0	0
Other current liabilities	14,780	14,729	14,573	14,308	13,929
Total current liabilities	122,758	118,823	117,948	116,206	114,047
Non-current liabilities					
Employee benefits	3,600	3,600	3,600	3,600	3,600
Interest bearing liabilities	9,384,583	9,121,484	8,844,960	8,554,324	8,248,857
Deferred tax liabilities	204,444	240,842	300,540	384,032	489,724
Other non-current liabilities	275,941	264,123	252,252	240,323	228,332
Total non-current liabilities	9,868,568	9,630,049	9,401,352	9,182,279	8,970,513
TOTAL LIABILITIES	9,991,326	9,748,872	9,519,300	9,298,485	9,084,560
NET ASSETS	1,790,801	1,875,730	2,015,026	2,209,840	2,456,455
Equity					
Contributed equity	(715,888)	(715,888)	(715,888)	(715,888)	(715,888)
Asset revaluation reserve	2,755,888	2,755,888	2,755,888	2,755,888	2,755,888
Accumulated profit (loss)	(249,199)	(164,270)	(24,974)	169,840	416,455
TOTAL EQUITY (DEFICIENCY)	1,790,801	1,875,730	2,015,026	2,209,840	2,456,455

¹⁸ Rounding has been used in these calculations.

¹⁹ Dollar amounts are nominal values.

5.2.3 Statement of cash flows^{20 21}

Table 5.2.3.1

	Financial year				
	2020-21	2021-22	2022-23	2023-24	2024-25
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cash flow from operating activities					
Inflows					
Receipts from water services	1,029,635	1,095,990	1,177,512	1,218,838	1,281,283
Receipts from leases, rentals and other	6,117	1,964	2,013	2,064	2,116
Interest received	3,184	3,016	2,086	1,084	526
Outflows					
Payments to suppliers and employees	(273,827)	(282,749)	(286,626)	(296,677)	(307,114)
Interest paid	(452,809)	(444,281)	(414,054)	(384,798)	(357,418)
Net operating cash flows	312,300	373,940	480,931	540,511	619,393
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	(175,611)	(310,127)	(303,661)	(334,098)	(293,117)
Net investing cash flows	(175,611)	(310,127)	(303,661)	(334,098)	(293,117)
Cash flow from financing activities					
Inflows					
QTC borrowings/capitalised interest	0	0	0	0	0
Outflows					
Lease payments	(686)	(715)	(746)	(777)	(809)
QTC borrowings – redemption	0	(263,098)	(276,524)	(290,636)	(305,467)
Net financing cash flows	(686)	(263,813)	(277,270)	(291,413)	(306,276)
Net increase (decrease) in cash held	136,003	(200,000)	(100,000)	(85,000)	20,000
Cash and cash equivalents at the beginning of the financial period	313,997	450,000	250,000	150,000	65,000
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	450,000	250,000	150,000	65,000	85,000

²⁰ Rounding has been used in these calculations.

²¹ Dollar amounts are nominal values.

5.2.4 Capital program^{22 23}

Table 5.2.4.1

	Financial year				
	2020-21	2021-22	2022-23	2023-24	2024-25
Asset group	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Infrastructure capital					
Natural	4,567	9,697	4,737	2,799	4,260
Water storage	74,147	128,035	179,506	248,767	118,503
Water treatment	48,134	66,074	81,025	85,905	132,930
Water transport	31,257	129,601	58,141	35,651	77,151
Purified recycled water	998	2,357	6,920	3,475	1,372
Irrigation	1,581	1,990	0	0	0
Recreation	420	3,214	3,040	3,060	854
Other infrastructure	5,479	20,180	24,164	15,508	9,448
Total infrastructure capital	166,583	361,148	357,533	395,165	344,518
Non-infrastructure capital					
Information communication and technology	4,048	10,445	9,339	8,686	9,213
Land compensation	1,948	0	0	0	0
Laboratory data systems	1,133	1,232	1,170	1,309	1,453
Fleet	804	2,166	1,759	1,760	1,759
Building	1,095	3,213	517	517	517
Total non-infrastructure capital	9,028	17,056	12,785	12,272	12,942
Efficiency Target²⁴	0	(68,077)	(66,657)	(73,339)	(64,343)
TOTAL CAPITAL EXPENDITURE	175,611	310,127	303,661	334,098	293,117

²² Rounding has been used in these calculations.

²³ Dollar amounts are nominal values.

²⁴ Efficiency target introduced by Management to support ongoing rigor, prioritisation and strengthen financial sustainability.

Attachment 1 – Employment and industrial relations plan

Employment and industrial relations approach

Seqwater is committed to being respected as a leading water authority and achieving our vision - Water for life.

To achieve this, we need to attract and retain a high performing, diverse workforce that has the right skills and capabilities to deliver operational and strategic initiatives now and in the future.

We recognise that having the right culture is critical to our success and by living our values – Integrity, Respect, Care and Courage – we aim to drive high performance and empower our people to deliver sound and innovative outcomes to help us continue to find a better way.

We are committed to providing employees with work environments and flexible work practices that optimise performance and capability and open, consultative and constructive approaches to employment and industrial relations that help us to be the best we can be.

Employment and industrial relations goals for 2020-21 are to:

- implement the Seqwater Enterprise Agreement 2019-2022
- focus on strengthened accountability to deliver clear and focused organisational objectives
- improve industrial relations capability across leaders and employees
- provide effective industrial relations governance (including systems, policies and processes) that enables and supports our business to deliver on key priorities
- develop an Industrial Relations strategy that enables effective business delivery through proactive industrial relations, a constructive workplace culture, and supporting a safe, engaged and highly skilled workforce
- optimise productivity through targeted leadership initiatives focused on improving performance and effective employee management.

Seqwater will continue to identify operating efficiencies and process improvements across all of our administration and operations activities to deliver value to South East Queensland communities.

Significant and emerging issues

Research has identified three common themes in emerging issues for management of our workforce, detailed in Table 1.1.

Table 1.1

Culture	<p>We recognise the relationship that culture has with performance, productivity, employee engagement, attraction, retention and safety. Seqwater's focus on culture will enable us to optimise our workforce, driving improved productivity and performance and strengthened accountability which in turn will help us to deliver on our operational and strategic outcomes.</p> <p>An optimal culture also supports our people to remain resilient during change, contribute to innovation and effectively manage disruptions. New technologies are providing us with new and different ways of working, enabling our people to develop new capabilities and will ultimately help us optimise operational and strategic performance through automation and simplification of processes, and enabling our people to make well informed decisions.</p>
Talent management	<p>Seqwater is committed to having the right people in the right place at the right time, with the right capabilities. Using effective workforce planning processes Seqwater will seek to better understand our current and future talent requirements which will help us move to more strategic sourcing and development approaches.</p> <p>Skill and capability development will remain a key focus for Seqwater as we remain committed to our already highly effective trainee, apprentice and graduate programs, as well as tailored retirement transition programs, to ensure continuity of core skills and capabilities and provide opportunities for knowledge exchange while our different generations work together.</p> <p>Effective talent management approaches will also be required as we face the challenges associated with managing a multi-generational workforce requiring a different employment experience.</p>
Different Ways of working	<p>Seqwater is adopting agile and flexible working practices to assist in maximising productivity, reducing safety risks and providing flexible outcomes to balance individual needs with operational requirements to ensure optimal delivery of performance and outcomes.</p>

Key issues for Seqwater and its workforce in 2020-21 include:

- targeted improvements in leadership capability
- instilling a customer service focus in our people
- delivering improved strategic workforce planning to identify and manage talent risks and exposures and providing the right people in the right roles at the right time, so that we can meet the changing demands of our business, customers and stakeholders
- embracing the diversity of our people and fostering an inclusive culture in which our people are empowered to be innovative and challenge the status quo
- providing safe workplaces where employees are treated with dignity and respect and where discrimination, harassment and bullying is not tolerated
- developing our people, providing them with the opportunity to continually learn and grow
- ensuring appropriate employment governance.

Employment and industrial relations plan

Employment conditions

Seqwater is committed to complying with the *Government Owned Corporations Wages Policy* and any other applicable State Government employment and industrial relations policies.

Seqwater engages employees under two employment arrangements:

- Common Law Contract – Fair Work Act 2009 and Water Industry Award 2020
- Seqwater Enterprise Agreement 2016-2019 (the Agreement).

The Agreement is a standalone agreement; however, it does reference the *Water Industry Award 2020* in relation to the pay conditions for trainees and apprentices.

Seqwater engages employees on a permanent or fixed term basis and as full time, part time or casual.

For employees engaged under the Agreement on the Administration (AO) and Professional (PO) stream and for common law contract employees, ordinary hours of duty are 38 hours per week. The ordinary spread of hours is from 6.00 am to 6.00 pm Monday to Friday. For employees engaged under the Agreement on the Operational (OO), Water (WO) and Trade (TO) streams, ordinary hours of work are an average of 38 hours per week to be worked on one of the following:

- 38 hours within a work cycle not exceeding 7 consecutive days
- 76 hours within a work cycle not exceeding 14 consecutive days
- 114 hours within a work cycle not exceeding 21 consecutive days
- 152 hours within a work cycle not exceeding 28 consecutive days.

Enterprise bargaining and productivity initiatives

Enterprise bargaining

Seqwater has and will continue to build and maintain effective working relationships with unions representatives. The current Agreement expired 30 June 2019 and a replacement Agreement is currently being negotiated.

Productivity initiatives

Seqwater will continue to comply with requirements to identify and achieve efficiencies, productivity and savings initiatives required under the *Government Owned Corporations Wages Policy*.

Management relationship with unions

Seqwater is committed to establishing and maintaining an open and effective relationship with employees and their industrial representatives with a focus on early engagement. Seqwater will continue to abide by the consultative provisions as outlined in the Agreement that applies to Seqwater employees.

Consultation

Seqwater will continue to consult with employees, principal unions, Queensland Treasury, Department of Regional Development, Manufacturing and Water and the Office of Industrial Relations (Queensland) on key employment and industrial relations matters.

Workforce direction

Seqwater recognises its workforce is ageing and will need to increase trainees, apprentices and graduates in coming year. Table 1.2 below does not currently reflect an increase focus in the recruitment of trainees, apprentices and graduates as workforce modelling has not been undertaken.

Table 1.2

	Full time equivalent positions			
	2020-21	2021-22	2022-23	2023-24
Employment category				
Directly employed workforce				
Permanent – full time	655.0	655.0	655.0	655.0
Permanent – part time	3.3	3.3	3.3	3.3
Total permanent positions	658.3	658.3	658.3	658.3
Temporary – full time	145.7	142.7	145.7	140.7
Temporary – part time	17.0	17.0	17.0	17.0
Apprentices	7.0	7.0	7.0	7.0
Trainees	23.0	23.0	23.0	23.0
Graduates	10.0	10.0	10.0	10.0
Total temporary positions	202.7	199.7	197.7	197.7
Total directly employed workforce positions	861.0	858.0	856.0	856.0
Indirectly employed workforce				
Apprentices	0	0	0	0
Trainees	0	0	0	0
Labour hire	4.0	4.0	4.0	4.0
Specialist contractors	8.2	8.2	8.2	8.2
Total indirectly employed workforce positions	12.0	12.0	12.0	12.0
TOTAL BUDGETED WORKFORCE²⁵	873.0	870.0	868.0	868.0

Of the 861 directly employed full time equivalent positions (FTEs) for 2020-21, 725.7 are under Seqwater's Enterprise Agreement 2016-2019 and 135.3 are common law contract positions.

²⁵ The above table represents the total workforce which are costed to both capital and operating expenditure.

Employee flexibility

Seqwater is committed to providing work policies and practices that promote and support employees to work flexibly.

Seqwater recently revised its accommodation strategy to focus on agile and activity-based working for our employees and our Enterprise Agreement provides employees with flexible working options so we can support our people to balance individual needs with operational requirements and to ensure optimal delivery of performance and outcomes.

Equal employment opportunity and anti-discrimination

Seqwater is committed to embracing the diversity of our people and fostering an inclusive culture in which our people are empowered to be innovative and challenge the status quo.

Our policies and procedures reflect this commitment ensuring that we provide a safe workplace where employees are treated with dignity and respect and where discrimination, harassment and bullying is not tolerated.

Interstate acquisitions or operations

Seqwater does not have any interstate acquisitions or operations.

Joint venture projects

Seqwater is not involved in any joint venture projects.

Superannuation

Seqwater employees can choose their own superannuation fund or join QSuper as the default fund.

Seqwater will contribute the Superannuation Guarantee Contribution currently set at 9.5% to all employee nominated superannuation funds.

Employees who join QSuper are entitled to benefits calculated in accordance with the governing rules of QSuper. In addition to employer contributions, employees may choose to contribute the minimum Superannuation Guarantee Contribution or to contribute to their superannuation. Employees can vary their superannuation contribution rate between 0% and 5%. The employer contribution rate is dependent on the rate of contribution the employee makes, as outlined in Table 1.3.

Table 1.3

Employee contribution	Employer contribution
0% of superannuable salary	9.5% of superannuable salary
2% of superannuable salary	9.75% of superannuable salary
3% of superannuable salary	10.75% of superannuable salary
4% of superannuable salary	11.75% of superannuable salary
5% of superannuable salary	12.75% of superannuable salary

The majority of employees who are members of QSuper have accumulation accounts. At 26 June 2020, 29 employees had defined benefit accounts. Defined benefits funds are not available to new employees. However, QSuper defined benefit members who join Seqwater are able to continue as defined benefit members.

Job security and redundancy provisions

Seqwater is committed to providing employment security in accordance with the provisions of the *Government Owned Corporations Wages Policy* and applicable Enterprise Agreement.

In the event that redundancies are offered Seqwater will comply with relevant contractual obligations, Enterprise Agreement provisions, Government policy and applicable legislation.

Board member and Executive remuneration arrangements

Board members

Table 1.4

Board members	Board fees ²⁶ (\$)	Committee fees ²⁶ (\$)	Superannuation ²⁸ (\$)	Total (\$)
Dr David Hamill AM, Chairman	100,000	13,500	10,783	124,283
Marita Corbett	45,000	12,500	5,463	62,963
Shane McGrath	45,000	8,000	5,035	58,035
Penny Tovey	45,000	9,000	5,130	59,130
Marina Vit	45,000	8,000	5,035	58,035

²⁶ Board and Committee fees are as at January 2020. No allowance for future increases has been taken into account as not known at this point in time.

Chief Executive Officer and senior executives

Table 1.5

Executive (As at 1 January 2020)	Base salary ²⁷ (\$)	Employer superannuation contributions ²⁸ (\$)	Total fixed remuneration (\$)	Performance payment made ²⁹ (\$)
Neil Brennan, Chief Executive Officer	470,775	20,745	491,520	38,160
William Harpham, Company Secretary and General Counsel	247,679	23,530	271,209	14,800
Stuart Cassie, Chief Operating Officer	398,453	37,853	436,306	0
Barbara van Heerden, General Manager Major Projects	321,895	41,041	362,937	0
Melissa Williams, General Manager, People, Culture and Safety	313,950	33,750	347,700	0
Lee Bruce, General Manager Corporate Services	341,463	43,537	385,000	0
Bruce Linaker, General Manager Digital, Technology and Information	317,534	30,166	347,700	0
Ross Muir, General Manager Customer, Strategy and Planning	381,025	36,197	417,222	19,200

Work health and safety

Seqwater's Safe for life promise reflects our commitment to protecting the health and wellbeing of everybody who works for and on our behalf, keeping them free from physical and psychological injury.

We will achieve this by:

- identifying, assessing and controlling our risks through the application of simple and effective systems and eliminate workplace hazards wherever possible
- fostering a safety culture in which our people are accountable for their own safety and empowered to constructively challenge our safety systems and performance at all levels
- changing the relationship with health, safety and wellbeing from one which is compliance driven to one which supports risk-based decision making and the application of our values - Integrity, Respect, Care and Courage - in our people's approach to safety in their everyday work
- communicating and consulting with our people and stakeholders to enhance our Health, Wellbeing and Safety systems
- applying organisational and industry learnings to support continued best practice
- complying with legal and other requirements and actively promote and support proactive safety leadership.

²⁷ Remuneration calculated based on annualised earnings as at 1 January 2020. No allowance for future salary increases has been taken into account as future increases are not guaranteed or known at this point in time.

²⁸ Employer superannuation payments do not include salary sacrificed amounts; these are recorded in base salary/Board fee.

²⁹ This is the actual payment made in 2019-20 relating to performance in 2018-19. Total bonus is inclusive of superannuation.

Seqwater has a three-year strategy, which identifies initiatives to achieve our Safe for life promise. In 2020-21 Seqwater has identified six focus areas:

- leadership capability
- site ownership and accountability
- simple risk assessment processes
- health and wellbeing
- critical control management
- WHS contractor management.

Seqwater maintains a Work Health and Safety Management System that is certified to AS/NZS 4801 and will be next audited in July 2020.

Contracting

Seqwater engages contractors to undertake projects where a level of expertise is required that is not otherwise available within Seqwater and to alleviate short-term employee shortages. Where Seqwater engages the services of a contractor, the contractor will comply with Seqwater's Terms of Business and supply all necessary documentation on provision of superannuation, insurances and workers' compensation. Emphasis is placed on contractors abiding by Seqwater policies and procedures, including *The way we work* and safety matters.

Seqwater expects the contractor to also abide by all relevant industrial relations and regulatory compliance obligations and may request information from time to time, to ensure these obligations are discharged.

Attachment 2 – Sponsorship, advertising, corporate entertainment and donations

Table 2.1

		2020-21 budget				
		Q1	Q2	Q3	Q4	Full year
Project	Benefit	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Sponsorship						
Bunya to the Bay Ambassadors	a.	0	0	15.0	15.0	30.0
Brisbane Exhibition (Ekka) – Ekka Online	b.	30.0	0	0	0	30.0
Noosa Festival of Water	c.	0	0	0	5.0	5.0
World Science Festival – Force Majeure Fee	b.	45.0	0	0	0	45.0
The Queensland Beer Awards.	d.	0	70.0	0	0	70.0
WaterAid	e.	11.0	0	0	0	11.0
Total over \$5,000		86.0	70.0	15.0	20.0	191.0
Other (total) below \$5,000		0	0	0	5.0	5.0
TOTAL		86.0	70.0	15.0	25.0	196.0
Advertising						
Public education - <i>Play it safe</i> campaign	f.	0	90.0	100.0	0	190.0
WaterFuture Program (excluding Drought Response campaign advertising)	b.	70.0	100.0	40.0	40.0	250.0
Dam release notification service	g.	0	23.0	0	0	23.0
Total over \$5,000		70.0	213.0	140.0	40.0	463.0
Other (total) below \$5,000	h.	2.5	2.5	0	0	5.0
TOTAL		72.5	215.5	140.0	40.0	468.0
Corporate entertainment						
Total over \$5,000		0	0	0	0	0
Other (total) below \$5,000		1.0	1.0	1.0	1.0	4.0
TOTAL		1.0	1.0	1.0	1.0	4.0
Donations						
Total over \$5,000		0	0	0	0	0
Other (total) below \$5,000		0	0	0	0	0
TOTAL		0	0	0	0	0

Table 2.1 lists budgeted sponsorships as at July 2020. Sponsorship opportunities that arise during the financial year are assessed on a case-by-case basis against business strategy for alignment and benefit. Expenditure against any additional approved sponsorships is reported to the responsible Ministers in the quarterly performance report.

Benefit notes:

- a. Bunya to Bay is an immersive education program over 20 days developed by Stanley River Environmental Education Centre. Since 2006, Seqwater has provided both financial and in-kind support to this event. The biannual program, written for secondary state school students from years 10–12, has been designed to connect students to the traditional owners that span the Brisbane River, enhance their careers in land management or outdoor recreation and generate curiosity in sustainability and environmental science. This program aligns with Seqwater's education and community partnership initiatives under the Water Future program.
- b. The Water Future program of initiatives, activities and actions will contribute to achieving Seqwater's *Water for Life* vision by building a water wise community. Water Future is a sustainable, long-term program of informing, educating, engaging and working with South East Queenslanders to explore how water is managed now, its value to a liveable and healthy region and the choices we need to make to have a sustainable water future. This includes a public education campaign on the 'realities of rain' which includes advertising. Supporting the 'realities of rain' campaign and the Water Future program is a greater presence by Seqwater at the annual Brisbane Exhibition (Ekka) which enables significant awareness, engagement and education on water management to Ekka visitors over 10 days. Due to COVID-19 impacts there is a smaller 'online Ekka' this year that Seqwater will be involved in. Also due to the cancellation of the World Science Festival, Seqwater may need to pay a force majeure fee associated with the sponsorship agreement. This is subject to Seqwater legal review.
- c. Seqwater will provide financial support to the annual Noosa Festival of Water as part of the Lake Macdonald Dam upgrade project as a key event to engage the local community.
- d. Seqwater supported the first Queensland Beer Awards in 2019 with an Australian first involving 12 SEQ breweries given the opportunity to brew beers using desalinated water from the Gold Coast Desalination Plant. The 2020 Beer Awards sponsorship involved working with RNA to grow the competition to include a public event targeting 2,000 attendees at the end of the Awards judging. Beer competitions/brewing was a successful tactic in the United States using purified recycled water and therefore will continue in 2021 to be a tactic to engage with South East Queenslanders on climate-resilient water source options. The RNA's Queensland Beer Awards also align with the Craft Brewing Strategy under the Advance Queensland Strategy.
- e. Seqwater 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 employees to recognise outstanding achievement in the water industry and enable the Australian water industry to support improvements in water and sanitation in developing countries.
- f. The *Play it safe* public education campaign will promote visitor safety at Seqwater dams and recreation assets. 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%). Public education includes radio, online and outdoor advertising to remind the more than 2.5 million people who visit Seqwater's lakes, dams and parks each year to plan ahead and follow safety rules.
- g. 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 recommendations from the 2015 Inspector-General of Emergency Management's dam communication review.

- h. Other advertising includes public notices to advise the community of our events.

Definitions:

Table 2.2

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

Attachment 3 – Impact of drought

While South East Queensland received good rainfall in February 2020, taking the SEQ Water Grid storage levels above 60%, Seqwater will continue to operate in drought preparedness mode until it is certain that dam levels have recovered sufficiently and will continue to do so. Current Bureau of Meteorology forecast indicates warmer and drier conditions for South East Queensland.

Major expenditure items, not included in the budget, that may be required during 2020-21 if storage levels decline below 60%, include:

- remobilising of the Western Corridor Recycled Water Scheme
- operation of the Gold Coast Desalination Plant at up to 100% capacity.

In addition, it may trigger the commencement of additional projects, bring forward existing projects within the Asset Portfolio Master Plan and additional operational or asset renewal expenditure. Revenue impacts may be incurred as water conservation and efficient water-use messaging reduces water demand.

The costs that may be incurred in response to drought will depend on how the drought evolves and when response triggers are reached. This will be highly dependent on the dispersion of rainfall and the water consumption behaviours of communities. The drought response will have a financial impact, which is uncertain and may be significant. Seqwater will seek to recover costs through a review event in the next price review, using the existing review event mechanisms from the 2018 Queensland Competition Authority bulk water pricing review. Cost impacts may escalate and continue into subsequent financial years depending on the severity and duration of a drought.

Seqwater will provide timely advice to its responsible Ministers regarding the timing of any drought response, impacts on retailer customers, water consumers and for Seqwater. In particular, Seqwater will amend and provide responsible Ministers advice regarding:

- bulk water supply system operating procedures
- potential changes to the Seqwater capital expenditure profile.

Date : 12/08/2021 2:57:24 PM

From : "Frances Stewart"

To : "Ian Hutcheon" , "Graham Fraine"

Cc : "Adam Obeid"

Subject : FW: Seqwater's Draft Annual Report and Financials

Attachment : Seqwater Annual Financial Report - 19 Jul 21 (Audit) V3.docx;D21 68286 Draft Annual Report 2020-21(2).DOCX;image001.png;

Hi Ian and Graham

Following our briefing on Tuesday on Seqwater's draft annual report, I have reviewed the docs. I don't propose any additional feedback to the content. I just think the things we need to be aware of when it comes time to table are:

s.73 Irrelevant information

I think when it comes time to table we just have a HIB ready (as usual).

Ian – did you have anything you wanted me to feed back to the Department? Otherwise I will leave for them and Treasury to respond.

Thanks,

Fran

From: BREEN Mark <Mark.Breen@rdmw.qld.gov.au>

Sent: Tuesday, 10 August 2021 12:37 PM

To: Ian Hutcheon <Ian.Hutcheon@ministerial.qld.gov.au>; Frances Stewart <Frances.Stewart@ministerial.qld.gov.au>; Adam Obeid <Adam.Obeid@ministerial.qld.gov.au>

Cc: HEARN Robert <Robert.Hearn@rdmw.qld.gov.au>

Subject: Seqwater's Draft Annual Report and Financials

Hi Everyone.

Thanks for your time this morning.

Attached is the latest version of Seqwater's draft Annual Report and Financials for 2020-21 which were provided by Seqwater yesterday pm.

Note this version now contains the Foreword.

Please note that the Department and Treasury have provided comments on a previous version and we are reviewing Seqwater's responses in this document.

We will also review the Financials ahead of providing feedback to Seqwater. We will address the matters raised in this morning's discussions ahead of preparing the brief.

We have undertaken to reply to Seqwater on the attached documents by **Friday 16th August** to meet Seqwater's timeframes to provide the final documents to the Board ahead of the Board meeting scheduled for 26 August.

Regards,

Mark



Mark Breen

Senior Policy Officer, Full Time Mon-Fri

Water Supply Economics and Governance | Governance

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Seqwater Annual Report 2020-21

Supporting Queensland's Recovery

Published on RDMW Disclosure Log
RTI Act 2009

About Seqwater

Seqwater is a statutory authority established by the Queensland Government under the *South East Queensland Water (Restructuring) Act 2007* and is a statutory body for the purposes of the *Financial Accountability Act 2009* and the *Statutory Bodies Financial Arrangements Act 1982*. Seqwater complies with the Bulk Water Supply Code and Bulk Water Supply Agreements.

Seqwater's purpose is to work with its customers to ensure provision of water for households, industry, agriculture and power generation along with maintaining popular recreational facilities and managing dams.

On behalf of its communities, Seqwater manages and maintains water supply assets, including dams, weirs, conventional water treatment plants, reservoirs, pumps and pipelines, the Gold Coast Desalination Plant and the Western Corridor Recycled Water Scheme.

s.73 Irrelevant information

Foreword

s.73 Irrelevant information

s.73 Irrelevant information

Production at the Gold Coast Desalination Plant was increased up to 100% capacity as required and the Western Corridor Recycled Water Scheme was utilised to substitute water from our dams to power stations with purified recycled water. A region-wide water conservation campaign saw the community reduce its water use over the year to help the drought response.

s.73 Irrelevant information

The Hon Dr David Hamill AM
Chairman

Mr Neil Brennan
Seqwater CEO

Drought ~~Response~~response

In July 2020 the SEQ Water Grid combined storage level at 63.7. The region's 60% drought response trigger was reached in September 2020, and drought response conditions persisted through the remainder of the financial year. In accordance with the ~~South East Queensland~~SEQ Drought Response Plan, the Gold Coast Desalination Plant commenced operating at up to 100% capacity and continued to do so throughout the year, contributing 19,485 ML to SEQ drinking water supply. Region-wide media campaigns were launched to encourage South East Queenslanders to reduce their water use and be water wise. The campaigns were broadcast through television, radio, digital video, social and convenience media.

The cost of drought response activities in 2020-21 was \$17.3 million. These costs were primarily associated with the operation of the Gold Coast Desalination Plant and partial operation of the Western Corridor Recycled Water Scheme to supply power stations as well as media campaigns delivering water conservation messaging.

s.73 Irrelevant information

Non-financial performance

~~Actual~~¹ Bulk water sales to retailer customer ~~sales~~² was 3.3% below forecast. Water wise messaging and long periods of cool and/or wet days contributed to the lower than forecast demand. Although demand was reduced, production at the Gold Coast Desalination Plant was increased to respond to drought conditions.

s.73 Irrelevant information

¹ These figures represent the retailer customers demand only.

² Seqwater's target is for the variance between actual and forecast production to be within 5% annually.

³ Seqwater always aspires for injuries of any type to be zero with an upper maximum LTIFR of ≤ 3.50 for 2020-21.

s.73 Irrelevant information

Capital ~~Program~~program

s.73 Irrelevant information

- commenced the \$16.1 million Gold Coast Desalination Plant Reverse Osmosis Membranes replacement program

s.73 Irrelevant information

s.73 Irrelevant information

Increase customer, community and stakeholder support and satisfaction

Community ~~Engagement~~engagement

s.73 Irrelevant information

To ensure the health and safety of essential workers during Seqwater's COVID-19 pandemic response, the program went online and six virtual tours of the Gold Coast Desalination Plant were conducted with 70 attendees learning about the desalination process.

s.73 Irrelevant information

Date : 10/08/2021 3:47:16 PM

From : "DANN Trevor"

To : "Graham Fraine"

Cc : "Bernadette Zerba"

Subject : SEQ pricing background slides

Attachment : EDOCS - 15761403 - SEQ bulk price presentation - 1.PPT;image001.png;

Hi Graham

As discussed earlier, attached are some more detailed background slides re SEQ bulk pricing. Happy to discuss any questions you may have.

Thanks, Trevor



Trevor Dann

Director – Economics and Governance

Water Supply Business Unit

Department of Regional Development, Manufacturing and Water

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SEQ Bulk Water Pricing



Millennium Drought Response: SEQ Water GRID

s.73 Irrelevant information

After July 2008 – water sector structural reform due to Millennium Drought

s.73 Irrelevant information

- **\$5.4B** investment of “drought” infrastructure (largely funded by debt) to establish drought resilient SEQ Water Grid:

s.73 Irrelevant information

– Gold Coast Desalination Plant

s.73 Irrelevant information

