

Operational Plan 2018-19



On the cover

Water is essential for life. At Seqwater, it is our job to source, store, treat and supply water to communities across South East Queensland. Our employees live and work in the communities we serve, and our team is proud to deliver on our vision of *Water for Life*.

Pictured is Seqwater Dam Operator Adam Dunne following the 2017 upgrade of Wappa Dam. The project involved modifications to the embankment and spillway, as well as the installation of new filter drains. Dams are long life assets and require continual monitoring and maintenance. We prioritise improvements to our dams, so we can deliver a staged program of upgrades that ensure the security of water supply while delivering best value for money.

Performance agreement

Board statement and agreement of responsible Ministers

The Seqwater Operational Plan 2018-19 (Plan) is presented in accordance with Chapter 2, Part 4 of the *South East Queensland Water (Restructuring) Act 2007* (Restructuring Act).

It is the performance agreement between the Seqwater Board and its responsible Ministers, the Honourable Jackie Trad, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, and the Honourable Dr Anthony Lynham, Minister for Natural Resources, Mines and Energy.

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.

This Plan aligns with Seqwater's *Strategic Plan 2018-2023*, 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: 29/10/18

.....
Honourable Jackie Trad, Deputy Premier,
Treasurer and Minister for Aboriginal and Torres
Strait Islander Partnerships

Date:

.....
Honourable Dr Anthony Lynham, Minister for Natural
Resources, Mines and Energy

Date:

Chairman's foreword

Seqwater is pleased to present its Operational Plan 2018-19 to the responsible Ministers.

A safe, secure and cost-effective water supply is essential to people's wellbeing, the economy and the liveability of the region. We appreciate the importance of this role in our communities and stand behind our unwavering commitment to providing water for life each and every day.

In 2018-19, the delivery of our core services to our customers and South East Queensland communities will remain our focus, through maximising value, driving efficiency and prudent expenditure. We will work with our water service provider customers to better understand their needs and articulate the standards at which they require bulk water to be provided. We will also work closely with our irrigation customers in the forthcoming review of irrigation prices.

A reliable urban drinking water supply is dependent upon the weather. Last year, we twice came close to enacting the first trigger of our drought response plan – in March 2017, and again in October 2017. Both times significant rainfall boosted the levels in our water grid dams and as at 20 March 2018, the Grid 12 was at 83%, 13% above the 70% trigger.

Seqwater stands ready to adapt to changing weather conditions and has finalised or significantly progressed a number of contingency arrangements in the event drought-like conditions eventuate. We will continue our assessment of contingent supply options for the Sunshine Coast, in response to the specific risks in this sub-region. While we assume fair weather when preparing our budget, Seqwater has plans in place for all weather and will promptly communicate how any extreme weather impacts our operational costs and revenue.

Our skilled and committed workforce is at the heart of everything we do. We will support our people through development programs, effective leadership and our Safe for Life Strategy. We have worked with our employees to refresh our organisational vision, promise and values, and these will be a springboard to further strengthen our workplace culture.

To provide water security for South East Queensland, we continue to invest in our dams, treatment plants and pipelines. By engaging those impacted by our water infrastructure projects, we aim to foster positive relationships with the communities we serve and increase understanding about water security and water source options. As always, we carefully balance our investments with optimal value for our communities as we progress on our path to financial sustainability.

Seqwater cannot achieve its objectives alone. We are proud of our open and effective relationships with our water service provider customers as we work together to identify and deliver whole-of-system improvements. Improving the health of our drinking water catchments remains a priority, and we will work with stakeholders and local communities to boost the quality of our source water.

We will comply with all relevant Government policies and guidelines, work collaboratively with water service providers and seek value for the people of South East Queensland.

Honourable Dr David Hamill AM, Chairman

Contents

1. Seqwater’s role	6
2. Strategy, risks and opportunities	9
2.1 Seqwater’s vision, purpose, promise and values	9
2.2 Risks	10
2.3 Opportunities	12
3. Undertakings	13
3.1 2018-19 plan	13
3.2 Key policies	16
4. Business performance	20
4.1 Performance measures	20
4.2 Assumptions	21
4.3 Financial statements	23
4.4 Notification of capital program	26
5. Five year outlook	30
5.1 Strategic Plan 2018 – 2023	30
5.2 Five year financial outlook	32
Attachment 1 – Employment and industrial relations plan	36
Employment and industrial relations approach	36
Significant and emerging issues	37
Employment and industrial relations plan	37
Attachment 2 – Community service obligations	44
Attachment 3 – Sponsorship, advertising, corporate entertainment and donations	45
Attachment 4 – Impact of drought on the annual operating strategy	47

1. Seqwater's role

Seqwater is the Queensland Government statutory authority responsible for delivering a safe, secure and cost-effective bulk drinking water supply to 3.2 million people across South East Queensland.

Seqwater also provides irrigation water to 1,200 rural customers in seven water supply schemes, as well as essential flood mitigation services. Our operations extend from the New South Wales border to the base of the Toowoomba ranges and north to Gympie. This makes Seqwater one of Australia's largest water businesses.

On behalf of our communities, Seqwater manages and maintains \$10.8 billion of water supply infrastructure, 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.

Seqwater also manages parts of the region's natural water supply catchments. Dams, lakes and parks in the catchments are generally open for recreation. This is very different to other capital city water supplies, where the public often cannot access the dams or the catchments surrounding them. As the population of South East Queensland continues to grow, it is vital that we maintain the right balance between dams providing safe and affordable drinking water as a priority, and providing a diverse range of recreational opportunities where possible.

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 2018-19.

South East Queensland Water Grid

Legend

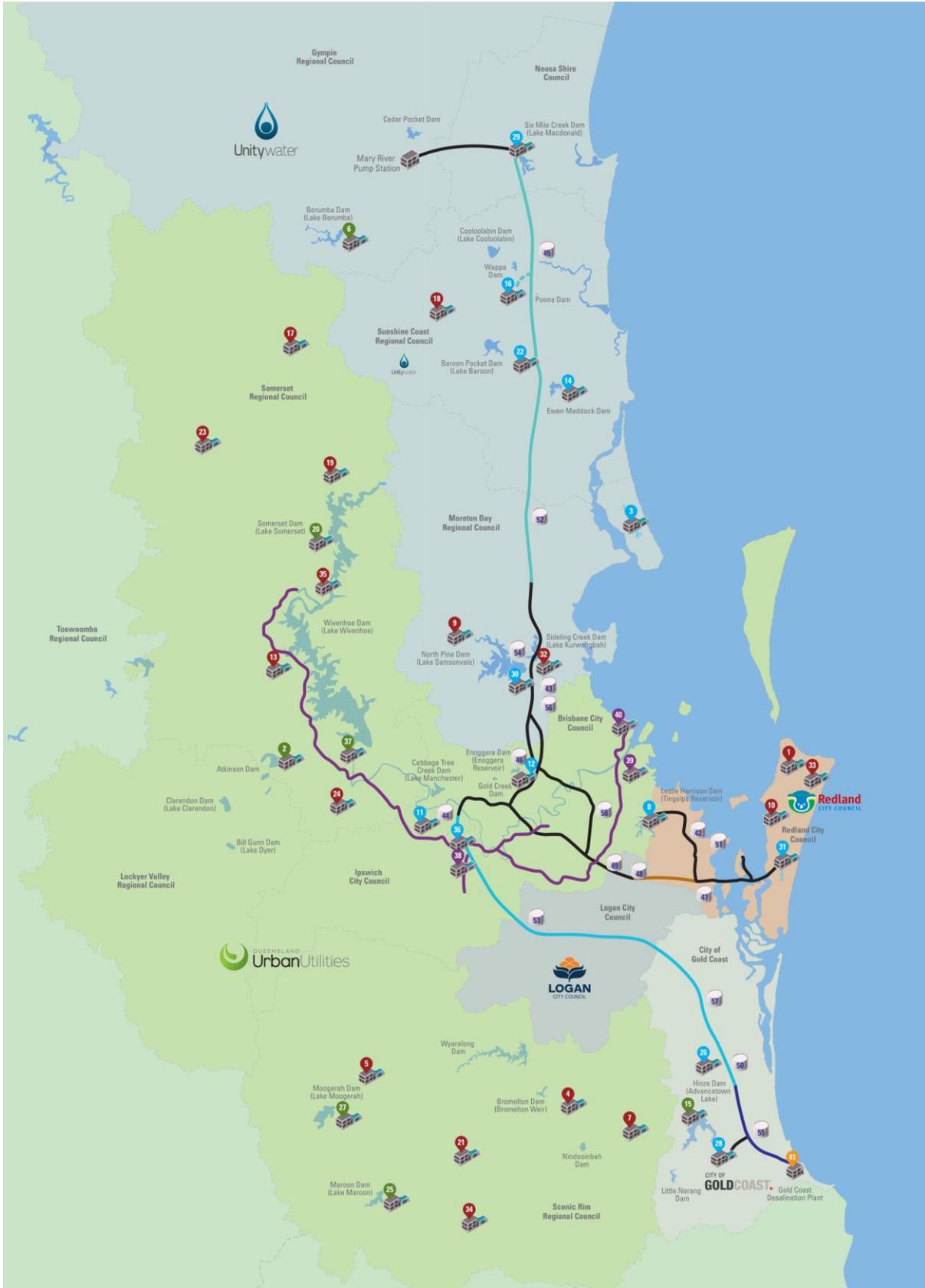
-  Northern Pipeline Interconnector
-  Western Corridor Recycled Water Scheme
-  Southern Regional Water Pipeline
-  Eastern Pipeline Interconnector
-  Network Integration Pipeline
-  Other bulk water pipelines connecting the SEQ Water Grid
-  Local Government boundary
-  Reservoirs
-  Water Treatment Plants (WTP) - connected to grid
-  Water Treatment Plants (WTP) - off grid
-  Water Treatment Plants (WTP) - other
-  Western Corridor Recycled Water Scheme
-  Desalination plant

Water Treatment Plants (WTP)

- | | |
|---|--|
| 1 | Amity Point WTP |
| 2 | Atkinson Dam WTP |
| 3 | Banksia Beach WTP |
| 4 | Beaudesert WTP |
| 5 | Boonah Kalbar WTP |
| 6 | Borumba Dam WTP |
| 7 | Canungra WTP |
| 8 | Capalaba WTP |
| 9 | Dayboro WTP |
| 10 | Dunwich WTP |
| 11 | East Bank (Mount Crosby) WTP |
| 12 | Enoggera WTP |
| 13 | Esk WTP |
| 14 | Ewen Maddock WTP |
| 15 | Hinze Dam WTP |
| 16 | Image Flat WTP |
| 17 | Jimna WTP |
| 18 | Kenilworth WTP |
| 19 | Kilcoy WTP |
| 20 | Kirkleagh WTP |
| 21 | Kooralbyn WTP |
| 22 | Landers Shute WTP |
| 23 | Linville WTP |
| 24 | Lowood WTP |
| 25 | Maroon Dam WTP |
| 26 | Molendinar WTP |
| 27 | Esk WTP |
| 28 | Mudgeeraba WTP |
| 29 | Noosa WTP |
| 30 | North Pine WTP |
| 31 | North Stradbroke WTP |
| 32 | Petrie WTP |
| 33 | Point Lookout WTP |
| 34 | Rathdowney WTP |
| 35 | Somerset Dam (Township) WTP |
| 36 | West Bank (Mount Crosby) WTP |
| 37 | Wivenhoe Dam WTP |
| Western Corridor Recycled Water Scheme | |
| 38 | Bundamba Advanced Water Treatment Plant (AWTP) |
| 39 | Gibson Island AWTP |
| 40 | Luggage Point AWTP |
| Desalination Plant | |
| 41 | Gold Coast Desalination Plant |

Reservoirs

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



Strategy, risks and opportunities

2.1 Seqwater's vision, purpose, promise and values

2.1.1 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 liveable, healthy catchments and communities for generations to come.

2.1.3 Promise

Safe for life.

2.1.4 Values

- 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

Seqwater maintains an enterprise risk management system, explained further in the Key policies section 3.2.6. Seqwater's enterprise risks are:

Risk	Key mitigation strategies
Stakeholder relations	Seqwater has a brand, reputation and relationship management framework, an engagement strategy and targeted engagement plans to engage with stakeholders, customers and communities. These plans are actively implemented and monitored throughout the year.
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 the next 30 years. Seqwater has comprehensively examined demand, supply and the operation of our water grid – the three levers that work together to secure the region's water supply. The Program sets out the plan to manage droughts, including how and when to use higher cost water sources such as the Western Corridor Recycled Water Scheme. Stakeholder acceptance of recycled water and other potential new water sources is critical to this plan and Seqwater will commence a program of education and engagement in 2018-19.
Workplace health and safety	All officers and workers have a responsibility to actively participate in the development 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 and the ongoing enhancement of our Work Health and Safety Management System.
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 Seqwater's dams, lakes and parks to plan ahead and practice safe behaviours when recreating.
Financial sustainability	Effective board and business governance is in place to promote optimal whole of industry investment decisions at best value to customers, and drive value through the business by demonstrating commercial acumen within a strong prudential framework.
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.
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 improve the service instruments and specifications for supply obligations (e.g. Bulk Water Supply Agreements and Code), with our service provider customers, which may lead to requests for legislative or regulatory change. Development of long term catchment plans and Seqwater's Strategic Asset Management Plan, along with Hazard Analysis and Critical Control Points (HACCP) Plans, are key mitigating strategies.

Risk	Key mitigation strategies
Fraud and corruption	Seqwater’s annually reviewed Fraud and Corruption Control Plan supports oversight of improvements in its control framework. Systems and workflow instructions exist to manage fraud sensitive areas. Well-defined delegation of authority and segregation of duties are applied across the business. The fraud and corruption reporting mechanism ‘Your Call’ is independent. Mandatory fraud and corruption awareness training is provided to all employees. Other controls include Seqwater’s Code of Conduct, Conflict of Interest Register, probity checks and procurement compliance reporting.
Technology security	Seqwater has a Cyber Security Strategy to further develop its cyber security framework to meet business needs. Security architectural reviews inform security plans, and comprehensive testing of operational control effectiveness enables management of vulnerabilities. Seqwater is reviewing its Vulnerability Management Program, developing detailed plans for implementation of security architecture and implementing an Identity and Access Management Strategy.
Major dam failure	Seqwater has robust systems in place to ensure dams are safely operated and maintained, as well as minimising the risks associated with dam failure and flood events. This includes employee training, dam surveillance and inspection, operations and maintenance. It also includes flood manuals that outline preparation activities and operational procedures associated with flood events. Dam reviews and upgrades to further improve dam safety are in progress and are prioritised in accordance with the Seqwater Dams Portfolio Risk Assessment, which is updated following material changes to information.
Emergency management	Seqwater adopts a comprehensive approach to emergency management encompassing the management of risk originating from all hazards through a continuous cycle of prevention, preparedness, response and recovery – meeting all requirements of the Queensland Government. Using a combination of emerging risk identification and lessons learned from actual disruption events, plans and procedures are reviewed and updated to increase organisational resilience.
Recruitment and retention	Annual employee surveys are conducted to identify opportunities for improvement and action plans developed. Seqwater’s workforce and succession planning processes, and learning and development program help build the skills and capability of the workforce. A people strategy has been developed to foster an inclusive culture that attracts, engages, develops, and retains diverse talent as well as to develop leadership capability and improve organisational performance, culture and engagement.
Water supply and quality	The Drinking Water Quality Management Plan and supporting programs are mature and comprehensively applied. Seqwater continues to reduce risk through asset planning, contingencies and a response framework. The South East Queensland Water Grid and contingent water supply plans are in place to maintain drinking water supply.

2.3 Opportunities

In 2018-19, Seqwater has identified the following opportunities to support delivery of its strategy:

Strategic outcome area	Opportunity	2018-19 focus
Skilled and committed workforce	Strengthen corporate leadership capability	With Seqwater's vision and values recently renewed, Seqwater will embed these throughout the organisation and equip our management team to provide values-based leadership through a structured development program for leaders at all levels.
Knowledgeable and engaged communities	Engage impacted communities about improvements to water infrastructure	Seqwater will proactively engage local communities about dam improvement, water treatment plant and pipeline projects to build awareness and understanding, and to foster positive relationships with the communities it serves.
	Engage community around water security and water source options	With several years before Version 3 of the Water Security Program is due, and the completion of the South East Queensland Drought Response Plan and development of a drought response engagement plan for the region, Seqwater will build upon community education and engagement on water security and water source options.
Trusted and respected partner	Pursue industry-wide systems improvement	Seqwater will continue to work with water service providers to identify and pursue service improvements and cost reductions, including building upon the results of Seqwater's stakeholder sentiment study to better meet stakeholder expectations.
Optimised water and catchment services	Investigate opportunities to realise net energy reduction opportunities	Seqwater will examine the potential to use its assets for green energy solutions and identify net energy reduction opportunities.
	Collaborate to leverage catchment improvement	Seqwater will work with stakeholders, the community and land owners to leverage catchment improvement for long-term water quality benefits.
	Process knowledge management	Seqwater will analyse and define core processes to ensure efficiency and effective integration of information systems into the business.
Sustainable financial performance	Core enterprise systems review	With core information systems approaching renewal, Seqwater will plan to upgrade and enhance its systems capability to best support long-term sustainability and efficiency.

3. Undertakings

3.1 2018-19 plan

3.1.1 Service delivery

Delivering its core services to our customers and South East Queensland communities remains Seqwater's key objective, including:

- a safe, secure and reliable urban drinking 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

Seqwater's Strategic Plan 2018-2023 seeks to achieve five outcomes, a skilled and committed workforce, knowledgeable and engaged communities, being a trusted and respected partner, optimised water and catchment services and sustainable financial performance. The undertakings established in this plan will contribute to the attainment of those outcomes.

Skilled and committed workforce

The skills and commitment of our workforce underpin everything we do and are critical to maintaining a safe, productive workplace. Seqwater supports employees through development programs, effective leadership, a demonstrated commitment to safety and a positive organisational culture.

Safety leadership will always be at the forefront at Seqwater; it will improve performance through a strong safety culture and effective safety management system.

Seqwater will continue to support trainee, apprentice and graduate development through its next generation program.

Undertakings:

Seqwater will:

- embed its refreshed organisational vision and values
- deliver a leadership development program to enhance the skills and capabilities of its leaders
- implement the long-term safety culture strategy, Safe for life.

Knowledgeable and engaged communities

Seqwater aims to be a trusted and respected water authority in the communities in which it operates and play a key role in supporting liveable South East Queensland communities, engaging across all aspects of its work including planning, project delivery, and broad scale community education campaigns.

In 2018-19, we will commence a long-term Water Futures engagement and education program, with the goal of achieving a water wise community. A water wise community is connected to water, participates in decision making and takes action to manage water sustainably. To achieve this goal we will partner with the 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.

The program and associated campaign will shift the focus from drought and dam levels to the realities of rain: we cannot always rely on rain to fall when and where we need it, so we have a plan for South East Queensland's water future. This will enable us to start a conversation with our communities about the water options available to us, including climate-resilient sources.

During 2018-19, Seqwater will also consider the community impacts of our service and project delivery and engage with local communities around projects and assets. We will deliver our school and community education program, the *Play it safe* public education campaign, and *Water for life* community grants program.

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
- commence stakeholder and community engagement and education on water futures, water security and water source options (this work will also support development of the next Water Security Program, due in 2022).

Trusted and respected partner

Working with its water service provider customers is key to Seqwater's success in serving its communities, especially in planning for and responding to emergencies and incidents, optimising investment across the supply chain, and planning to sustain high quality services. Seqwater will maintain effective, open working relationships with all of its partners, and cooperate at strategic, operational and tactical levels, as well as consult on planning, forecasting, capital investment and situation management.

Undertakings:

Seqwater will partner with:

- South East Queensland water service providers to identify opportunities and deliver whole-of-supply system improvements
- stakeholders to improve catchment health and source water quality, reducing the risks to potable water supply.

Sustainable financial performance

Seqwater is committed to outcomes which maximise value to South East Queenslanders. Seqwater continues to drive efficiency through business processes, resourcing and effective governance of expenditure, and will manage within the operating expenditure allowances set by the Queensland Competition Authority (QCA). It will deliver its growing capital program, including dam, treatment plant and pipeline investments.

In 2018-19, Seqwater will drive efficiency through continued analysis of core processes, plan for major information systems renewal, and continue to progress towards financial sustainability milestones, including principal debt repayment.

Undertakings:

Seqwater will:

- deliver its capital program

Optimised water and catchment services

Seqwater manages a diverse portfolio of assets and actively seeks opportunities to optimise costs and service delivery. We aim to balance water security and reliability, flood mitigation, short and long-term cost, and delivering economic, environmental and liveability outcomes.

Seqwater will continue to develop its water security program, which optimises financial and social costs against water security and drought response requirements.

Undertakings:

Seqwater will ensure:

- organisational drought preparedness
- resilience and emergency preparedness, by continuing to undertake the following activities:

Activity ¹	Completed by
Seqwater Emergency Management Manual annual review	July 2018
Selected incident controllers annual update training	July 2018
Annual statement of preparedness	September 2018
Ensure flood manuals are current and reviewed as required	October 2018
Flood scenarios	October 2018
Seqwater emergency management desktop exercise	November 2018
South East Queensland water supply system emergency response exercise	December 2018
Selected emergency management team annual update training	December 2018

¹ The next review of the Bulk Authority Emergency Response Plan is scheduled for August 2019 (biennial review)

3.2 Key policies

3.2.1 Governance and prudent financial information

In conjunction with the responsible Ministers' departments, 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 is targeting a conservative sequence to achieve a practical capital structure in line with its domestic utility (regulated) peers. Seqwater will position itself to move forward from its current credit status of sub-investment grade to investment grade (BBB). This supports Seqwater's focus on matters within its current control, such as prudent investment in infrastructure, efficient and effective operating costs, interest rate risk management strategies and consideration of prudent refinancing options as appropriate.

No new debt or borrowings are anticipated in 2018-19.

3.2.3 Annual return

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

To determine the amount to be paid, Seqwater must give the responsible Minister an estimate of its net profit for the year, and a recommendation on the amount of annual return to be paid between 1 and 15 May 2019.

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

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

3.2.4 Weighted average cost of capital

Seqwater set a weighted average cost of capital for use as a discount rate in project assessment and for fair value (using the income based approach) and for annual impairment testing. The weighted average cost of capital calculations are provided by an independent expert.

A breakdown of the weighted average cost of capital assumptions can be provided upon request.

3.2.5 Treasury Policy

Seqwater has policies to minimise any risk of investments and borrowings that may adversely affect its financial stability. Seqwater's Treasury Policy has been implemented to ensure a prudent, orderly 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 also 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.

3.2.7 Employment and industrial relations

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

3.2.8 Bulk water pricing

Seqwater will apply bulk water prices as determined by the responsible Ministers for the price path period 1 July 2018 to 30 June 2021. Seqwater has complied with all aspects of the regulatory process following the referral notice from the Queensland Government to the Queensland Competition Authority (QCA) on 25 May 2017, including Seqwater's initial pricing submission on 31 July 2017 and further submission on 31 January 2018. The QCA's submitted its Final Report on 31 March 2018.

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. Seqwater will take a leading consultative role in the forthcoming irrigation price review.

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

3.2.10 Community service obligations

The community service obligation agreement has been extended until 2019 to match the timing of the extended irrigation price path. Community service obligation payments are set out in Attachment 2.

Community service obligations apply to water supply schemes operated and managed by Seqwater, where the price received for water provided for irrigation purposes is, by direction, less than the target level of cost recovery set by Government.

3.2.11 Sponsorship, advertising, corporate entertainment and donations

The budget for sponsorships, advertising, corporate entertainment and donations expenditure is detailed in Attachment 3.

3.2.12 Guidance for recreation management

Seqwater's Guidance for Recreation Management sets out its approach to recreation management and the 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.

Five guiding principles have been developed to help Seqwater achieve the outcome and objectives for recreation management:

- the overarching guiding principle is safe drinking water, which reflects our obligations and core business to deliver safe water supplies
- sustainable recreation, which includes long-term sustainable provision of recreation services while balancing Seqwater's other commitments
- community engagement and equitable access, which reflects our obligations to engage our customers and communities, and build a social license to operate (equitable access means Seqwater aims to provide a diversity of water-based and onshore recreation opportunities, where public access will take precedence over exclusive and commercial recreation)
- cost-effective delivery of recreation services, which reflects our obligations to be operationally efficient
- safe recreational users, which builds on the strong safety culture within Seqwater.

Seqwater is developing a Recreation Strategy to determine the actions required to achieve the outcome and objectives set out in the Guidance for Recreation Management.

3.2.13 Queensland disaster management arrangements (QDMA)

Seqwater assists local and district disaster management groups as an active advisory member, as detailed within the Bulk Authority Emergency Response Plan. It provides direct advice on disaster risks relating to flood, bush fire, irrigation infrastructure, and dam infrastructure, and works collaboratively with water service providers to provide advice on drinking water supply.

Seqwater has developed an Emergency Management Training Plan 2018, which provides competency-based learning for Seqwater employees, contractors, and contract service providers 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 that support the department within the State Disaster Coordination Centre.

3.2.14 Acquisition and disposal of major assets

Seqwater manages its assets under its Non-Current Asset Accounting Policy, which complies with section 23(3) of the Financial and Performance Management Standard 2009. The policy outlines identifying, acquiring, maintaining, disposing of, valuing or revaluing and recording or writing off assets, and aligns with the Queensland Treasury 'Non-current asset policies for the Queensland Public Sector'.

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

4. Business performance

4.1 Performance measures

Performance measures have been established to support Seqwater's pursuit of its strategic outcomes. Each outcome of the Strategic plan has KPI areas, the metrics below reflect these.

4.1.1 Financial performance measures

KPI	2018-19 forecast					KPI area
	Q1	Q2	Q3	Q4	Full year	
Operating revenue \$000	228,452	254,124	242,788	233,228	958,592	Financial sustainability
Operating expenditure \$000	63,395	62,732	60,044	65,892	252,063	Financial sustainability
EBITDA \$000	165,057	191,392	182,744	167,336	706,529	Financial sustainability
EBIT \$000	100,552	126,887	119,634	103,527	450,600	Financial sustainability
NPAT \$000	(27,361)	(1,026)	(5,498)	(5,932)	(39,817)	Financial sustainability
EBITDA margin	72.3%	75.3%	75.3%	71.7%	73.7%	Financial sustainability
Total assets \$000	11,233,656	11,229,614	11,218,321	11,190,759	11,190,759	Financial sustainability
Capital expenditure \$000	25,568	25,513	31,432	64,683	147,196	Financial sustainability
Gearing ratio (debt to [debt + equity ratio])	0.87	0.87	0.87	0.87	0.87	Financial sustainability
FFO Interest coverage	0.79	0.99	0.96	0.82	0.89	Financial sustainability
Capital replenishment ratio	0.40	0.40	0.50	1.01	0.58	Financial sustainability
Operating expenditure ratio	27.7%	24.7%	24.7%	28.3%	26.3%	Financial sustainability

4.1.2 Non-financial performance measures

KPI	2018-19 targets					KPI Area
	Q1	Q2	Q3	Q4	Full year	
Forecast water production (ML) (excluding power stations)	74,982	83,866	79,925	76,641	315,414	Regulatory compliance
Lost time injury frequency rate (LTIFR) ²	≤ 3.5	≤ 3.5	≤ 3.5	≤ 3.5	≤ 3.5	Work health and safety incident performance
Statutory notifications for environmental harm	0	0	0	0	0	Environmental performance
Zones compliant with Australian Drinking Water Guidelines	100%	100%	100%	100%	100%	Water quality
Dam safety inspection program – legislative compliance	100%	100%	100%	100%	100%	Regulatory compliance

4.2 Assumptions

Seqwater's undertaking to achieve its financial performance outcomes in 2018-19 is based upon the following assumptions:

Economic indices	
CPI	Outer year projections include escalations based on recommendations in the QCA Final Report (March 2018).
Wage growth	Annual market adjustments of 3.0% are estimated for enterprise agreement and common law contract staff between 2019 and 2021 and 3.1% thereafter, consistent with the QCA Final Report.
Long term interest rates	As per Queensland Treasury Corporation (QTC) projected interest rates as at 23 April 2018.
Revenue	
Water sales	Distribution/retail revenue is calculated using the recommended prices in the QCA Final Report for 2018-19 and forward estimates.
Demand	Consistent with the demand profile used in the QCA Final Report and updated to reflect Seqwater's Annual Operating Strategy for 2018-19.
Operating expenses	
Seqwater	Developed using a baseline budgeting methodology aligning to the QCA Draft Report.

The Operational Plan 2018-19 has been prepared taking into account the recommendations of the QCA Final Report of March 2018. Following the provision of the QCA Final Report to the Treasurer and Minister for Natural Resources, Mines and Energy by 31 March 2018, a decision on pricing for Seqwater for 2018-2021 will be made by the Minister for Natural Resources, Mines and Energy.

² Seqwater's target for injuries of any type is always zero with an upper maximum LTIFR of ≤ 3.5 for 2018-19.

The timing for this is at the Minister's discretion. Separately, acceptance of the QCA recommendations by the Treasurer and the timing of this decision is in accordance with the *Queensland Competition Authority Act 1997*. Seqwater's Operational plan 2018-19 may subsequently be reissued to reflect the pricing decision.

The 2018-19 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 is able to make claims to be recover costs for events which are not in its control and which have a material financial impact. Claims for these events are generally ex-post based on actual, provable, prudent and efficient incremental expenditures.

Details of the potential financial impacts resulting from drought response triggers, as set out in the Water Security Program version 2, are provided in Attachment 4. Seqwater continues to prepare, monitor and communicate drought preparedness arrangements to stakeholders, including Queensland Treasury and the Department of Natural Resources, Mines and Energy.

4.3 Financial statements

4.3.1 Statement of comprehensive income³

	2018-19 budget ⁴				
	Q1	Q2	Q3	Q4	Full year
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Operating revenue					
Water services	222,748	248,456	237,050	227,546	935,800
Interest income	650	744	815	844	3,053
Other revenue	5,054	4,924	4,923	4,838	19,739
Total operating revenue	228,452	254,124	242,788	233,228	958,592
Operating expenses					
Employee expenses	22,362	25,662	22,234	25,809	96,067
Supplies and services	41,033	37,070	37,810	40,083	155,996
Total operating expenses	63,395	62,732	60,044	65,892	252,063
EBITDA	165,057	191,392	182,744	167,336	706,529
Depreciation and amortisation	64,505	64,505	63,110	63,809	255,929
Other asset revaluations, losses and write downs	0	0	0	0	0
EBIT	100,552	126,887	119,634	103,527	450,600
Finance/borrowing costs	127,913	127,913	125,132	126,524	507,482
Profit (loss) before income tax	(27,361)	(1,026)	(5,498)	(22,997)	(56,882)
Taxation (expense) benefit	0	0	0	17,065	17,065
Net profit (loss) after income tax	(27,361)	(1,026)	(5,498)	(5,932)	(39,817)

³ Rounding has been used in these calculations

4.3.2 Statement of financial position⁵

	2018-19 budget ⁶				
	Q1	Q2	Q3	Q4	Full year
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Current assets					
Cash and cash equivalents	131,815	150,166	178,692	155,000	155,000
Trade and other receivables	148,408	165,007	156,866	152,120	152,120
Inventories	7,587	7,587	7,587	7,587	7,587
Other current assets	3,567	3,567	3,567	3,567	3,567
Total current assets	291,377	326,327	346,712	318,274	318,274
Non-current assets					
Property, plant and equipment	10,783,616	10,742,203	10,708,104	10,707,900	10,707,900
Other non-current assets	158,663	161,084	163,505	164,585	164,585
Total non-current assets	10,942,279	10,903,287	10,871,609	10,872,485	10,872,485
TOTAL ASSETS	11,233,656	11,229,614	11,218,321	11,190,759	11,190,759
Current liabilities					
Trade and other payables	44,369	41,353	35,558	42,374	42,374
Employee benefits	13,610	13,610	13,610	13,610	13,610
Interest payable	41,711	41,711	41,711	41,711	41,711
Other current liabilities	11,445	11,445	11,445	11,445	11,445
Total current liabilities	111,135	108,119	102,324	109,140	109,140
Non-current liabilities					
Employee benefits	6,207	6,207	6,207	6,207	6,207
Interest bearing liabilities	9,384,583	9,384,583	9,384,583	9,384,583	9,384,583
Deferred tax liabilities	37,315	37,315	37,315	20,250	20,250
Other non-current liabilities	304,911	304,911	304,911	293,529	293,529
Total non-current liabilities	9,733,016	9,733,016	9,733,016	9,704,569	9,704,569
TOTAL LIABILITIES	9,844,151	9,841,135	9,835,340	9,813,709	9,813,709
NET ASSETS	1,389,505	1,388,479	1,382,981	1,377,050	1,377,050
Equity					
Contributed equity	(715,888)	(715,888)	(715,888)	(715,888)	(715,888)
Asset revaluation reserve	2,428,821	2,428,821	2,428,821	2,428,821	2,428,821
Accumulated profit (loss)	(323,428)	(324,454)	(329,952)	(335,883)	(335,883)
TOTAL EQUITY (DEFICIENCY)	1,389,505	1,388,479	1,382,981	1,377,050	1,377,050

⁵ Rounding has been used in these calculations

4.3.3 Statement of cash flows⁷

	2018-19 budget ⁸				
	Q1	Q2	Q3	Q4	Full year
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cash flow from operating activities					
<i>Inflows</i>					
Receipts from water services	221,133	231,857	245,191	232,041	930,222
Receipts from leases, rentals and other	1,040	1,041	1,041	1,040	4,162
Interest received	650	744	815	844	3,053
<i>Outflows</i>					
Payments to suppliers and employees	(63,395)	(62,732)	(60,044)	(65,887)	(252,058)
Interest paid	(127,045)	(127,046)	(127,045)	(127,047)	(508,183)
Net operating cash flows	32,383	43,864	59,958	40,991	177,196
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	(25,568)	(25,513)	(31,432)	(64,683)	(147,196)
Net investing cash flows	(25,568)	(25,513)	(31,432)	(64,683)	(147,196)
Cash flow from financing activities					
<i>Inflows</i>					
QTC borrowings/capitalised interest	0	0	0	0	0
<i>Outflows</i>					
QTC borrowings – redemption	0	0	0	0	0
Net financing cash flows	0	0	0	0	0
Net increase (decrease) in cash held	6,815	18,351	28,526	(23,692)	30,000
Cash and cash equivalents at the beginning of the financial period	125,000	131,815	150,166	178,692	125,000
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	131,815	150,166	178,692	155,000	155,000

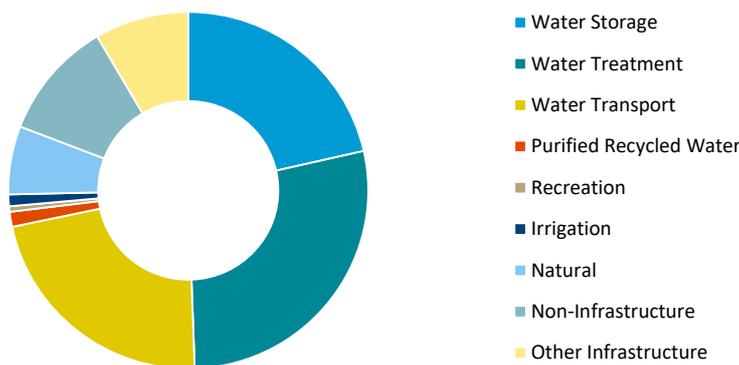
⁷ Rounding has been used in these calculations

4.4 Notification of capital program

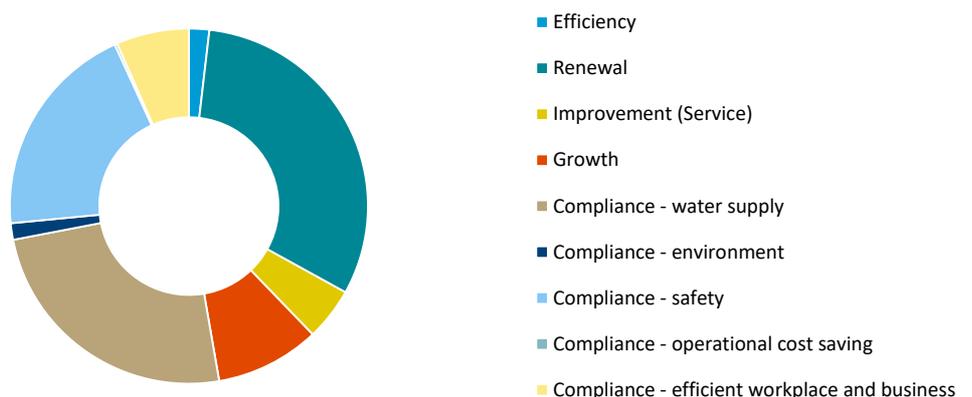
Seqwater’s 2018-19 capital program is budgeted at \$147.2 million⁹, as detailed in the Capital asset expenditure table. This is higher than the regulatory allowance provided in the QCA’s recommended bulk water prices. The QCA found all projects to be prudent and necessary, and expected that a further decision would be made about efficient costs and recovery once the projects were completed and assessed in the next price review in 2021. Seqwater will therefore continue with its planned program on the expectation that costs will ultimately be recovered through future bulk water charges

The 2018-19 program has the largest portion of committed and continuing projects or programs of any recent capital works budget at approximately \$92 million. It includes continuation of upgrades at several water treatment plants, compensation for land purchases and dam safety upgrades. The graphs below provide a breakdown of the capital program.

2018-19 capital investment forecast by asset group



2018-19 capital investment forecast by driver



Capital asset expenditure¹⁰

⁹ A\$ Real December 2017

¹⁰ Rounding has been used in these calculations

Asset group	2018-19 budget				
	Q1	Q2	Q3	Q4	Full year
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Infrastructure capital					
Natural	1,697	1,637	1,995	5,058	10,387
Water storage	5,456	5,293	6,647	17,367	34,763
Water treatment	6,814	6,781	8,282	22,131	44,008
Water transport	5,944	5,489	6,701	17,707	35,841
Purified recycled water	357	334	424	1,114	2,229
Irrigation	338	317	401	1,057	2,113
Recreation	131	123	155	409	818
Other infrastructure	2,563	2,611	3,127	8,099	16,400
Unforeseen conditions factor ¹¹	0	0	0	(17,000)	(17,000)
Total infrastructure capital	23,300	22,585	27,732	55,942	129,559
Non-infrastructure capital					
Information communication and technology	1,468	2,024	3,115	3,986	10,593
Land compensation	0	0	0	3,628	3,628
Building	312	343	210	255	1,120
Fleet	380	393	264	663	1,700
Laboratory data systems	108	168	111	209	596
Unforeseen factors	0	0	0	0	0
Total non-infrastructure capital	2,268	2,928	3,700	8,741	17,637
TOTAL CAPITAL EXPENDITURE	25,568	25,513	31,432	64,683	147,196

¹¹ The unforeseen conditions factor is an allowance for influences on the capital program that are currently unknown or out of the direct control of Seqwater. For example, wet weather delays, working on brownfield sites, unplanned operational changes, contractors not responding to tenders are all examples that could delay projects and impact on the expenditure.

Key projects for 2018-19 are:

Project	Details	Status	Project expected completion	2018-19 budget (\$000)	Total project cost (\$000)	Approval level
Projects over \$10 million						
Lake Macdonald Dam upgrade	Upgrade to comply with dam safety regulations	Continuing	2021-22	\$1,045	\$102,193	Gateway 3 ¹²
Beaudebert water supply zone upgrade	Pipeline connection proposed as a upgrade to the water grid to secure long-term water supply to the area	Continuing	2020-21	\$3,000	\$72,100	Gateway 2
Mt Crosby Water Treatment Plant filtration upgrade	Refurbishment and upgrade of the 20 filters at the Mt Crosby Water Treatment Plant to address supply reliability	Continuing	2020-21	\$1,500	\$34,171	Gateway 3
ICT capital program	Delivery of business facing systems focusing on leveraging Seqwater's Corporate Information Systems (CIS), key business process improvements and renewal of ICT assets	Continuing	Ongoing	\$10,593	Ongoing program	Various Stages
Leslie Harrison Dam safety upgrade	Upgrade to comply with dam safety regulations	Continuing	2019-20	\$13,000	\$24,572	Gateway 3
Sideling Creek Dam upgrade	Upgrade to comply with dam safety regulations	Continuing	2019-20	\$10,000	\$18,000	Gateway 3
Somerset hydro refurbishment	Refurbishment to allow the plant to resume operations and provide renewable energy	Continuing	2019-20	\$1,699	\$12,620	Gateway 4

¹² Note this project has an approved business case for planning, a separate business case for construction is required

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

5. Five year outlook

5.1 Strategic Plan 2018 – 2023

Our vision

Water for life.

Our role

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

Our promise

Safe for life.

We are part of South East Queensland's regional water supply network, which includes council-owned water entities, local governments and private sector agencies. Our purpose is to source, store and supply treated water from catchments and alternative sources, ensuring a high quality and reliable water supply for our customers. We work with our industry partners to achieve the best whole-of-system solutions and provide industry leadership in our region.

To achieve best value for our customers, Seqwater will be striving to:

- focus on customer service, commercial operations and financial outcomes
- provide appropriate safe, secure, reliable and affordable water supplies
- be an effective and efficient business
- invest in improvements and upgrades with a long-term view towards best overall outcomes for the community
- further improve financial performance and sustainability
- support government objectives and directions.

Our values

Integrity

Respect

Care

Courage

Our contribution to Government's objectives for the community

Water is fundamental to a liveable region. Sustaining communities and underpinning our economy is a safe, secure and reliable water supply. We are committed to water for life and working with our stakeholders, customers and communities to deliver this essential service aligning with community views and values.

Our dedication to a skilled and sustainable workforce that is customer-focused and delivers affordable and equitable water is at the heart of what we do every day.

To support a prosperous and resilient region, we are committed to protecting and improving the health of our water supply catchments and collaborating with our communities to achieve this outcome. When planning for the future, we ensure we understand the impacts of potential changes in our environment.

Involving the people who live and work in the region in our decisions is fundamental to shaping our water future, and we regularly engage with our communities to understand their needs, expectations and vision for the future.

Critical issues for regional water supply

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

- affordable water for our customers
- attraction and retention of a skilled and committed workforce
- a customer focused workforce that understands and meets customer expectations
- planning and operating water supply assets in a variable climate and during extreme weather events
- collaborative whole-of-water-cycle management
- partnering to improve catchment health
- influencing the long-term regional planning agenda.

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

5.2 Five year financial outlook

5.2.1 Statement of comprehensive income¹³

	Financial year				
	2018-19	2019-20	2020-21	2021-22	2022-23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Operating revenue					
Water services	935,800	988,013	1,037,540	1,079,442	1,153,062
Interest income	3,053	3,411	4,104	3,478	1,417
Other revenue	19,738	20,089	20,428	20,526	21,224
Total operating revenue	958,591	1,011,513	1,062,072	1,103,446	1,175,703
Operating expenses					
Employee expenses	96,067	98,522	104,404	107,523	110,735
Supplies and services	155,996	159,190	162,322	164,435	170,886
Total operating expenses	252,063	257,712	266,726	271,958	281,621
EBITDA	706,528	753,801	795,346	831,488	894,082
Depreciation and amortisation	255,928	258,146	261,053	265,166	265,418
Other asset revaluations, losses and write downs	0	0	0	0	0
EBIT	450,600	495,655	534,293	566,322	628,664
Finance/borrowing cost	507,482	492,001	479,763	464,261	443,386
Profit (loss) before income tax	(56,882)	3,654	54,530	102,061	185,278
Taxation (expense) benefit	17,065	(1,096)	(16,359)	(30,618)	(55,583)
Net profit (loss) after income tax	(39,817)	2,558	38,171	71,443	129,695

¹³ Rounding has been used in these calculations

5.2.2 Statement of financial position¹⁴

	Financial year				
	2018-19	2019-20	2020-21	2021-22	2022-23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Current assets					
Cash and cash equivalents	155,000	160,000	225,000	130,000	70,000
Trade and other receivables	152,120	160,784	169,007	175,955	164,794
Inventories	7,587	7,587	7,587	7,587	7,587
Other current assets	3,567	3,567	3,567	3,567	3,567
Total current assets	318,274	331,938	405,161	317,109	245,948
Non-current assets					
Property, plant and equipment	10,707,900	10,682,849	10,651,864	10,565,935	10,538,472
Other non-current assets	164,586	166,468	166,047	163,575	158,907
Total non-current assets	10,872,486	10,849,317	10,817,911	10,729,510	10,697,379
TOTAL ASSETS	11,190,760	11,181,255	11,223,072	11,046,619	10,943,327
Current liabilities					
Trade and other payables	42,375	41,871	41,545	39,179	40,181
Employee benefits	13,610	13,610	13,610	13,610	13,610
Interest payable	41,711	40,438	39,433	37,660	35,919
Other current liabilities	11,445	11,445	11,445	11,445	11,445
Total current liabilities	109,141	107,364	106,033	101,894	101,155
Non-current liabilities					
Employee benefits	6,207	6,207	6,207	6,207	6,207
Interest bearing liabilities	9,384,583	9,384,583	9,384,583	9,121,589	8,845,140
Deferred tax liabilities	20,250	21,346	37,705	68,323	123,907
Other non-current liabilities	293,529	282,147	270,765	259,384	248,001
Total non-current liabilities	9,704,569	9,694,283	9,699,260	9,455,503	9,223,255
TOTAL LIABILITIES	9,813,710	9,801,647	9,805,293	9,557,397	9,324,410
NET ASSETS	1,377,050	1,379,608	1,417,779	1,489,222	1,618,917
Equity					
Contributed equity	(715,888)	(715,888)	(715,888)	(715,888)	(715,888)
Asset revaluation reserve	2,428,821	2,428,821	2,428,821	2,428,821	2,428,821
Accumulated profit (loss)	(335,883)	(333,325)	(295,154)	(223,711)	(94,016)
TOTAL EQUITY (DEFICIENCY)	1,377,050	1,379,608	1,417,779	1,489,222	1,618,917

¹⁴ Rounding has been used in these calculations

5.2.3 Statement of cash flows¹⁵

	Financial year				
	2018-19	2019-20	2020-21	2021-22	2022-23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cash flow from operating activities					
<i>Inflows</i>					
Receipts from water services	930,222	983,544	1,033,512	1,076,689	1,168,417
Receipts from leases, rentals and other	4,162	4,513	4,852	4,950	5,648
Interest received	3,053	3,412	4,104	3,478	1,417
<i>Outflows</i>					
Payments to suppliers and employees	(252,058)	(258,216)	(267,050)	(274,324)	(280,618)
Interest paid	(508,183)	(493,274)	(480,769)	(466,033)	(445,128)
Net operating cash flows	177,196	239,979	294,649	344,760	449,736
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	(147,196)	(234,979)	(229,649)	(176,765)	(233,286)
Net investing cash flows	(147,196)	(234,979)	(229,649)	(176,765)	(233,286)
Cash flow from financing activities					
<i>Inflows</i>					
QTC borrowings/capitalised interest	0	0	0	0	0
<i>Outflows</i>					
QTC borrowings – redemption	0	0	0	(262,995)	(276,450)
Net financing cash flows	0	0	0	(262,995)	(276,450)
Net increase (decrease) in cash held	30,000	5,000	65,000	(95,000)	(60,000)
Cash and cash equivalents at the beginning of the financial period	125,000	155,000	160,000	225,000	130,000
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	155,000	160,000	225,000	130,000	70,000

¹⁵ Rounding has been used in these calculations

5.2.4 Capital program¹⁶

Asset group	Financial year				
	2018-19	2019-20	2020-21	2021-22	2022-23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Infrastructure capital					
Natural	10,387	12,630	13,010	12,964	12,239
Water storage	34,763	86,757	68,600	16,276	73,419
Water treatment	44,008	62,373	84,755	87,487	116,757
Water transport	35,841	64,817	41,228	51,622	38,239
Purified recycled water	2,229	1,632	1,257	895	1,764
Irrigation	2,113	304	162	589	833
Recreation	818	1,025	82	0	102
Other infrastructure	16,400	20,430	33,648	16,704	3,887
Unforeseen factors	(17,000)	(27,675)	(25,215)	(20,999)	(22,076)
Total infrastructure capital	129,559	222,293	217,527	165,538	225,164
Non-infrastructure capital					
Information communication and technology	10,593	9,339	8,778	7,728	5,243
Land compensation	3,628	628	532	811	61
Building	1,120	365	400	215	284
Fleet	1,700	1,743	1,786	1,831	1,876
Laboratory data systems	596	611	626	642	658
Unforeseen factors	0	0	0	0	0
Total non-infrastructure capital	17,637	12,686	12,122	11,227	8,122
TOTAL CAPITAL EXPENDITURE	147,196	234,979	229,649	176,765	233,286

¹⁶ Rounding has been used in these calculations

Attachment 1 – Employment and industrial relations plan

Employment and industrial relations approach

Seqwater is committed to achieving its Water for life vision and Safe for life promise and to living its values of integrity, respect, care and courage. The health, safety and wellbeing of everyone in the workplace is paramount. To demonstrate this commitment Seqwater will:

- promote and foster an inclusive, respectful workforce, which embraces and reflects a diversity of genders, cultures, views and values
- support an environment of continuous learning and innovation, and provide appropriate and required training to strengthen its employee skill base
- provide clear and transparent expectations about behaviour and performance and promote integrity, openness and honesty
- provide fair and transparent merit-based recruitment and promotion processes
- provide a safe environment for employees to raise concerns.

In recent years, Seqwater has realised significant efficiencies in its operations and will maintain a position that delivers value to South East Queensland communities.

Seqwater is committed to an open, consultative and constructive approach to employment and industrial relations. Employment and industrial relations goals for 2018-19 are to:

- undertake initial planning and negotiations for the Seqwater Enterprise Agreement 2019-2022
- align the organisation behind a single, clear understanding of its vision, promise and values
- strengthen leadership capability through the delivery of a tailored leadership program
- continue to implement the People Strategy 2020 to ensure the organisation continues to attract, develop and retain talented and motivated employees.

Significant and emerging issues

Research has identified four common themes in emerging issues for the water sector:

Leveraging existing talent	Business today are operating with a multi-generational workforce. Many employees who are part of the traditionalist and baby boomer generations are working past conventional retirement age. As a consequence, Seqwater’s future workforce may include employees from their late teens to their seventies and even eighties. Over the next five years, our business will have 192 employees eligible to retire (over 55 years of age). As our working population matures, it is imperative the business leverages existing talent, focuses on programs such as transition to retirement, and provides opportunities for the different generations to work together.
The rise of data analytics	The use of analytics is growing to improve the quality and speed of decision-making throughout organisations. The use of workforce analytics can assist in ensuring human capital is used as effectively as possible.
Digital disruption	New technologies are changing the workforce, improving efficiency, streamlining processes and improving decision making.
Using culture to drive growth	Focusing on cultural change that encompasses people, processes, customers and technology, businesses are able to align themselves with key areas of growth.

Key issues for Seqwater and its workforce in 2018-19 include:

- positioning Seqwater as a preferred employer for millennials and establishing robust transition to retirement and succession plans to ensure the transfer of corporate knowledge to the next generation
- aligning its employees to its refreshed vision and values. This will be led by leaders who will receive development opportunities delivered through a customised leadership development program.

Employment and industrial relations plan

Employment conditions

Seqwater is committed to complying with the *State Water Authorities Governance Framework Employment and Industrial Relations Policy* subject to any relevant enterprise agreement provisions.

Seqwater engages employees under two employment arrangements:

- Common Law Contract
- *Seqwater Enterprise Agreement 2016-2019* (the Agreement).

The Agreement is a standalone agreement; however it does make reference to the *Water Industry Award* 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 maintain good working relationships with union representatives. There are currently no union claims or bargaining notices. The Agreement was certified by the Fair Work Commission in December 2016.

New provisions contained within the Agreement, including domestic and family violence, individual flexibility agreements, purchased leave and job sharing, have been implemented across the business with a reasonable uptake from employees.

The new purchase leave provision was extended to employees in early 2017, with employees being able to access this purchased leave from 1 July 2017. Such provisions will be offered again to all employees in the 2018-19 financial year.

Seqwater is committed to complying with the *Government Owned Corporations Wages Policy* and any other State Government employment and industrial relations policies.

Planning for the next enterprise agreement will commence with a union engagement plan being drafted. Negotiations will commence in 2018-19.

Productivity initiatives

Seqwater and its workforce continue to work together to generate operational savings by reviewing and improving the way it works.

Management relationship with unions

Seqwater is committed to establishing and maintaining an open and effective relationship with employees and their industrial representatives. 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, the Department of Natural Resources, Mines and Energy and the Public Sector Industrial Relations Division on key employment and industrial relations matters.

Workforce direction

Employment category	Full time equivalent positions			
	2018-19	2019-20	2020-21	2021-22
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	90.0	90.0	90.0	90.0
Temporary – part time	9.4	9.4	9.4	9.4
Trainees	18.0	18.0	18.0	18.0
Graduates	11.0	11.0	11.0	11.0
Total temporary positions	128.4	128.4	128.4	128.4
Total directly employed workforce positions	786.7	786.7	786.7	786.7
Indirectly employed workforce				
Apprentices	7.0	7.0	7.0	7.0
Labour hire	6.0	6.0	6.0	6.0
Specialist contractors	8.0	8.0	8.0	8.0
Total indirectly employed workforce positions	21.0	21.0	21.0	21.0
TOTAL WORKFORCE	807.7	807.7	807.7	807.7

Of the 786.7 directly employed full time equivalent positions (FTEs) for 2018-19, 656.7 are under Seqwater's Enterprise Agreement 2016-2019 and 130 are common law contract positions.

Employee flexibility

Seqwater is committed to providing work policies and practices that promote and support employees with flexibility to attend to other responsibilities.

Provision	Description
Part time arrangements	Seqwater supports part time work arrangements for employees. Approval of part time arrangements is at the discretion of Seqwater and subject to operational requirements.
Flexible work hours	The Agreement and employment contracts provide for employees to work flexible hours and to accrue hours worked over the standard daily hours, where appropriate for the position. Accrued time can be taken as full or part day leave.
Paid maternity/paternity/adoption leave	Paid maternity/paternity/adoption/surrogacy leave is available for eligible employees. Provisions are consistent with the Queensland Government <i>Paid Parental Leave Directive</i> .
Telecommuting (work from home)	Seqwater's Working from Home Procedure provides employees with the opportunity to work from home if the nature of their work is suitable.
Job sharing	The Agreement contains a new provision for job sharing. Approval of job sharing will be at the discretion of Seqwater and subject to operational requirements.
Work location	Seqwater provides employees with the option to work from other Seqwater work sites that may be closer to their home than their work location, if the nature of their work is suitable.
Leave at half pay	Seqwater provides employees with the option to take long service leave, parental leave and recreation leave at half pay to assist in balancing work and life commitments.

Equal employment opportunity and anti-discrimination

Seqwater is committed to the principles of equal employment opportunity and expects the highest possible standards in maintaining a workplace free of harassment, bullying and any other unacceptable behaviour. This is supported by policies, procedures and training to assist employees in matters concerning anti-discrimination and harassment, recruitment and selection, diversity and bullying prevention. These policies are addressed in Seqwater's induction training for all new employees and during periodic awareness briefings with employees.

Seqwater's Code of Conduct sets out the standards of behaviour that are expected of employees, Board members, contractors and consultants in the performance of their duties. It applies whenever employees represent Seqwater regardless of where they work or the role that they perform. It also applies to behaviours which might cause damage to Seqwater's reputation during and outside of normal work hours.

The Code of Conduct has been updated to align with the new values. Following stakeholder consultation and required approvals, it is anticipated this revised code will be implemented ahead of the 2018-19 year.

Seqwater's inclusion and diversity strategy sets out its commitment to:

- create a workplace that is fair and inclusive
- ensure the workforce reflects the diversity of its communities, customers and stakeholders
- develop productive, mutually beneficial and long-term relationships with a diverse range of communities, customers and stakeholders.

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.

Employees who join QSuper are entitled to benefits calculated in accordance with the governing rules of QSuper. In addition to employer contributions, employees are required to make a compulsory contribution to their superannuation. Employees are able to vary their superannuation contribution rate between 2% and 5%. The employer contribution rate is dependent on the rate of contribution the employee makes, as outlined in the table below:

Employee contribution	Employer contribution
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 January 2018, 33 employees had defined benefit accounts. No new employees have defined benefit accounts.

Job security and redundancy provisions

Seqwater will comply with the redundancy provisions contained within the Seqwater *Enterprise Agreement 2016-2019* and common law contracts, in the event that redundancies are offered.

The Seqwater *Enterprise Agreement 2016-2019* includes a redundancy provision that provides payment for a notice period based on years of service, an ex-gratia payment at a rate appropriate to the completed years of service and payout of accrued annual leave and long service leave entitlements. In addition, Seqwater may offer financial planning, outplacement services, employee assistance services and additional time off to seek alternate employment opportunities. Seqwater is committed to maintaining all reasonable expectations of employment security and stability and will abide by the State Government's requirement for no forced redundancies. The Agreement reaffirms Seqwater's commitment to no forced redundancies.

Executive remuneration arrangements¹⁷
Non-Executive Directors including Chairman

Non-executive directors	Directors' fees (\$)	Committee fees (\$)	Superannuation (\$)	Total (\$)
Daniel Hunt, Chairman	100,000	13,500	10,783	124,283
Michael Arnett, Director	45,000	12,500	5,463	62,963
Shane McGrath, Director	45,000	4,500	4,703	54,203
Samantha Pidgeon, Director	45,000	8,000	5,035	58,035
Marina Vit, Director	45,000	4,500	4,703	54,203
John Dempsey, Director	45,000	8,000	5,035	58,035

Chief Executive Officer and senior executives

Executive (As at 1 January 2017)	Base salary ¹⁸ (\$)	Employer superannuation contributions ¹⁹ (\$)	Total fixed remuneration (\$)	Performance payment made ²⁰ (\$)
Daniel Spiller, Acting Chief Executive Officer ²¹	448,606	43,739	492,345	25,199
Sally Frazer, General Counsel and Company Secretary	257,439	32,823	290,262	22,545
Fiore Zulli, Acting General Manager, Operations	230,599	29,401	260,000	²²
Arran Canning, Acting General Manager, Asset Portfolio Development and Delivery	235,000	25,000	260,000	²⁴
Liz Kearins, General Manager, Strategy, People and Safety	235,033	29,967	265,000	15,656
Donna Gregory, Chief Financial Officer	263,750	25,000	288,750	24,599
Ross Muir, General Manager, Water Supply Strategy and Policy	257,534	24,466	282,000	21,150

¹⁷ Annualised salaries as at 1 January 2018.

¹⁸ Any salary sacrifice items plus cash salary.

¹⁹ Employer contributions to superannuation (other than by salary sacrifice).

²⁰ This is the actual payment made in 2017-18 relating to performance in 2016-17. Total bonus is inclusive of superannuation.

²¹ These employees were acting in the respective roles as at 1 January 2018. The total fixed remuneration shown in the table reflects the acting incumbent's salaries and higher duties component annualised as at 1 January 2018.

²² These employees received a performance payment in the 2017-18 financial year, however the payment in the 2017-18 financial year was made when the employee was in their respective substantive non-executive position and not paid as part of their higher duties.

Work health and safety

Seqwater's *Safe for life* promise is a commitment to employees, their families and communities to work safe and keep well. *Safe for life* underpins the way Seqwater works, ensuring this is part of everything it does.

Seqwater maintains a Work Health and Safety Management System that is continuously improved and certified to AS/NZS 4801.

Seqwater has developed a three-year Safe for Life Strategy, which identifies the strategic initiatives to be delivered against the following work health and safety focus areas:

- leadership
- employee engagement
- keeping one another safe
- safety enabling systems.

Seqwater has a range of lead and lag key performance indicators to monitor performance and drive improvement.

An external audit of Seqwater's Work Health and Safety Management System led to re-certification against AS/NZS 4801 in May 2018. The next external audit is planned for May 2019.

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 Code of Conduct and safety matters.

Attachment 2 – Community service obligations

The table below sets out the community service obligations (CSO) payments by tariff group that the Department of Natural Resources, Mines and Energy will pay to Seqwater for the period 1 July 2018 to 30 June 2019.

Tariff group	CSO payment (\$000)
Cedar Pocket Dam	142
Central Brisbane River	0
Central Lockyer Valley	756
Logan River	0
Lower Lockyer Valley	834
Mary Valley	0
Warrill Valley	0
Morton Vale Pipeline	72
Pie Creek - fixed	246
Pie Creek – variable ²³	0
Total	2,050

²³ The variable CSO is calculated at the end of each year when the actual water usage is known. The CSO is calculated by multiplying the actual usage (ML) by \$122/ML.

Attachment 3 – Sponsorship, advertising, corporate entertainment and donations

		2018-19 budget				
		Q1	Q2	Q3	Q4	Full year
Benefit		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Sponsorship						
Healthy Land and Catchments Awards	a.	3.5	3.5	3.5	3.5	14.0
Future BNE Challenge	b.	0	0	0	5.1	5.1
Total over \$5,000		3.5	3.5	3.5	8.6	19.1
Other (total) below \$5,000	c.	0	5.0	0	0	5.0
TOTAL		3.5	8.5	3.5	8.6	24.1
Advertising						
Public education (e.g. <i>Play it safe</i>)	d.	0	125.0	125.0	0	250.0
Water futures	e.	150.0	0	150.0	100.0	400.0
Dam release notification service	f.	0	11.3	11.3	0	22.6
Weir safety	g.	0	5.1	0	0	5.1
Total over \$5,000		150.0	141.4	286.3	100.0	677.7
Other (total) below \$5,000	h.	1.3	1.3	1.3	1.2	5.1
TOTAL		151.3	142.7	287.6	101.2	682.8
Corporate entertainment						
Total over \$5,000		0	0	0	0	0
Other (total) below \$5,000		2.8	2.8	2.8	2.9	11.3
TOTAL		2.8	2.8	2.8	2.9	11.3
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

Benefit notes:

- a. Seqwater will continue to support and recognise community contributions to catchment improvement in the region through sponsorship of the Healthy Land and Water Awards.
- b. Seqwater will participate in Brisbane City Council's Future BNE Challenge, supporting approximately 600 school students to take part in a creative challenge focused on water resilience, management and planning. The challenge is one of the ways students are engaged in Seqwater's Water Security Program.
- c. 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 its employees recognise outstanding achievement in the water industry and enable the Australian water industry to support improvements in water and sanitation in developing countries.
- d. The *Play it safe* public education campaign 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 2.6 million people who visit Seqwater's lakes, dams and parks each year to plan ahead and follow safety rules.
- e. 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. This Program is about 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'.
- f. The dam release notification service public education campaign will encourage the community to register for Seqwater's dam release notification service to be advised when gated dams are releasing water and un-gated dams are spilling. This advertising to raise public awareness of the service supports the Inspector-General Emergency Management's dam warning review of recommendations.
- g. The weir safety campaign will educate the public, especially young people, to be aware of the potentially fatal consequences of swimming in weirs and flooded waterways.
- h. Other advertising includes public notices to advise the community of our events.

Definitions:

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 4 – Impact of drought on the annual operating strategy

Following good rainfall in spring 2017, and again in late summer and early autumn 2018, the water security situation in South East Queensland has improved, particularly in the northern sub-region. These inflows to drinking water storages have increased levels to more than 80%, which is above the 70% trigger for initial drought readiness measures. The earliest expected timeframes for the combined volume of the key bulk water storages to reach 70% is now October 2018. Drought response measures (60% trigger date) may be required from as early as March 2019 if the region experiences dry conditions.

Major unbudgeted expenditure items that may be required, in the unlikely event that the 60% trigger occurs during 2018-19, include:

- recommissioning of the Western Corridor Recycled Water Scheme
- operation of the Gold Coast Desalination Plant at up to 100% capacity.

In addition, there may be revenue impacts as water conservation messaging and water restrictions reduce water demand across the region.

The costs that may be incurred in response to drought will depend on how the drought situation evolves and when response triggers are reached. This will be highly dependent on rainfall in the region and the water consumption behaviours of the community. Budget impacts at the 70% trigger will be largely limited to reduced sales and revenue. Impacts following the 60% drought response will be far higher, involving expenditure over a number of years as well as further reductions to revenue. Costs and revenue loss may escalate and continue into subsequent financial years depending on the severity and duration of the drought.

Seqwater will provide timely advice to responsible Ministers regarding the timing of any drought response, any impacts on water consumers and any impacts on Seqwater. In particular Seqwater will amend and provide responsible ministers advice regarding:

- the Operational plan 2018-19 and bulk water supply system operating procedures, and
- potential changes to the Seqwater capital expenditure profile.

Seqwater will implement measures to achieve consistent water supply and water security levels across the region. Where operating conditions impact water security disproportionately within the region Seqwater will take timely action and inform responsible Ministers.