



seqwater
WATER FOR LIFE

Strategic Plan 2010-11 to 2014-15

**Queensland Bulk Water Supply Authority (QBWSA) trading
as Seqwater**

Contents

Foreword.....	3
Regional Water Grid.....	4
Seqwater's vision and mission	5
Our strategic planning framework.....	5
Emerging strategic issues.....	7
Seqwater's goals and strategy for 2010-11 to 2014-15.....	8
Budget outlook.....	10
Strategic performance management.....	11
Key Performance Indicators.....	11
Strategic Plan	13
Vision:.....	13
Goal 1: Water supply quality and security.....	13
Goal 2: Catchment sustainability	14
Seqwater's Strategy: Whole-of-catchment know-how	15
Strategic priorities for 2010-11 to 2014-15	15
Seqwater's programs for delivery.....	17
Responsible Ministers.....	18
Seqwater Board	18
Senior Leadership team	20
Attachment A: Scan of Seqwater's external environment	22
Attachment B: Human resource strategy overview.....	25
Attachment C: Key Performance Indicators and targets	27
Attachment D: Budget Outlook.....	34

Foreword

Seqwater was created in 2007 as part of the State Government's reform of water supply arrangements in South East Queensland. Our role as part of the water grid is to supply bulk water treated to regulated standards by taking an integrated approach to catchment-sourced water management across the region. We seek to play our part in achieving the vision of "Water for Life – vibrant, sustainable and optimistic urban and rural communities and businesses in South East Queensland".

The new model of regional water supply in South East Queensland is substantially different from the past. Seqwater is working closely with other water grid entities to establish clear supply-chain roles. This Plan outlines the further work to be done to ensure we fulfil our role.

In the past two years we have achieved significant milestones. A new organisation has been created out of the previous fourteen regional water supply entities. The challenges of creating a single clear direction, integrating systems and a united workforce operating under a single Enterprise Bargaining Agreement (EBA) have been substantial and are largely achieved. Our water supply emergency projects regulated in response to the recent drought are on target. These include the raising of the Hinze Dam and the interconnection of the Ewen Maddock Advanced Water Treatment Plant. Other major capital projects under way include the design of the Wyaralong Water Treatment Plant and the delivery of the South East Queensland Fluoridation Project. Water quality plans have been developed for the major storages and treatment plants and will be progressively developed for all water supplies. We also recognise the importance of investing in the environmental quality of our catchments and their social amenity. Recent examples include an initiative to support lung fish conservation and the implementation of a recreation strategy to manage public access to our dams.

This Strategic Plan sets the direction for Seqwater to provide services to meet the challenges for the long-term. The future will demand more changes. The South East Queensland Regional Plan predicts continued growth in population across the region. We will need to significantly improve the management of our catchments to maintain or improve yield and quality. We need to be active partners with other regional planners to ensure that urban and industry growth does not negatively impact the quality and quantity of water supply. Ongoing water reform at both national and state levels is likely to require changes in our approach in key areas such as energy and environmental management.

Seqwater is on track to achieve integrated management of our natural and built water supply assets as well as positively influence the management of South East Queensland's wider catchment resources. This whole-of-catchment approach will be achieved through building the capability of our staff and systems within our business and strengthening the partnerships with our key stakeholders across the grid and in the wider community.

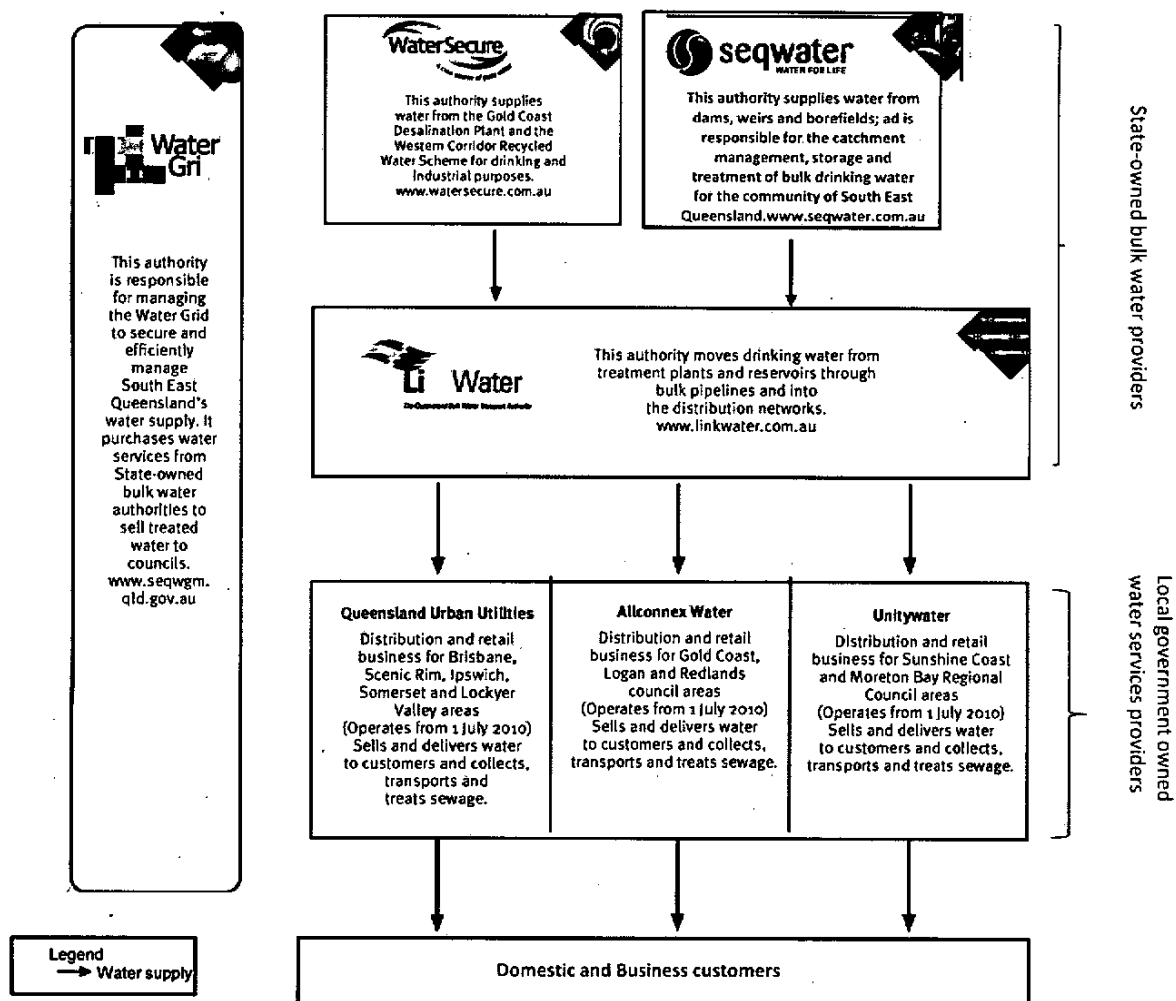
This plan establishes milestones that reinforce Seqwater's initial priority to secure the quality and reliability of the region's water supply while creating the firm foundation for the long-term catchment sustainability needed by our urban and rural communities and businesses. Achievement of these demanding milestones will depend on our whole-of-catchment knowledge, reflected in skilled and committed staff, the support of stakeholders and consumers, and the demonstration of high standards of governance, risk mitigation and financial management.

Phil Hennessy
Chairman

Peter Borrows
Chief Executive Officer

Regional Water Grid

Seqwater is part of the Regional Water Grid, an integrated supply chain securing reliable and safe water for South East Queensland.



Source: Department of Environment and Resource Management (2010)

Seqwater works with our supply chain partners and the grid manager to provide an effective and efficient service to the people of South East Queensland. Our role in the grid is to deliver treated bulk water sourced from the region's natural catchment dams, weirs and aquifers.

Seqwater's vision and mission

Vision

As part of the water grid, Seqwater has a long-term vision for our region:

Water for life – vibrant, sustainable and optimistic urban and rural communities and businesses.

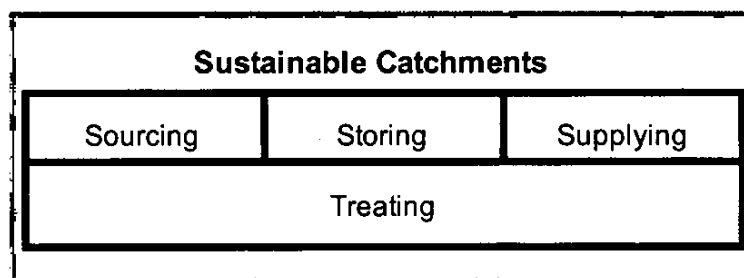
Mission

To fulfil our role in achieving this vision:

Seqwater provides innovative and efficient management of both natural and built catchments, water storages, and treatment services to ensure the quantity and quality of water supplies.

Seqwater will achieve its mission by adopting a collaborative approach to working with partners and stakeholders across government, the water industry and community, to further develop and apply specialist knowledge and skills in water sourcing, storage, supply and treatment.

Catchments are vital regional resources. We define catchments as the combined natural and built infrastructure needed to source, store and supply water to meet the quality and reliability needs of our customers.



Catchments are complex systems. Their productivity is subject to changes in weather patterns, environmental impact, community values, regulation and economic demands. Hence, our approach to business is to put into practice the know-how and technologies needed to gain the maximum sustainable value from these complex systems.

What we stand for

Seqwater was established by bringing together a number of different entities either in full or in part. As a result, Seqwater has inherited different organisational cultures. As our organisation and its structure become more stable, managers and staff will work together to build a common cultural identity, defined through agreed values, standards of behaviour and commitments.

Our strategic planning framework

Our planning framework integrates the long-term direction-setting for Seqwater (the Strategic Plan) with the annual determining of priorities (the Operational Plan).

The Strategic Plan outlines our vision and goals for the region's water supply catchments. Our Strategy – Excellence in putting into practice sustainable catchment know-how – sets a clear direction for our business development and integrates the planning and service delivery across the organisation. This Strategic Plan explains in more detail our Outcomes and Strategy for the next five years.



To support effective planning and service delivery Seqwater has established:

- An Enterprise Risk Register for managing and reporting on risk in the categories of our people, water quality and quantity, assets, physical security and natural disasters, governance, business reputation and public safety
- An integrated operational planning and budgeting process and system
- A system for monitoring and reporting on performance.

The annual Operational Plan outlines the specific Key Initiatives and service Delivery through programs of work that maintain our direction while responding to changes in the business environment. The Operational Plan also aligns the delivery of programs and key initiatives with our budget and performance targets.

Emerging strategic issues

Analysis of the external business environment identified the following uncertainties that are likely to impact on Seqwater during the next five years. An environmental scan has been undertaken for each of these issues as summarised in Attachment A.

1. **Sustainability** - There is now growing evidence that sustainability is shifting from being a 'business overhead' to an enabler of business performance.
2. **Alliances and Stakeholder Management** - As the business environment becomes more complex and interconnected, capability in managing alliances is becoming more critical.
3. **Water, Energy and Climate Change Nexus** - Increasingly water supply providers understand the need to integrate their planning with the energy sector, with each resource being inter-connected inputs and outputs of processes. Climate change modelling is also driving the need for communities to consider water and energy holistically.
5. **Water Pricing** - Globally, water is likely to rise in price over the coming years to reflect higher regulated standards, higher input costs and a move to value water by applying market principles. This trend is likely to drive further investigation of alternative technologies across the industry.
6. **Demand management** - Water use efficiency remains the most cost-effective strategy for improving water supply sustainability. Regional roles in domestic and business demand management have not been fully clarified in the post-drought environment.
7. **Water industry economic regulation** - The Queensland Competition Authority is set to review economic regulation for water, driving businesses to be able to demonstrate efficiency.
8. **Understanding the true economic value of our catchments** - 'Basin Closure' is a term increasingly being used in the water management literature to describe situations where water catchments are unable to sustain previously-expected levels of supply. Urban growth and climate changes are identified as possible causes, but all the factors driving this effect are not yet well understood.
9. **Water Industry Workforce** - There is growing demand for water industry skills, with predictions of declining supply because of an aging workforce.
10. **Productivity of assets** - New approaches to understanding whole-of-life asset productivity are being required in response to increased environmental regulation.
11. **Relocation of central office functions to Ipswich in mid 2013** - The Government is implementing a policy to decentralise part of its Brisbane CBD office accommodation over four stages from 2011 to 2017. As part of Stage 2, the State-owned SEQ water grid entities will relocate to Ipswich City Square in the third quarter of 2013. Moving to Ipswich presents a range of opportunities and challenges including business continuity for information technology and skills retention. Planning for the management of these has begun. Seqwater will work closely with the other State-owned grid entities and the Department of Public Works, Queensland Treasury and the Department of Environment and Resource Management to implement the relocation.

Seqwater's goals and strategy for 2010-11 to 2014-15

Our vision: Water for life – vibrant, sustainable and optimistic urban and rural communities and businesses.

Goal 1: Water supply quality and security

Outcome: Regulators, communities and businesses have confidence and trust in the safety, security and reliability of their water supply.

Description: In partnership with other grid entities, Seqwater will provide urban consumers with reliable water of a quality that meets or exceeds the Australian Drinking Water Guidelines (ADWG) as required by regulation, contract and best practice.

Goal 2: Catchment sustainability

Outcome: Communities in our region gain the maximum sustainable value from their catchment assets – natural and built.

Description: In order to ensure the current and future viability of the primary water sources of South East Queensland, Seqwater will effectively research and manage the water catchments to maximise water quality while also;

- providing for flood mitigation
- fostering rural productivity
- providing places of recreation
- enhancing biodiversity
- providing amenity for the people of SEQ.

Strategy: Whole-of-catchment know-how

Excellence in putting into practice whole-of-catchment know-how.

Description: Catchments are complex systems. Their productivity is subject to changes in weather patterns, environmental impact, community values, regulation and economic demands. Knowledge is the key to our performance if it is scientifically-based and reflected in the capabilities of our staff, the quality of our systems and the focus of our leadership.



In partnership with regional water grid supply chain entities

Strategic Plan for 2010-11 to 2014-15



Seqwater is the regional supplier of catchment-sourced water for South East Queensland. We are a statutory authority operating as part of the State Government's Regional Water Grid, providing secure, safe and reliable water for communities and businesses.



Catchments are vital regional resources. We define catchments as the combined natural and built infrastructure needed to source, store and supply water to meet the quality and reliability needs of our customers. Catchments are complex systems. Their productivity is subject to changes in weather patterns, environmental impact, community values, regulation and economic demands. Hence, our approach to business is to put into practice the know-how and technologies needed to gain the maximum sustainable value from these complex systems.

For Seqwater, Water for Life means putting into practice the know-how about sustainable catchments – from source to supply

Budget outlook

Attachment D includes a five year budget outlook for this Strategic Plan.

Strategic performance management

Key Performance Indicators

An integrated framework of Key Performance Indicators (KPIs) has been established for 2010-11 based on:

- experience in measuring performance through the 2009-10 KPIs
- refinements in our understanding of the key information 'levers' required to monitor our strategy
- analysis of global benchmarks and directions in catchment-sourced water management.



The framework details the core business challenge for Seqwater – taking source water with inherent quantity and quality risks and ultimately delivering water supply of regulated quantity and quality (the middle layer of the framework). In broad terms this is achieved through two processes – management of natural catchments and, treatment through water treatment plants.

Our vision is to achieve sustainable regional value. KPIs are designed to measure the whole-of-catchment value we create – economically, environmentally and socially.

Our strategy for achieving these outcomes – excellence in putting into practice whole-of-catchment know-how – is measured through financial, people, stakeholder and systems KPIs. Attachment C provides additional detail on the KPIs and performance targets for this Strategic Plan.

Strategic Plan

Vision:

Water for life – vibrant, sustainable and optimistic urban and rural communities and businesses

Reference	Key Performance Indicator	Definition
V1	Economic Value	Business efficiency.
V2	Environmental Value	Net environmental impact and environmental contribution of Seqwater's business.
V3	Social Value	Assess the understanding and support of Seqwater including its strategic direction and priorities, with targeted community groups.

Goal 1: Water supply quality and security

Outcome: Regulators, communities and businesses have confidence and trust in the safety, security and reliability of their water supply.

Description: In partnership with other grid entities, Seqwater will provide urban consumers with reliable water of a quality that meets or exceeds the Australian Drinking Water Guidelines (ADWG) as required by regulation, contract and best practice.

Key Performance Indicators:

Reference	Key Performance Indicator	Definition
G 1.1	Source and off-take water quality standards	Level of compliance with Seqwater standards for raw water turbidity in defined catchments.
G 1.2	Supply quantity and quality	Extent of achievement of regulated water supply reliability and quality.

Goal 2: Catchment sustainability

Outcome: *Communities in our region gain the maximum sustainable value from their catchment assets – natural and built.*

Description: *In order to ensure the current and future viability of the primary water sources of South East Queensland, Seqwater will effectively research and manage the water catchments to maximise water quality while also;*

- *providing for flood mitigation*
- *fostering rural productivity*
- *providing places of recreation*
- *enhancing biodiversity*
- *providing amenity for the people of SEQ.*

Key Performance Indicators:

Reference	Key Performance Indicator	Definition
G 2.1	Infrastructure condition and capability	Assessment of treatment plant capability to achieve targeted performance.
G 2.2	Natural catchment and storage condition	The natural catchment condition and storage water quality assessed against an appropriate standard.

Seqwater's Strategy: Whole-of-catchment know-how

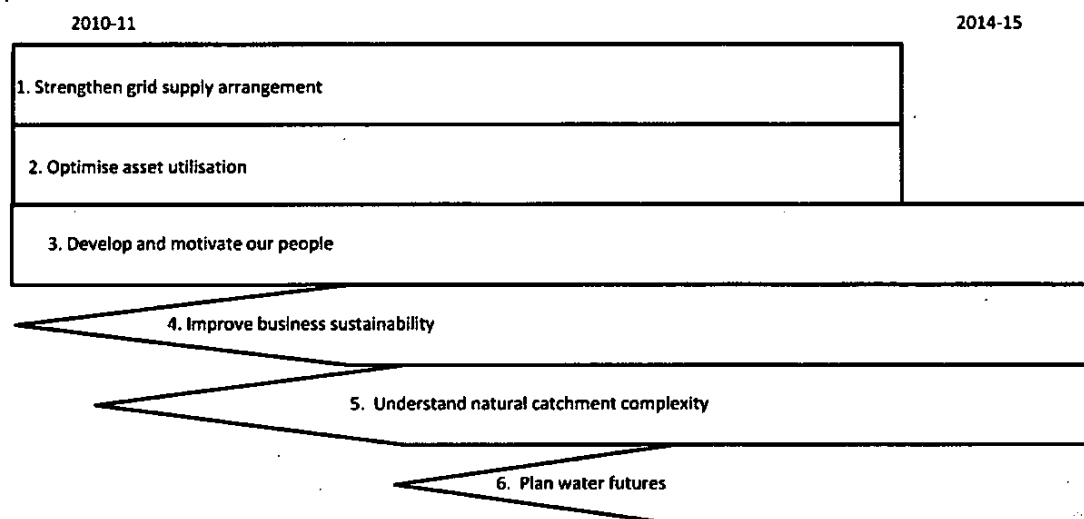
Excellence in putting into practice whole-of-catchment know-how about our assets.

Description: *Catchments are complex systems. Their productivity is subject to changes in weather patterns, environmental impact, community values, regulation and economic demands. Knowledge is the key to our performance if it is scientifically-based and reflected in the capabilities of our staff, the quality of our systems and the focus of our leadership.*

Reference	Key Performance Indicator	Definition
S 1.1	Budget achievement	Degree of accuracy with budget forecasts.
S 1.2	Staff know-how capability	Extent to which staff are engaged and contributing to a safe and productive work environment.
S 1.3	Grid stakeholder support for Seqwater	Extent of grid stakeholder collaboration to support and promote grid and Seqwater's strategic goals.
S 1.4	Systems and process improvement	Extent to which systems and processes support efficiency and reduce residual risk.

Strategic priorities for 2010-11 to 2014-15

This strategy will be implemented in a planned way over the next five years addressing the following priorities:



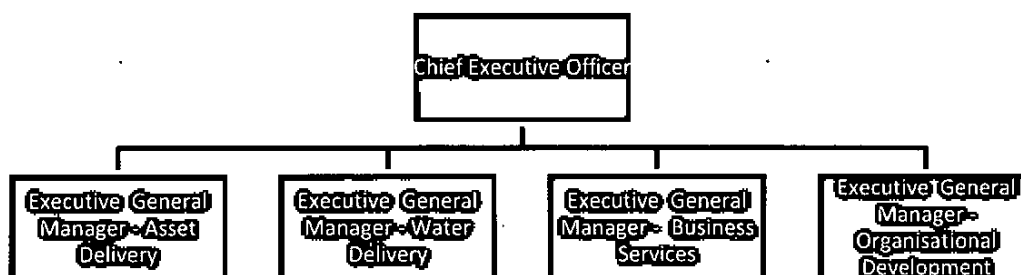
The following targets for these priorities will be pursued over the period of this Plan.

1. Strengthen grid supply arrangements and stakeholder support
 - clarify and understand the roles within the institutional framework amongst grid participants
 - work with our partner grid entities and agencies
 - establish appropriate financial, governance and communications systems
 - implement water-related regulations
 - implement a whole-of-grid approach to community engagement
2. Optimise asset utilisation
 - contribute to the development of the whole-of-grid strategy as part of regional planning
 - understand our risks to quality and reliability
 - establish common processes and standards
 - train and develop our people
 - improve the efficiency, effectiveness and profitability of all catchment assets
 - monitor and report our performance
3. Develop and motivate people
 - develop and retain key skills and knowledge
 - strengthen our culture
 - operate effective and streamlined organisational structures
 - manage relocation of Margaret Street functions to Ipswich CBD
4. Improve business sustainability
 - define our approach to sustainability
 - improve our energy efficiency
 - align our culture and values
 - minimise our environmental footprint
5. Understand natural catchment complexity
 - understand the impacts on source, storage and supply water quality
 - clarify roles of catchment-based agencies in environmental protection
 - provide maximum community benefits regarding flood mitigation, green energy and recreation
 - support business and residential water efficiency
6. Plan water futures
 - understand the economic, environmental and social role of catchments
 - monitor and test new technologies, products and services that may benefit our region
 - establish key partnerships and alliances

We will progressively develop and implement key initiatives to implement our strategy through the annual Operational Plan. These key initiatives will respond to risks and opportunities as they emerge in our changing business environment.

Seqwater's programs for delivery

Our business is structured to focus our staff on delivering and support core services. This structure was developed and implemented in 2009-10.



Profiles of our board members and senior executive staff are included in the following section.

Responsible Ministers

The State Government has appointed two Ministers to act as Responsible Ministers for Seqwater:

The Hon. Andrew Fraser MP

Treasurer and Minister for Employment and Economic Development

The Hon. Stephen Robertson MP

Minister for Natural Resources, Mines and Energy and Minister for Trade

Seqwater Board

Board members

Pursuant to the provisions of the *South East Queensland Water (Restructuring) Act 2007* Board Members are appointed for a period of three years.

Phil Hennessy BBus (Accountancy), FCA

Phil was appointed as Chairman of the Board of Seqwater on 1 October 2009. Phil is also Queensland Chairman of KPMG and practises in the area of corporate reconstruction. Phil is responsible for the operations of the Queensland practice of KPMG and his role focuses on the firm's people, clients and its connection with the community. He has experience across a wide range of market sectors and has undertaken numerous restructuring related assignments and viability reviews for lenders, creditors and other stakeholders and has been involved in most of Queensland's largest and high profile insolvencies.

Phil is a Director of South East Queensland Water Corporation Ltd. He is also National Leader for the Korean Business Practice, Australia which includes responsibility for the relationship with the KPMG practice in the Republic of Korea and for facilitating client opportunities between Australia and the Republic of Korea. Phil is Queensland President of the Starlight Children's Foundation, Chair of the Mater Hospital Foundation, Chair of the Premier of Queensland Export Awards Judging Panel and Member of the Infrastructure Australia Advisory Council.

Leeanne Kay Bond BE (Chem), MBA, FIE Aust., RPEQ, GAICD

Appointed as a Member of the Board on 4 February 2008, Leeanne is a chemical engineer with experience in business management, projects, design and proposals for a number of international engineering and project management organisations on projects across the hydrocarbons, minerals processing, infrastructure, water and power industry sectors. She consults to industry through her company Breakthrough Energy Pty Ltd. Leeanne is currently a Director of South East Queensland Water Corporation Ltd, Tarong Energy Corporation (a government-owned power generator) and Liquefied Natural Gas Ltd. She has previously served as Chairperson of the Brisbane Water Advisory Board for the Brisbane City Council, Deputy Chairperson of the Board of Professional Engineers in Queensland and President of Engineers Australia (Queensland Division).

Leith Bouilly BRuSci, Dip Bus Stud, FAICD, FAIM, FIAMA

Appointed as a Member of the Board on 1 October 2009, Leith has 20 years' experience at local, state and national levels in natural resource management (particularly water). Leith is a Director of South East Queensland Water Corporation Ltd and Chairman of the Wide Bay Water Corporation, Lower Balonne Water Resources Ministerial Advisory Council, the Great Barrier Reef Marine Park Authority's Water Quality and Coastal Development Reef Advisory Committee, Brisbane Riverprize National Panel, Glennie School Council and Bouilly Pastoral Co Pty Ltd. She is also a Board Member of Murrumbidgee Irrigation Limited, Cotton Research and Development Corporation, Agrifood Skills Australia and Queensland State Rural Leasehold Land Ministerial Advisory Council. Leith is an Adjunct Professor, School of Integrative Systems, University of Queensland and was a founding member of the Wentworth Group of Concerned Scientists.

Thomas David Fenwick BE (Hons), FIE Aust.

Appointed as a Member of the Board on 4 February 2008, Thomas is also a Director of Queensland Water Infrastructure Pty Ltd and South East Queensland Water Corporation Ltd and is a Member of the Dispute Resolution Board for the Gateway Motorway Upgrade. He is also Managing Director of a private company. He is a former Director-General of the Queensland Department of Natural Resources, and the Department of Primary Industries. Among his past appointments has been as a Commissioner for Queensland on the Murray Darling Basin Commission.

Ian Harley Fraser BComm, FCA, FAICD

Appointed as a Member of the Board on 4 February 2008, Ian has over 40 years' business experience, particularly as a senior audit and corporate advisory partner of KPMG. He retired on 30 June 2004 after 27 years as a partner. Ian is a Director of South East Queensland Water Corporation Ltd, Wilson HTM Investment Group Ltd, Diversified Mining Services Ltd and Property IQ NZ Limited and Chairman of RP Data Ltd.

Senior Leadership team

The Seqwater senior leadership team comprises the Chief Executive Officer (CEO) and four Executive General Manager (EGM) positions. The organisational structure has recently been implemented following a period of structure review.

Peter Borrows, Chief Executive Officer

Peter joined Seqwater as CEO in March 2002.

Peter has experience in the water, infrastructure and planning industries. Other senior roles Peter has held include Head of Engineering Departments at Brisbane and Ipswich Councils as well as private consulting work on major projects. Peter has a broad industry network reflecting his consultative approach to managing teams and projects. He has been responsible for managing the merger and cultural assimilation and development of several large teams.

Peter has been responsible for leading Seqwater into innovative grounds in the bulk water industry during a challenging climate, and is enjoying the opportunities of his role.

Jim Pruss, EGM Water Delivery Group

Jim joined Seqwater in January 2008 as Executive General Manager Sustainable Water and Asset Delivery and has recently been appointed as Executive General Manager – Water Delivery.

Jim has degrees in Science, Commerce and Management, is a graduate and member of the Australian Institute of Company Directors, as well as a member of the Australian Water Association, and has previously serviced on the NSW AWA committee. He is presently a national convenor of the AWA Operator Network. Jim also completed the Monash University Mt Eliza Water Industry Executive course.

With over twenty years experience in the water industry, spanning both New South Wales and Queensland at State and Local government levels, Jim has extensive knowledge of the water industry in Australia from both operational and strategic perspectives.

Jim's current role focuses on the management of the assets to provide effective and efficient delivery of water services to the SEQ Water Grid participants and ultimately the consumers of South East Queensland. Jim also sits on the Board of the Hinze Dam Alliance, a State Government regulated drought project.

Alex Fisher, EGM Asset Delivery Group

Alex Fisher commenced as the Executive General Manager, Asset Delivery in February 2010. Before taking up this role Alex held various management and project roles across State Government and Brisbane City Council, including roles in the Department of Infrastructure and Planning, Brisbane Water, City Design as well as Council's Corporate Improvement and Strategic Planning and Corporate Services areas. With a diverse career spanning roles in academia, defence, international development, State and local government, Alex has almost 20 years experience in management, project delivery and construction. In this time Alex has chaired a number of project and alliance boards as well as holding board positions within the Queensland Chapter of the National Association of Women in Construction and the Concrete Industry of Australia.

Helen Moore, EGM Business Services Group

Helen Moore has extensive senior executive experience with local and state governments including statutory authorities and government-owned corporations.

Prior to joining Seqwater, Helen was Director Organisational Services with Gold Coast City Council. This directorate was the principal internal service provider covering areas such as ICT, human resources, property, facilities and financial services. She led a team of over 400 staff and managed a budget of approximately \$140 million.

Other executive roles previously held by Helen include Executive Director Corporate Services for Tourism Queensland. This statutory authority works in close partnership with industry, government and the community in developing and marketing Queensland's tourism destination.

A fully qualified accountant, Helen has worked in senior financial roles in the Queensland ports industry and with the Port of Brisbane Corporation and the Rockhampton Port Authority. She also has a strong background in hospitality management.

Bill Andrew, EGM Organisational Development Group

Bill brings considerable experience in organizational and cultural change to his role as EGM Organisational Development. Bill has more than 20 years experience in organisational and individual development, change management and strategic planning.

In his current role, Bill is responsible for Human Resources, Industrial Relations, Workplace Health and Safety, Organisational Development, Stakeholder Relations and Communication, Strategy Development, Business Capability and Process Improvement.

Bill has an overarching responsibility for organisational strategy, structure and culture alignment.

Attachment A: Scan of Seqwater's external environment

The purpose of the Environmental Scan is to provide background information on issues likely to impact the business over the next five-to-ten years, and hence, needing to be considered when framing the Strategic Plan. The scan provides an overview of these issues, inviting responses in the range from "needing some urgent policy research" to "not likely to be relevant". Issues have been selected based on:

- Their perceived priority amongst leaders within the business
- Their relative prominence within the resource management literature and media.

The previous (2008) environmental scan for preparation of the 2009-14 Strategic Plan covered a range of issues, many of which have been addressed more fully by the business (carbon trading is an example). This 2009 environmental scan updates and expands on these issues.

In a recent address to business leaders, the Prime Minister, Kevin Rudd, announced a new era of urban renewal in Australian cities and regions. He particularly identified the challenge of urban infrastructure including water infrastructure, and the need for governments at all levels to meet the challenge of creating communities capable of sustaining ongoing population growth through the 21st century.

Sustainability

Sustainability remains a prominent issue amongst resource management entities, with water sustainability gaining increased attention globally. Examples of large public and private entities (e.g. Coca Cola) reconceptualising their business strategy in the face of growing need to become more sustainable are emerging. These strategy responses recognise that gaining significant sustainable benefits requires redesigning the business and its relationships – not just focusing on operational efficiencies.

In South East Queensland a range of practical challenges to the sustainability of water supply catchments are evident, including water-and-land-based weeds, potentially-conflicting land usage and practice as well as ensuring water supply infrastructure is managed in a way that protects endangered species.

Alliance and stakeholder management

Institutional reform and the establishment of the South East Queensland Water Grid mean that Seqwater now operates in a highly interdependent market environment. Such markets are not unique to the Water Industry as business across the board is becoming increasingly interdependent, sharing knowledge, services, processes, products and customers. This interdependency is requiring business to effectively manage stakeholders and form alliances. Leading businesses are realising that it is not the knowledge that resides inside the business, which is important, but the knowledge and ideas it can access outside of the business that will provide competitive advantage. This has opened a new field of business expertise under the umbrella term 'Alliances.' Tools and methodologies are being developed to help organisations assess and manage the commercial and strategic importance of Alliances to ensure the collaboration and sharing of information creates value and advantage.

Water, energy and climate change nexus

In addressing sustainability for catchment-sourced water providers there is a growing focus on the holistic quality of natural catchments, particularly recognising the water, energy and climate change nexus. This analysis recognises that water and energy are in a complex relationship as both inputs and outputs from each other's processes. For catchment-sourced water particularly, climate change is recognised as undermining current assumptions about the stability of the water-energy co-dependency, with potentially significant economic and political implications.

Economic value of natural catchments

Understanding the complexity of these relationships is becoming critical for some catchments where, in the United States, a new phenomenon described as 'basin closure' is emerging. Basin closure is defined as catchments that have deteriorated to the point of not being able to meet the economic, environmental and social needs of communities and is seen as a by-product of failing to understand the true value of catchments. There already are examples of this having major impacts on the status of communities. A number of case studies are emerging to provide a more sophisticated and holistic understanding of whole-of-catchment value.

Demand management

Arguably the most cost-effective way of increasing true whole-of-catchment productivity is through water use efficiency and demand management. South East Queensland is recognised as achieving world-best-practice in demand management through the recent drought. However, the State Government's sponsorship of this through the Business Water Efficiency Program (BWEP) and other mechanisms has been wound back, suggesting that this area is a vacant niche in the market place.

Productivity of assets

Water use efficiency is one of the global drivers for focusing on the productivity of assets. A number of methodologies are being implemented to help investors understand long-term performance of their assets, particularly in the context of emerging markets that place a cost on current 'externalities' such as carbon pollution. Methodologies such as Life Cycle Analysis (LCA) are drawing on increasingly rigorous whole-of-life impact assessments of materials and products with consequences for investment decision. Increasingly these methodologies are being regulated through environmental standards and implemented through processes such as Environmental Impact Assessment (EIS).

Water industry economic regulation

Water industry economic regulation is being progressed in Queensland with the Queensland Competition Authority (QCA) set to review economic regulation of Seqwater. The role of the regulator includes ensuring agencies operate efficiently, with the consequence that agencies will need to justify all costs. The consequence of failing to convince the regulator of the validity of costs are significant, with precedents for agencies being refused revenue/price growth based on unjustified costs.

Water pricing

Community concern about water agency costs is likely to increase along with expected increases in water pricing. National water policy leaders expect pricing to increase significantly over the next few years, reflecting the higher cost of achieving water security. It is difficult to assess market elasticity to price and hence, the extent to which alternative technologies may emerge. Clearly price is just one factor driving the take-up of alternatives, with climate independence and community confidence also playing a role. Governments increasingly are considering all options – new dams, desalination, storm water and micro systems – when considering future urban water supply options. Many national experts also believe that water trading across the current urban/rural water divide will play a major role in normalising the relationship between pricing, availability and technologies.

Skilled workforce

With the water industry growing and becoming more diverse, attracting and retaining the required skilled workforce will become a growing challenge. The current water industry workforce is relatively old, male and in demand from resource industries. It is also relatively narrowly-based focusing on technical skills and not prepared for the diverse needs of the future water industry needing to deal with more complex regulation and market arrangements. Agencies will need to develop comprehensive programs that provide the experience and opportunities required by skilled professionals. Planning for Seqwater's future skilled workforce will also need to address the move of central office functions to Ipswich in 2013.

Attachment B: Human resource strategy overview

There will be a number of challenges over the next five years in the area of Human Resources (HR). The HR Strategic Plan covers six main areas of focus:

1. Organisational Development
2. Employee Relations
3. Recruitment and Selection
4. Staff Information
5. Policies and Procedures
6. Occupational Health & Safety (OH&S).

Under each one of these major areas of focus there are a number of planned initiatives:

Organisational Development

- Continuing to embed the Seqwater culture across the organisation to establish an aligned culture.
- Continuing to roll out leadership development activities that are critical for a high performance team culture.
- Establishing and implementing an organisational-wide performance management process that covers development activities and productivity gains.
- Establishing an entity-wide educational program to enhance staff competency levels.
- Integrating the agreed values into the way of working.
- Development and implementation of a three-year Diversity Plan.
- Continued use of the 'Streamline' program incorporating surveying, analysis and feedback to engage staff on improvement activities at all levels with Seqwater.

Employee Relations

- Ongoing implementation of the robust work evaluation processes to determine work value in a competitive labour market.
- Facilitating relevant and value-adding consultative processes with staff and other stakeholders around conditions of employment.

Recruitment and Selection

- Attracting and retaining competent and committed staff to meet operational requirements and to position Seqwater as a preferred employer in the Water sector.
- Ongoing enhancement of the organisational structure to reduce or eliminate duplication of activities and clarify roles.
- Revise the position description process to accurately reflect role requirements and accountabilities.
- Development of a comprehensive workforce plan based on the agreed framework that is aligned with Seqwater's mission and vision.

Staff Information

- Implementing the Human Resources Management modules within CIS to provide a reporting regime in order to equip managers with timely and accurate labour information to enhance decision-making processes.
- Ongoing development of robust internal communication processes to inform staff.

Policies and Procedures

- Establishing and improving internal policies and procedures.
- Assessing any changes in Government policies in relation to potential impact on Seqwater.

Occupational Health & Safety

- Provision of a safe working environment across Seqwater.
- Meeting statutory compliance requirements.
- Create and enhance a positive safety culture.
- Develop and implement OH&S programs aimed at minimising risk of incidents and accidents.
- Be Healthy Be Wealthy program providing awareness about health and well-being to promote a healthy life style including promoting work/life balance.
- Enhance the consultative process via OH&S Committees.

Attachment C: Key Performance Indicators and targets

Explanation of the approach to Key Performance Indicators

Key Performance Indicators (**KPIs**) have been established to monitor Seqwater's achievement of its Strategic Plan. The status of measurement and target-setting across the KPIs varies considerably based on the availability of data. Hence, the KPIs should be understood as 'work-in-progress' towards measures that provide confidence for regulators and decision-support for the Board and executive. The principles applied to establishing these KPIs are:

- A suite of indicators that individually reflect important aspects of the business and collectively provide significant insights into the expected outcomes and the factors that 'cause' them
- KPI names and definitions to be set for the long-term
- Measures and targets to be based on the scope of currently-available information and knowledge of our business
- Further improvement of measures and targets to be pursued as a matter of priority over the next three years.

2010-11 to 2014-15 Strategic Plan

Vision KPIs:

KPI Name and Number	Definition	Measurement	June 2011 Target	June 2012 Target	June 2015 Target
V1. Economic Value	Business efficiency.	Total \$/MI / water delivered to the grid	\$1,100-\$1,300	\$1,100-\$1,300	\$1,100-\$1,300
		\$/MI / water delivered to the grid for variable costs (chemicals and energy)	\$70-\$90/MI for chemical and energy costs in water treatment plants.	\$70-\$90/MI for chemical and energy costs in water treatment plants.	\$70-\$90/MI for chemical and energy costs in water treatment plants.

Assumes 2.3% output growth per year and CPI of 2.5% for costs. Inclusive of Grid and non-Grid costs, interest and depreciation

KPI Name and Number	Definition	Measurement	June 2011 Target	June 2012 Target	June 2015 Target
V2. Environmental Value	Net environmental impact and environmental contribution of Seqwater's business.	% increase in vegetation cover in water supply catchments (Seqwater's land).	0.1% increase from baseline.	0.2% increase from baseline.	0.5% increase from baseline.
		Rate of change of vegetation cover in water supply catchments (non-Seqwater land)	No net increase in rate of vegetation loss.	No net increase in rate of vegetation loss.	No net increase in rate of vegetation loss.

2010-11 to 2014-15 Strategic Plan



KPI Name and Number	Definition	Measurement	June 2011 Target	June 2012 Target	June 2015 Target
V3. Social Value	Assess the understanding and support of Seqwater including its strategic direction and priorities, with targeted community groups.	Survey	Survey conducted and baseline established with targeted groups.	Improvement against baseline based on agreed targets.	Improvement against baseline based on agreed targets.

Goal 1. KPIs:

KPI Name and Number	Definition	Measurement	June 2011 Target	June 2012 Target	June 2015 Target
G1.1. Source and off-take water quality standards	Level of compliance with Seqwater standards for raw water turbidity in defined catchments.	Percent of off-take water turbidity achieved within standard [the 5 yr long term 80% percentile for the specified site] weighted by volume supplied.	70-90% compliance	70-90% compliance	70-90% compliance

KPI Name and Number	Definition	Measurement	June 2011, Target	June 2012, Target	June 2015, Target
G1.2. Supply quantity and quality	Extent of achievement of regulated water supply reliability and quality.	Number of plants with material breach of water quantity market rules as advised by QWC.	0	0	0
		Number of plants with material breach of water quality based on Australian Drinking Water Guideline definitions for compliance, for regulated water quality parameters.	0	0	0

Goal 2. KPIs:

KPI Name and Number	Definition	Measurement	June 2011 Target	June 2012 Target	June 2015 Target
G2.1. Infrastructure condition and capability.	Assessment of treatment plant capability to achieve targeted performance.	% reduction in residual risks for high risk criteria across all plants	15 % reduction in residual risks for high risk criteria across all plants based on the rapid risk assessment.	45 % reduction in residual risks for high risk criteria across all plants	70 % reduction in residual risks for high risk criteria across all plants

KPI Name and Number	Definition	Measurement	June 2011 Target	June 2012 Target	June 2015 Target
G2.2. Natural catchment and storage condition	The natural catchment condition and storage water quality assessed against an appropriate standard.	Status of natural catchment condition and storage water quality according to Seqwater Board approved scorecard. <i>*subject to unforeseen incidents.</i>	8 catchments and storages measured [by priority]	10 catchments and storages measured [by priority]	15 catchments and storages measured [by priority].
				No decline in score for measured catchments and storages.	No decline in score for measured catchments and storages.
					Minimum "C" grade for all catchments and storages with greater than 3 years of scorecard assessment.

2010-11 to 2014-15 Strategic Plan

**Strategy KPIs:**

KPI Name and Number	Definition	Measurement	June 2011 Target	June 2012 Target	June 2015 Target
S1.1. Budget achievement	Degree of accuracy with budget forecasts.	+ / - % variance analysis.	20% variance against OPEX budget.	17% variance against OPEX budget.	10% variance against OPEX budget.

KPI Name and Number	Definition	Measurement	June 2011 Target	June 2012 Target	June 2015 Target
S1.2. Staff know-how capability	Extent to which staff are engaged and contributing to a safe and productive work environment.	FTE hours worked vs FTE hours employed.	<5% variance in hours worked vs employed for EB staff.	<5% variance in hours worked vs employed for EB and contract staff.	<4.5% variance in hours worked vs employed for EB and contract staff.
		LTIFR [Lost Time Injury Frequency Rates]	4.0	4.0	4.0
		Staff survey using the Streamline methodology.	Improvement against baseline for 'Streamline' survey results		Improvement against baseline for 'Streamline' survey results

KPI Name and Number	Definition	Measurement	June 2011 Target	June 2012 Target	June 2015 Target
S1.3. Grid stakeholder support for Seqwater.	Extent of grid stakeholder collaboration to support and promote grid and Seqwater's strategic goals.	Number, type and compliance with project schedules for grid collaboration initiatives.	100% achievement of progress targets; including number and type.	100% achievement of progress targets; including number and type.	100% achievement of progress targets; including number and type.

KPI Name and Number	Definition	Measurement	June 2011, Target	June 2012, Target	June 2015, Target
S1.4. Systems and process improvement	Extent to which systems and processes support efficiency and reduce residual risk.	Assessment of improvements in targeted business process performance.	<u>Enabling Systems</u> CIS project on schedule.	100% achievement of business process targets.	100% achievement of business process targets.
			Improvement against the baseline data from streamline survey re organisational systems.		
			<u>Process Efficiency</u> Commence evaluation of results of process review outcomes.		
			<u>Standards/ Accreditation</u> Risk Management framework in place and operating.		
			<u>IMS</u> Operational sites to have IMS certification as per the agreed project plan as monitored by the Steering Committee.		
			Maintenance of corporate systems certification		

Attachment D: Budget Outlook

Income Statement

QUEENSLAND BULK WATER SUPPLY AUTHORITY
INCOME STATEMENT
FIVE YEAR BUDGET 2010-11 TO 2014-15

Description	2010-11 Budget \$'000	2011-12 Forecast \$'000	2012-13 Forecast \$'000	2013-14 Forecast \$'000	2014-15 Forecast \$'000
Operating revenue					
Water Sales	361,918	398,707	429,585	453,461	464,079
Interest Income	1,770	2,240	1,773	1,996	2,237
Other revenue	5,555	5,626	5,766	5,910	6,058
Hydro revenue	500	519	548	574	602
Total operating revenue	369,743	407,092	437,672	461,942	472,976
Operating expenses					
Employee expenses	(53,474)	(55,820)	(57,978)	(60,286)	(62,714)
Supplies and Services	(110,970)	(112,477)	(123,581)	(128,983)	(122,457)
Total operating expenses	(164,444)	(168,297)	(181,559)	(189,270)	(185,171)
Earnings Before Interest, Tax and Depreciation (EBITDA)	205,299	238,794	256,113	272,672	287,806
Depreciation Expense	(44,065)	(49,465)	(54,615)	(59,219)	(59,440)
Amortisation	(125)	(125)	(125)	(125)	(125)
Earnings Before Interest and Tax (EBIT)	161,109	189,204	201,372	213,328	228,240
Interest Expenses	(154,257)	(190,096)	(196,815)	(202,137)	(206,158)
Net Profit Before Tax	6,851	(892)	4,557	11,191	22,082
Taxation (Expense) / Benefit	(6,620)	(1,156)	(2,791)	(4,781)	(8,049)
Net Profit After Tax	231	(2,049)	1,766	6,409	14,034

The significant increase in interest expense is due to the commissioning of Hinze Dam in Feb 2011 and the transfer of Wyaralong Dam and its associated debt in July 2011.

2010-11 to 2014-15 Strategic Plan



Balance Sheet

QUEENSLAND BULK WATER SUPPLY AUTHORITY
BALANCE SHEET
FIVE YEAR BUDGET 2010-11 TO 2014-15

Description	2010-11 Budget \$'000	2011-12 Forecast \$'000	2012-13 Forecast \$'000	2013-14 Forecast \$'000	2014-15 Forecast \$'000
Current Assets					
Cash and cash equivalents	31,920	32,659	20,000	33,049	27,138
Debtors	63,620	68,381	74,276	78,124	79,831
Inventories	1,782	1,782	1,782	1,782	1,782
Other current assets	12,077	12,077	12,077	12,077	12,077
Total Current Assets	109,400	114,899	108,135	125,031	120,828
Non Current Assets					
Property, plant & equipment	2,849,098	3,394,748	3,517,212	3,657,421	3,785,868
Intangibles & goodwill	43,453	43,328	43,202	43,077	42,952
Deferred tax assets	17,069	22,085	25,041	25,197	21,783
Total Non Current Assets	2,909,621	3,460,161	3,585,456	3,725,695	3,850,602
Total Assets	3,019,020	3,575,060	3,693,591	3,850,726	3,971,430
Current Liabilities					
Interest bearing liabilities	24,161	24,161	46,257	46,257	46,257
Trade and other payables	9,942	10,326	11,440	12,086	11,736
Employee benefits	3,765	3,820	3,822	3,824	3,826
Other current liabilities	4,220	4,220	4,220	4,220	4,220
Total Current Liabilities	42,088	42,527	65,739	66,387	66,040
Non Current Liabilities					
Non current borrowings-Drought	672,946	1,060,738	1,174,973	1,174,973	1,174,973
Non current borrowings-Non Drought	1,576,556	1,526,697	1,527,074	1,583,240	1,593,291
Non current borrowings-WIP	23,645	111,151	-	-	-
Deferred tax liabilities	190,189	218,791	249,517	280,810	312,794
Employee benefits	5,554	6,594	7,674	8,797	9,965
Other non current liabilities	1,007	1,007	1,007	1,007	1,007
Total Non Current Liabilities	2,469,897	2,924,977	2,960,245	3,048,826	3,092,029
Total Liabilities	2,511,985	2,967,504	3,025,984	3,115,214	3,158,069
Net assets	507,035	607,556	667,606	735,512	813,361
Equity					
Contributed equity	297,347	347,582	347,582	347,582	347,582
Accumulated retained profits/(losses)	(1,273)	(3,322)	(1,556)	4,853	18,885
Asset revaluation reserve	210,961	263,296	321,580	383,077	446,893
Total equity	507,035	607,556	667,606	735,512	813,361

2010-11 to 2014-15 Strategic Plan



Cashflow

STATEMENT OF CASHFLOW
FIVE YEAR BUDGET 2010-11 TO 2014-15

Description	2010-11 Budget \$'000	2011-12 Forecast \$'000	2012-13 Forecast \$'000	2013-14 Forecast \$'000	2014-15 Forecast \$'000
Cashflows from operating activities					
Inflows:					
Receipts from water sales	354,008	393,973	423,720	449,642	462,401
Receipts from leases, rentals and other	6,022	6,118	6,284	6,456	6,631
Interest received	1,770	2,240	1,773	1,996	2,237
	361,800	402,331	431,777	458,094	471,269
Outflows:					
Payments for operating expenses	(162,424)	(166,819)	(179,362)	(187,499)	(184,351)
Interest Paid	(151,782)	(192,541)	(196,760)	(201,759)	(205,779)
Net operating cash flows	47,594	42,970	55,655	68,836	81,139
Cashflows from investing activities					
Outflows:					
Ongoing capital expenditure	(35,674)	(42,231)	(89,494)	(111,575)	(96,722)
Work in progress/New assets	(103,400)	(473,856)	(3,085)	-	-
Net investing cash flows	(139,074)	(516,088)	(92,579)	(111,575)	(96,722)
Cash Flows from financing activities					
Inflows:					
QTC Borrowings	103,400	473,856	3,085	55,788	9,672
Interest bearing liabilities	-	-	21,181	-	-
Equity injection	73,449	50,235	-	-	-
Outflows:					
Payment to redraw	(73,449)	(50,235)	-	-	-
Net Financing Cashflows	103,400	473,856	24,265	55,788	9,672
Opening cash	20,000	31,920	32,659	20,000	33,049
Net cash movement	11,920	739	(12,659)	13,049	(5,910)
Closing cash	31,920	32,659	20,000	33,049	27,138