

ANNUAL PERFORMANCE PLAN 2023/24

Mackay Water Services

A Commercial Business Unit of Mackay Regional Council



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Introduction

This Annual Performance Plan (APP) presents the business objectives and targets that will guide Mackay Water Services' (hereinafter Water Services) performance over the 2023/24 financial year.

Water Services is one of two commercial business units (CBU) of Water and Waste Services within the Engineering and Commercial Infrastructure Directorate of Mackay Regional Council (council). Water Services is responsible for the delivery of Water and Wastewater (Sewerage) Services for the regional community within the Local Government Area.

The *Local Government Act 2009* (the *Act*) and the *Local Government Regulation 2012* (the *Regulation*) govern the operation of business units run by local governments.

Key Principles of a Commercial Business Unit

Water Services conducts business by adhering to the key principles of commercialisation as detailed in section 28 of the *Regulation*, namely having:

- clarity of objectives
- management autonomy and authority (governance)
- accountability for performance
- competitive neutrality.

Section 19 of the *Local Government Regulation 2012* states the thresholds for water and sewerage combined activities are:

- 10,000 or more premises being connected to a water service as of June 30 of the financial year ending immediately before the current financial year

Section 175 of the *Local Government Regulation 2012* states the annual operational plan for a local government must:

- be consistent with its annual budget; and
- state how the local government will:
 - (i) progress the implementation of the five-year corporate plan during the period of the annual operational plan; and
 - (ii) manage operational risks; and
- include an annual performance plan for each commercial business unit of the local government.

Inclusions of an Annual Performance Plan

An APP for a CBU is a document stating the following for the financial year:

- unit's objectives
- nature and extent of the significant business activity the unit is to conduct
- unit's financial and non-financial performance targets
- nature and extent of the community service obligations the unit must perform
- cost of, and funding for, the community service obligations
- unit's notional capital structure, and treatment of surpluses
- unit's proposed major investments
- unit's outstanding and proposed borrowings
- unit's policy on the level and quality of service consumers can expect
- delegations necessary to allow the unit to exercise autonomy in its commercial activities
- type of information that the unit's reports to the local government must contain.

A local government may omit information from the copies of the annual performance plan made available to the public if:

- the information is of a commercially sensitive nature to the commercial business unit; and
 - the information is given to each of the local government's councillors.
- Note – See also Section 171 (Use of information by councillors) of the Act.*

The local government may change an annual performance plan for a commercial business unit at any time before the end of the financial year.

The *Regulation* requires the CBUs performance to be monitored by the local government against performance targets mentioned in the APP.

Our Commitment

Purpose and Vision

As a CBU of Mackay Regional Council, Water Services shares council's purpose and vision:

'To create the opportunity to thrive. To become the best region for liveability and livelihood'

Our objective is to be an innovative water service provider that is recognised for its commercial performance, provides regional leadership, has the respect of its clients and industry regulators and prides itself on sustainability.

Values

Our objectives in delivering outcomes for the community are governed by our values:

- Safety and Wellbeing
- Respect
- Working Together
- Service Excellence
- Integrity

Objectives

Commercial Business Unit Objectives

Water Services is committed to providing high quality, safe and reliable water, and sewerage services to the Mackay region in an efficient and sustainable way and to:

- achieve excellence in financial and human resource management and safe health practices
- engage with our community and consistently meet our customer service standards
- create an engaged and high performing team culture with the aim to have the right people in the right roles with the right skills and knowledge to deliver on the vision
- manage income and expenditure in a fiscally responsible and sustainable way
- create systems and procedures that assure responsive delivery, quality, and data driven decision making
- deliver the best whole-of-life outcome decisions for the region's assets to meet customer service standards into the future
- ensure all operations and activities are undertaken in compliance with our regulatory obligations.

Significant Business Activity

Nature of Business

Water Services is a significant business activity under the *Local Government Act 2009* responsible for:

- planning functions associated with the provision of services relating to water and wastewater
- treatment and supply of potable water
- collection and treatment of wastewater.

In delivering water and sewerage services, the following range of activities are undertaken:

- management of water sources and infrastructure
- dam safety
- water treatment including water quality monitoring and environmental monitoring
- laboratory services
- water reticulation
- sewerage reticulation
- sewage treatment including management of biosolids
- effluent disposal including management of recycled water schemes
- trade waste
- plumbing inspections
- backflow prevention
- recoverable works for water and wastewater plumbing activities
- asset management
- long term planning for future asset requirements
- short term business case development for capital projects
- supervisory control and data acquisition (SCADA) maintenance.

Extent of Business

Water Services provides a range of water and sewerage related services to internal and external customers. We supply potable water sewerage collection and treatment, and non-potable recycled water to over 104,000 customers. The region covers an area of 7,622 square kilometres, from north of Bloomsbury to south of Koumala and extends past Eungella to the west. The population within the council area was estimated at 125,162 as of June 30, 2022 (ABS).

The scope of high-level services provided to external customers is as follows:

- water treatment and supply to 41,606 residential properties and 3,233 commercial and industrial connections – a total of 104,012 customers
- sewage collection, treatment, and disposal for 40,363 residential properties and 2,675 commercial and industrial connections – a total of 43,038 connections
- high quality non-potable recycled water from the Mackay South, Sarina, and Mirani Water Recycling Facilities (WRF) to 32 local farmers and two public recreational facilities for irrigation purposes.

The scope of services provided to internal customers is as follows:

- development approval referrals
- quoted works for capital and operational project works
- treatment of leachate
- provide network and treatment services to other council Programs (eg Parks Amenities)
- laboratory services
- environmental incident reporting
- backflow testing for internal customers
- specialist water and wastewater advice.

Scope of Existing Assets

Water Services manages a significant portfolio of water and sewerage assets, with a replacement value of \$1.89B and a forecast carrying of \$1.13B as of June 30, 2022.

Asset Category		Quantity / Unit
Raw Water	Dams/ Weirs	1
	Pump Stations	2
	Boreholes	45
Water Treatment	Water Treatment Plants	2
	Water Treatment Facilities/Schemes	7
	Re-chlorination Systems	9
Water Distribution Network	Service Reservoirs	38
	Water Pump Stations	40
	Water Mains	1,279km
Wastewater Collection Network	Wastewater Network	967km
	Wastewater Manholes	18,106
	Sewage Pumping Stations	220
Wastewater Treatment	Sewage Treatment Plants	5
Recycled Water	Recycled Water Storages	5
	Recycled Water Network (Mains)	31km
	Recycled Water Pump Stations	3

Financial and Non-Financial Performance Targets

Financial Performance Targets

Section 25 of the *Regulation* advises a CBU that is applying full cost pricing to a significant business activity must comply with the tax equivalents manual.

Indicator	Explanation	Target	23/24 Budget
Financial management – Net Operating Result	Operational revenue and expenditure (actual to budget). Comparison of the actual net operation result with the budgeted net operating result.	+/-5% of adopted budget	
Operating Surplus Ratio	Indicates the extent to which revenue (utilities charges, fees & charges etc) raised cover operational expenses (employee, material & services, depreciations & load interest payments) which is then available for capital funding or other purposes. It represents % of profit each \$ of revenue generates. A higher rate is an indication of a high capital funding requirement in the future years.	0% to 10%	Water - 25.5% Sewerage - 33.2%
Sustainability Ratio	<p>The Asset Sustainability Ratio Percentage (ASRP) is an indicator used to understand if the current level of investment in the asset base will allow for the sustainable provision of services into the future. An ASRP value of 80-110% is a typical target for an infrastructure service provider and is indicative of an appropriate level of investment to ensure that service provision is sustainable in the longer term. An ASRP value of less than 80% can indicate underinvestment in infrastructure and if observed over an extended period is likely to be a lead indicator for a reduction in service levels. An ASRP value of greater than 110% can indicate over investment in infrastructure and presents an opportunity for a service provider to review the cost and level of service provided.</p> <p>The ASRP for Water Services figures indicate that underinvestment may be occurring on both Water and Sewerage. However, the long-term expenditure profile for Water Services infrastructure is closer to the lower bounds' sustainability ratio (80%). The ASRP will however continue to be monitored and trended over time and considered in conjunction with infrastructure performance to determine if additional capital investment is required.</p>	>90%	Water - 54.5% Sewerage - 26.1%
Debt Service Cover Ratio	The interest coverage ratio is a measure of an entities ability to honour its debt payments.	>2 times	Water - 6.8 times Sewerage - N/A (no loans)
Total Distribution to MRC - Dividends - Tax	Paid to Owner (MRC) from after tax profits, in accordance with the Competitive Neutrality principles contained in Local Government Act 2009.		Water – \$12.8M Sewerage – \$16.7M

Non-Financial Performance Targets

Water Services aims to provide a customer experience consistent with its Customer Service Charter and the Non-Financial Performance Indicators defined below.

Category	Water and Sewerage Targets	SWIM Performance Indicator Reference (where applicable) *
Customer Response Times	Provide a new standard water connection per application within 15 working days of receipt, 90% of the time	
	Provide a plumbing approval following a compliant application in an average time of 5 working days	
	Assess a Building Over and Adjacent to Sewer Application within 10 working days	
	Aim to respond to sewage incidents within 2 hours 90% of the time	
	Attend to reported unplanned interruptions within 5 hours of formal notification 90% of the time	
	Attend to reported water incidents within 2 hours of formal notification 95% of the time	
Deliver Essential Services	Minimum pressure of 22m of head (220kPa) to be provided at the property boundary under normal operating periods (not peak) at a rate of 20L/min	
	Minimum notice for all planned interruptions of 48 hours	
	Provide safe, high quality drinking water that complies with Australian Drinking Water Guidelines (ADWG)	
	Target set at less than 40 water main leaks or breaks per 100km of main	A8
	Aim to have less than 5 overflows to private property per 1,000 connections	
	Aim to have less than 10 sewage overflows per 100km of sewer main	
	Aim to have less than 30 sewer main chokes or blockage per 100km	
	Less than 5 drinking water quality complaints per 1000 connections	C9
	Aim to have less than 6 odour complaints per 1,000 connections	C11
	Aim to have less than 75 unplanned interruptions per 1,000 connections	C17
Safety	Zero lost time injuries recorded	

*External Indicator Reference numbers (where applicable) relate to the National Urban Water Utility Performance Reporting Framework as reported to the Statewide Information Management (SWIM) System (refer reporting section).

Community Service Obligations

Nature and Extent of Service Obligations

Section 24 of *the Regulation* defines a Community Service Obligation (CSO) as 'an obligation the local Government imposes on a business entity to do something that is not in the commercial interests of the business entity to do'. A summary of the CSOs is included in council's annual report in accordance with *the Regulation*.

Cost of and Funding for Service Obligations

A CSO is treated as an expense for the activity of an amount equivalent to the cost of carrying out the obligation less any revenue arising from carrying out the activity.

The services provided by Water Services, for which a CSO credit is provided by council for various water services to not-for-profit community organisations. Council will be charged on actual avoidable costs incurred by Water Services, where applicable.

The CSOs of Water Services for the 2022/23 financial year are 100% funded by council.

CSO description	23/24 Budget
Water concession for concealed leaks, water discounts and reduced charges for charities and not for profit organisations and catchment management	\$220,964.48
Total	\$220,964.48

Financial Management

In accordance with section 169 (3) of *The Regulation*, council's budget must include the estimated costs for the local governments significant business activities carried on using a full cost pricing basis.

Notional Capital Structure and Treatment of Surpluses

As a wholly owned CBU of council, Water Services notional capital structure is via 100% equity funding from council.

A portion of any surplus earned by the business unit is returned as a dividend to council as a return on their investment. This return is in recognition that business units have been established to further the good governance of the region.

Funds earned by council through dividends are utilised to provide enhanced services and infrastructure to the Mackay region. The remaining surplus is retained by the CBU to fund future planned capital investments in the business unit. Water Services planned capital and operational projects are delivered with agility in line with our business needs.

Proposed Major Investments

Major capital works for Water Services are set out in council's annual budgeted capital expenditure program adopted in June each year. Investments planned for the 2023/24 financial year include:

Design

- Water Main Renewals Projects including upgrade works - Marian and Nebo Road Water Treatment Plants
- SCADA Telemetry Radio upgrades
- Sewer Rising Main renewals - West and East Mackay and Sarina
- Sewer Pump Station renewals - city and regional
- Gravity Mains and Sewer Manhole relining

Construction

- Bloomsbury Water Supply – New Trunk Main Midge Point to Bloomsbury
- Upgrade of Calen Water Treatment Plant - Calen Water Softener replacement and renewal
- Upgrade of Eton and Sarina Disinfection Facilities
- Marian Reservoir Renewal
- SCADA radio and Process Logic Control upgrades
- Mackay North and Mackay South Odour Covers replacement and renewals.

Outstanding and Proposed Borrowings

Council operates a central treasury function that provides working capital as required, as well as providing loans through Queensland Treasury Corporation. The projected debt structure for 2023/24 is provided below:

Loans Balances	Water Loans \$ M	Sewerage Loans \$ M
Balance as at 30/6/22 (Actual)	24.00	0
Balance as at 30/6/23 (Forecast)	20.84	0
Balance as at 30/6/24 (Budget)	17.53	0

Customer Service Standards

Section 115 of the *Water Supply (Safety & Reliability) Act 2008* requires a Customer Service Standard (CSS) for its water and wastewater services. Section 116 requires the service provider to clearly state the level of service and customer rights and responsibilities including the process for service connections, billing, metering, accounting, customer consultation, complaints, and dispute resolution.

Level and Quality of Service

Water Services aims to provide a customer experience consistent with its Customer Service Charter and the non-financial performance indicators defined in the APP. A variety of methods are used to evaluate customer needs and analyse customer satisfaction, including customer surveys and benchmarking against other water service providers.

The Water and Sewerage CSS informs customers of the service they can expect to receive from Water Services and the obligations of customers in relation to their use of the water and sewerage systems.

The Customer Service Standards apply to residential and industrial/commercial connections and are prepared in accordance with Regulator Guidelines and reviewed every five years in consultation with our customers.

Service standards may not apply for water and sewerage services that are not installed in accordance with council's Engineering Design Guidelines or for which a separate service contract has been established.

This Customer Service Standard will not apply during periods of declared natural disasters, for example, cyclones, until as soon as practicable after the affected normal services have been restored. During an emergency or natural disaster Mackay Water will endeavour to maintain services and infrastructure and respond to incidents as soon as practicable depending on the availability of resources and the severity of the event.

The Customer Charter is found on the Water page of the council website [here](#).

Delegated Authorities

Delegations are provided to exercise autonomy and function of the council in respect to the CBU and its commercial activities.

Legislative Delegations

Legislative Delegations are in accordance with sections 255-260 of the *Local Government Act 2009*, *Water Act 2000*, *Water Supply (Safety and Reliability) 2008*, *Plumbing and Drainage Act 2018*, *Public Health Act 2005* and *Plumbing and Drainage Regulation 2019*.

The Register of Delegations are maintained by council's Corporate Governance function and are available on council's intranet or for inspection via request by the general community.

Administrative Delegations

Administrative Delegations applicable to the Chief Operating Officer, Water and Waste Services include:

Administrative Delegations	MRC Doc ID
Delegation to recruit, select, train and discipline employees	ADEL02
Delegation to waive fees and charges	ADEL04
Delegation to sign documentation and general correspondence on behalf of the business unit	ADEL09
Financial Delegation - Authority to incur expenditure on behalf of the business unit	ADEL11
Delegation to approve exemptions to water conservation measures	ADEL21
Delegation to approve applications for reduction in water accounts due to leaks	ADEL23
Delegation to execute contracts and expenditure	ADEL24
Authority to make a decision on Complaint Referrals from the Queensland Ombudsman	ADEL34
Authority to write off bad debts as per Debt Recovery Policy (limits apply)	ADEL51
Authority to approve the insurance requirements on behalf of MRC in accordance with the Insurance Coverage Policy (limits apply)	ADEL63

Reporting

Water Services reports against the financial and non-financial targets contained in the APP through several different mechanisms. The reporting framework can be divided into those corporate reporting functions required to meet the key principles of commercialisation as defined in the *Regulation*, along with a broad range of regulatory reports required of a water and sewerage service provider.

Corporate Framework Reporting

Corporate performance reporting requirements include:

Internal Reporting Requirements	Reporting Frequency		
	Monthly	Quarterly	Annually
MRC Corporate Plan (5-year)			✓
MRC Operational Plan			✓
Program Plans			✓
Annual Performance Reports			✓
Budget – Annual Financial Statements			✓
Annual Report			✓
Business Continuity Plan – Emergency Management			✓
Corporate Performance Progress Reporting – Directorate Action Register		✓	
Financial Performance Reporting	✓		
Directorate Reports including: Performance against Customer Service Standards and Key Performance Indicators	As Required		

State and Federal Legislative and Regulatory Reporting

Water Services report to various State and Federal agencies in accordance with legislative requirements including those as identified below. Associated regulatory reporting documentation is available on the Water page of the council website [here](#).

External Reporting Requirements	To	Frequency
Urban National Performance Report - Statewide Water Information Management (SWIM) Benchmarking Reports	DRDMW	Annually
Drinking Water Quality Management Plan (DWQMP)	DRDMW	Annually
Drinking Water Quality Incident Reporting in accordance with Water Supply (Safety and Reliability) Act 2008	DRDMW	As required
National Performance Indicators (NPI)	DRDMW/NWC	Annually
Annual Performance Plan in accordance with Local Government Regulation 2012	Adopted by Council	Annually
Wastewater Treatment EPBC Approval Annual Return	DES	Annually
Wastewater Treatment Environmental Authority Annual Return	DES	Annually
Environmental Incident Reporting associated with Wastewater Treatment Environmental Authority	DES	As required
State Key Performance Indicators	DRDMW	Annually
Customer Service Standards (CSS) in accordance with the Water Supply (Safety and Reliability) Act 2008	Water and Sewerage Service Customers/DRDMW	Annually (Community consultation every five years)
WaTERS Reporting for Wastewater (Water Tracking and Electronic Reporting System)	DES	Quarterly
BoM National Water Accounting Data	BoM	Not required at present
National Pollutant Inventory (NPI)	DCCEEW	Annually
Emergency Action Plan Review	DRDMW	Annually
Fluoride Dosing issues in Accordance Water Fluoride Regulation 2008 and the Public Health Regulation 2005	Qld Health	As required
Fluoride Concentration Reporting (Please note: Fluoride dosing currently not in operation)	Qld Health	Quarterly

Glossary:

BoM: Bureau of Meteorology
 CER: Clean Energy Regulator
 DCCEEW: Department of Climate Change, Energy, the Environment and Water
 DES: Department of Environment and Science
 DLGRMA: Department of Local Government, Racing and Multicultural Affairs
 DRDMW: Department of Regional Development, Manufacturing and Water
 NWC: National Water Commission

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