




A Business Unit of  Fraser Coast
REGIONAL COUNCIL

water today  water tomorrow

2020/21

Annual Performance Plan



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Welcome

ABOUT US

Wide Bay Water is a customer-focused Business Unit of Council delivering sustainable water and sewerage services to build better communities on the Fraser Coast.

As a business unit, Wide Bay Water operates in accordance with the principles of commercialisation, as detailed in the *Local Government Act 2009*.

Wide Bay Water is governed by an Advisory Committee appointed by Council, and Executive Team reporting to the Fraser Coast Regional Council Chief Executive Officer.

This Annual Performance Plan has been prepared in accordance with s175 of the *Local Government Regulation 2012* and presents the business objectives and targets that will guide Wide Bay Water's performance over the 2020/21 financial year.

Business Objectives

In 2020/21 Wide Bay Water is focused on contributing toward the achievement of Council's Corporate Plan 2018/2023 Themes and Objectives.

To do this we aim to meet the financial and non-financial performance targets, as detailed within this Annual Performance Plan, as well as deliver the Corporate initiatives assigned to Wide Bay Water within Council's Operational Plan 2020/21. To further support the themes of Council's Corporate Plan, Wide Bay Water also commits to contributing to the Wide Bay Water and Waste Services Directorate's five year Strategic Plan and the associated initiatives assigned to Wide Bay Water within Council's Operational Plan 2020/21.

LIFESTYLE

A safe and vibrant community that promotes a preferred place to live.

GOVERNANCE

An effective organisation providing excellent service delivery through strong leadership, democratic principles and effective management of people, assets and finances.

BUILT ENVIRONMENT

Resilient regional infrastructure that will support and cater for future growth.



PROSPERITY

A strong, diversified and resilient economy that supports growth and long term employment.

NATURAL ENVIRONMENT

Minimise our environmental impact by preserving the unique natural environment the Fraser Coast has to offer.

Values

The TRAITS acronym represents the values we consider to be integral to the way we interact as a business, the way we go about our work, and the expectations on how we will serve our community.



TRAITS

Trust
Respect
Accountability
Initiative
Teamwork
Service

Nature and scope of the significant business activity

The nature and scope of the water and sewerage services provided by Wide Bay Water includes:

WATER SUPPLY SERVICE



Water Storages and Catchment (one dam and four weirs);



Four Water Treatment Plants;



Reservoirs;



1130.6km of Water Mains;



Pump Stations;



Reticulated Supply Network;



Water Service Connections including meters.

SEWERAGE SERVICE



801km of Sewerage Mains;



Pump Stations;



Eight Sewage Treatment Plants;



Effluent Mains;



Integrated Effluent Reuse System including eight Hardwood Tree Plantations and external customers.



Customer Focus

Customer focus will be reflected not only in the achievement of our service standards and customer charter, but in the application of our values in every customer interaction.

Section 115 of the *Water Supply (Safety & Reliability) Act 2008* requires water service providers to prepare a Customer Service Charter for its water and sewerage services. It also requires the service provider to clearly state the level of service to be provided to customers, the process for service connection, billing, metering, accounting, customer consulting, complaints and dispute resolution.

The Customer Service Charter also contains any other matters as mentioned in guidelines issued by the Department of Natural Resources Mines and Energy (DNRME). It is reviewed every five years, or as necessary, and customers are advised of significant changes.

For 2020/21 Wide Bay Water aims to provide a customer experience consistent with its Customer Service Charter and the Non-financial Performance Indicators defined in this Annual Performance Plan.

The Customer Service Charter can be accessed at www.frasercoast.qld.gov.au/wide-bay-water-reporting

Financial and Non-Financial Performance Targets

TABLE 1. FINANCIAL PERFORMANCE

| INDICATOR | FREQUENCY | UNIT | TARGET | EXPLANATION | CALCULATION |
|--|---------------|------------|--------------------|---|---|
| Operating Surplus Ratio | Annual | % | 20% | Indicates the extent to which revenues (utility charges, fees & charges etc.) raised cover operational expenses (employee, materials & services, depreciation & loan interest payments) which is then available for capital funding or other purposes. It represents % of profit each \$ of revenue generates. | Net result (excluding capital items) divided by total operating revenue (excluding capital items) |
| Dividend Ratio | Annual | % | 20 | The dividend payout ratio is the amount of dividends paid to owners (FCRC) relative to the amount of total net income of the entity. The amount that is not paid out in dividends is held to fund growth. The amount that is kept is called retained earnings. | Dividend/Net Profit After Tax |
| Debt Servicing Ratio (I&R / revenue) | Annual | % | <30% | The debt service coverage ratio, also known as "debt coverage ratio", is the ratio of cash available to debt servicing for loan interest & principal payments. It is used as a measurement of an entity's ability to produce enough cash to cover its debt repayments. It is the % of revenue used to repay debt. | Interest & Redemption Payments/Revenue |
| Interest Cover (EBITDA/interest expense) | Annual | Times | >8 | Times interest coverage ratio is a measure of an entities ability to honor its debt payments. It may be calculated as either EBIT or EBITDA divided by the total interest payable. | EBITDA (earnings before interest, tax, depreciation & amortisation)/Interest Expense |
| Total Distribution to FCRC | Annual | \$m | \$11.25 | | |
| - Dividends | | | \$2,000,000 | Paid to Owner (FCRC) from after tax profits | Refer "Dividend Ratio" above |
| - Tax | | | \$8,400,000 | Paid to Owner (FCRC) | In accordance with LGTER regime legislation |
| - Competitive Neutrality | | | \$849,882 | In accordance with the Competitive Neutrality principles contained in <i>Local Government Act 2009 & Local Government Regulation 2012</i> | Based on calculated 5 year ave. debt margin on QTC borrowing rate |

TABLE 2. NON-FINANCIAL PERFORMANCE

| NON-FINANCIAL PERFORMANCE INDICATORS | | |
|--|--------------|--------|
| Hervey Bay & Maryborough | Unit | Target |
| Water | | |
| Continuity and reliability of water supply | | |
| Time for restoration of service within five hours – percentage of unplanned incidents | % | 95% |
| Minimum water pressure at the property boundary for 99% of connected properties (on enquiry or complaint) | kPa | 200 |
| Minimum flow at the property boundary for 90% of connected properties (on enquiry or complaint) | L/min | >20 |
| System water loss | ILI | <1.5 |
| Water quality | | |
| Water at the point of delivery will meet National Health and Medical Research Council Health Guidelines for Australian Drinking Water | % | 100% |
| Water quality (physical and chemical parameters) at the point of delivery will meet National Health and Medical Research Council Aesthetic Drinking Water Guidelines | % | >95% |
| New service connections – water | | |
| Installation of all 20mm and 25mm diameter property connections within maximum 20 working days. | % | 95% |
| Service connections greater than 25mm diameter. | Working Days | 10 |
| (a) Design & notification of construction price (average time from completed application). | | |
| (b) Construction time (average time from payment of fees) subject to building and development regulations being met. | Working Days | 20 |

TABLE 2. NON-FINANCIAL PERFORMANCE

NON-FINANCIAL PERFORMANCE INDICATORS

| | Unit | Target |
|---|--------------|--------|
| Sewerage | | |
| Effective transport of waste | | |
| Total sewage overflows per 100km main | Number | <2.5 |
| Sewage overflows on to customer property per 1,000 connections | Number | <1.25 |
| Sewer odour complaints per 1,000 connections | Number | <2.5 |
| Effluent complies to Environmental Licence | % | 100% |
| Effluent reuse on land for 90% of the year | % | 100% |
| New service connections- sewer | | |
| Completion of new sewer connections. | Working Days | 10 |
| (a) Design & notification of construction price (average time from completed application). | | |
| b) Construction time (average time from payment of fees) subject to building and development regulations being met. | Working Days | 20 |
| Queensland Government – Reportable Indicators | | |
| QG 4.5 - Total water main breaks per 100km of water main | Number | <5 |
| QG 4.6 - Total sewerage main breaks and chokes per 100km sewerage main | Number | <15 |
| QG 4.7 - Incidence of unplanned water service interruptions to supply per 1000 connected properties | Number | <25 |
| QG 4.8 - Average response time for incidents causing an interruption to water supply | Minutes | <60 |
| QG 4.9 - Average response time for incidents causing an interruption to sewerage collection | Minutes | <60 |
| QG 4.10 - Drinking water quality complaints per 1000 connected properties | Number | <1.25 |
| QG 4.11 - Total water and sewerage complaints per 1000 connected properties | Number | <10 |

Community Service Obligations

A Community Service Obligation is as an obligation the local government imposes on a business entity that is not in the commercial interest of the entity to do.

and discounts, and the Fraser Coast Regional Council compensates Wide Bay Water for the cost of providing these community service obligations.

Wide Bay Water provides a number of community service obligations to the Fraser Coast community, from utility charge concessions to development incentives


Community Service Obligations are reviewed on an annual basis as part of the development of the annual budget and in 2020/21 are forecast to include:

| COMMUNITY SERVICE OBLIGATION | ESTIMATED ANNUAL COST | REFERENCE |
|--|-----------------------|---|
| Utility charge concession/discount – community group | \$465,000 | Community Group Concession Policy v12 |
| Utility charge concession - other | \$10,000 | Water Charge Relief Policy v2 |
| Developer contribution – discount/incentive | \$240,000 | Infrastructure Charges Incentives Administration Policy |

Proposed Major Investments

MAJOR INVESTMENTS PLANNED FOR THE 2020/21 FINANCIAL YEAR INCLUDE:

WATER SUPPLY

Water Pump Stations **\$0.88M** 


Water Reservoirs **\$1.18M** 

Water Mains - Non-trunk **\$4.27M** 


Water Mains - Trunk **\$4.4M** 

Water Treatment **\$2.08M** 

SEWERAGE


Sewerage Pump Stations **\$2.04M** 

Sewerage Mains - Trunk **\$2.7M** 

Sewerage Mains - Non-trunk **\$2.24M** 

Sewage Treatment **\$7.69M** 

EFFLUENT REUSE

Effluent Reuse **\$1.06M** 

Financial Structure

Wide Bay Water shows as separate units within Fraser Coast Regional Council's financial ledgers.

CAPITAL STRUCTURE

The consolidated capital structure of Wide Bay Water will comprise community equity to the value of assets less liabilities.

The 10-year Debt to Debt + Equity level shall be in the range of 35-55%.

PHYSICAL ASSETS

In accordance with the initial Wide Bay Water establishment plan, the capital structure of Wide Bay Water will include all current and non-current assets and liabilities and equity shown in the financial statements.

MONETARY ASSETS

All current monetary assets as recorded for Wide Bay Water activities shall be managed by

Fraser Coast Regional Council's Financial Services section.

WORKING CAPITAL FACILITY

Fraser Coast Regional Council maintain a working capital facility for Wide Bay Water. The interest rates to be applied to short term working capital balances held by Fraser Coast Regional Council on behalf of Wide Bay Water shall be as follows:

Credit Balances – Interest will be payable by Fraser Coast Regional Council monthly in arrears on the working capital balance held after adjusting for the monthly Wide Bay Water financial performance. The interest rates applied will be based on Council's average monthly return for term deposits as published in the Monthly Investment Report less a 0.1% management fee.

Overdrawn Balances – Interest will be payable by Wide Bay Water monthly in arrears on the working capital balance held after adjusting for the monthly Wide Bay Water financial performance. The interest rate applied will be based on the Queensland Treasury Corporation Working Capital rate plus a calculated debt guarantee margin using the margin as calculated quarterly by Queensland Treasury Corporation.

The working capital facility is not intended to be a substitute for long term fixed borrowing therefore an overdrawn balance exceeding \$5M in any one month or \$1M in any three consecutive months will be a trigger for raising a long term fixed interest rate loan.

LOANS

Wide Bay Water will use debt to fund large infrastructure projects

associated with the generation of revenue in line with corporate guidelines and Fraser Coast Regional Council direction.

GRANTS AND SUBSIDY

Wide Bay Water will optimise the use of available grants and subsidies by managing the forward planning of future works programs.

RECOGNITION OF ASSETS

Assets will be recognised using industry standards and the methodologies developed through Council's asset valuation policy, the *Local Government Regulation 2012*, and the Australian Accounting Standards.

DEPRECIATION

Wide Bay Water will depreciate its assets in accordance with the Australian Accounting Standards having regard for contemporary depreciation methods.

PRICING POLICIES

Wide Bay Water will price its services in accordance with National Competition Policy methodologies and Fraser Coast Regional Council policies. This may include introducing additional user type fees and charges.

Water charges are set as a two-part tariff – an access charge and a consumption charge.

Sewerage charges are set as one tariff based on sewer units.

Commercial and industrial properties are charged on a per lot and/or per pedestal or equivalent pedestal (urinal) basis.

NET RETURN TO COUNCIL

Wide Bay Water will provide to Council a surplus made up of dividend, income tax, competitive neutrality adjustments and internal debt finance structuring.

Tax on operating capability is in accordance with the Local Government Tax Equivalent Regime guidelines.

Dividend: The annual dividend from Wide Bay Water to Council will be determined by Council each year as part of the budget process. WBW will endeavour to provide the maximum value of the dividend to Council each year. In the draft budget WBW will propose a dividend amount having regard to its ability to fund its planned capital works for the year from operating cash flow and debt (internal or external), provided it does not exceed a debt/equity ratio in the range of 35%–55% or as otherwise approved by Council.

To achieve the surplus the following parameters will need to be considered:

- Revenue: Water and sewerage increased in line with long-term pricing and financial modelling of Maximum Allowable Revenue.
- Revenues should be modelled to meet the requirements and commercial rates of return required by National Competition Policy reforms.
- Expenses: Wages increases in line with Enterprise Bargaining Agreement and commercial activity needs.
- Goods and services increased by no greater than Consumer Price Index, growth and environmental or legislative influences.

- Net Return to Council: The net return to Council is made up of the following:
 - » *Tax*
 - » *Dividend*
 - » *Internal expenses*
 - » *Competitive neutrality expenses*
 - » *Internal interest*
 - » *Internal revenues*
 - » *Community Service Obligation recovery.*

DEVELOPER CONTRIBUTED ASSETS

Donated assets will be recorded as revenue and the value recorded to the balance sheet as a non-current asset. Donated assets will be recorded in the electronic asset register and as constructed data recorded in the GIS system.



Delegated Authority

An important aspect of Wide Bay Water's operating environment is the allocation of roles and responsibilities in Water and Sewerage service delivery between Wide Bay Water and Fraser Coast Regional Council.

Council is ultimately accountable for water and sewerage service delivery to the Fraser Coast. Wide Bay Water is responsible for operational performance against established service standards and targets.

The governance model between Fraser Coast Regional Council and Wide Bay Water determines the appropriate delegation of accountabilities and responsibilities that maximise the opportunity of achieving the business objective and performance targets in this plan.

Accordingly, the governance model between Fraser Coast Regional Council and Wide Bay Water for core business activities is consistent with the following separation:

- **Environmental, Technical and Service Standards** – Fraser Coast Regional Council are accountable to the community for water and sewerage service outcomes against these requirements. Wide Bay Water are responsible for implementing and reporting corporate, business and operating plans to achieve these service standards.
- **Economic and Technical Regulation** – Fraser Coast Regional Council are accountable to the community

for the economic and financial performance and outcomes, and health of the infrastructure, providing water and sewerage services to the Fraser Coast community.

Fraser Coast Regional Council, through the setting of Wide Bay Water's economic regulatory regime including, the allowed price increases or decreases, required rate of return on capital, expected dividends, and performance of Community Service Obligations, provides Wide Bay Water with clear responsibilities and performance standards for its operations.

WIDE BAY WATER ADVISORY ROLE TO FRASER COAST REGIONAL COUNCIL

It is important that Wide Bay Water does not determine its own environmental, technical and customer service standards while also being responsible for determining the least cost options to achieve these standards.

Despite this, there are several areas where Wide Bay Water would advise Council on the appropriateness of standards or targets:

- Risk to the community – health and service levels.
- Ultimate costs to the community – impact on Wide Bay Water’s costs to provide different levels of water and sewerage standards and/or services as measured by differing revenue requirements and average prices to be levied on customers.
- Sustainability impacts – examine the likely impact of standards on environmental and asset performance over the longer term.

- It is the responsibility of Wide Bay Water to achieve the targets in the delivery of water and sewerage services through actively choosing the least cost of supply to deliver these services.

Fraser Coast Regional Council sets Quality and Reliability Standards for Wide Bay Water. Accordingly, Council resolve the non-financial performance indicators for water and sewerage services as detailed in this performance plan.

As a business unit of Council, Wide Bay Water’s delegated authorities are established in accordance with Chapter 7 Part 5 of the *Local Government Act 2009*.

To permit Wide Bay Water to operate autonomously and in accordance with its legislative framework, the Chief Executive Officer has delegated powers to officers in accordance with s259 of the Act.

Delegated powers are recorded in Council’s delegation register and include powers under:

- » *Local Government Act 2009*
- » *Environmental Protection Act 1994*
- » *Water Supply (Safety and Reliability) Act 2008*
- » *Water Act 2000*
- » *Water Fluoridation Act 2008*
- » *Planning Act 2016*.

The Wide Bay Water and Waste Advisory Committee has no delegated authority or power of the Fraser Coast Regional Council.

Reporting Framework

Wide Bay Water's reporting framework can be divided into those corporate reporting functions required to meet the key principles of commercialisation as defined in the Local Government Regulation, along with the broad range of regulatory reports required of a water and sewerage service provider.

Corporate reporting requirements include:

- Executive Management Team reports,
- Advisory Committee Meeting reports including; Director Performance Report, Financial reports, Operational and Capital Performance summaries, Safety and Environmental Performance, and Officer reports.
- Wide Bay Water Quarterly Performance Report,
- Wide Bay Water Annual Operations Report,
- Council Officer reports,
- Fraser Coast Regional Council Operational Plan.

OUR REGULATORY REPORTING REQUIREMENTS INCLUDE:

WATER SERVICES

1. Drinking Water Quality Management Plan Annual Report
2. Annual Performance Report – KPI reports
3. Australian Bureau of Statistics reports
4. Bureau of Meteorology Water Utility reports
5. National Performance Report
6. Petroleum and Gas Annual Report

ENVIRONMENTAL

1. Annual Reports and licence returns
2. National Pollutant Inventory
3. Environmental Authority Pump Station Annual Report

BULK WATER & DAMS

1. Resource Operations Licence Quarterly/Annual Report

DAM SAFETY

1. Emergency Action Plan Annual Review
2. Condition Schedule Annual Review
(Data book, Operations Manual, Standard Operating Procedures)

TABLE 3. STRATEGIC PLAN FOR 2020/21

| NATURAL ENVIRONMENT | | | | | | |
|---|--|--|----------|---------------|--|--------------------------------------|
| Minimise our environmental impact by preserving the unique natural environment the Fraser Coast has to offer. | | | | | | |
| Council Corporate Plan & Strategic Outcomes | Directorate Actions | Directorate Measures of Success | Priority | Completion FY | Operational Plan Action for 2020-2021 | Responsible Officer |
| 1. Sustainable practices are applied to all Council operations. | 1a. We will prepare for and manage climate-change hazards and risks. | Establish a Fraser Coast Water Resilience Strategy. | High | 2020-2021 | 1. Develop the Fraser Coast Water Resilience Strategy. | Business Services Manager |
| | 1b. We will maximise beneficial reuse of sewage by-products. | Develop a long term Reuse Strategy. | High | 2020-2021 | 1. Develop recycled water strategy. | Executive Manager Process Operations |
| | | Develop a water reuse allocation policy to ensure that reuse water supply is sustainable and equitable. | High | 2020-2021 | 1. To be developed as part of the reuse strategy. | Executive Manager Process Operations |
| 2. Manage waste in a sustainable way. | 2a. We will deliver efficient and sustainable waste management services. | Directorate meets the waste management targets for 2025 as set out in the Fraser Coast Waste Strategy 2019-2029 including: <ul style="list-style-type: none"> • 10% reduction in household waste. • 65% of waste diverted from landfill. | Medium | 2023-2024 | 1. Procure Waste Collection, Material Recovery Facility and Organic Waste Composting Services 2. Review the transfer stations required to provide a waste facility within 30 minutes' drive for 95% of residents and ensure equal access times. | Executive Manager Waste Services |

| BUILT ENVIRONMENT | | | | | | |
|--|---|---|----------|---------------|--|--|
| Resilient regional infrastructure that will support and cater for future growth. | | | | | | |
| Council Corporate Plan & Strategic Outcomes | Directorate Actions | Directorate Measures of Success | Priority | Completion FY | Operational Plan Action for 2020-2021 | Responsible Officer |
| 1. Integrated planning to support current and future needs of the region and growth. | 1b. We will deliver well planned infrastructure that is sustainable and contributes to vibrant communities. | Development of a Strategic Asset Management Plan/Framework. | Medium | 2022-2023 | 1. Develop asset management plans 2. Develop asset profiling across all water network areas | Executive Manager Network Operations and Maintenance |
| | 1c. We will establish and implement asset management planning to ensure asset longevity. | | | | | |

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🖥 www.frasercoast.qld.gov.au/wide-bay-water

WIDE BAY
water 

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