sunwater

Statement of Corporate Intent

2022-23

Prepared by the Directors and Management of Sunwater Limited for shareholding Ministers:

The Honourable Cameron Dick MP
Treasurer and Minister for Trade and Investment

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

Commercial-in-Confidence
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Performance agreement

In accordance with Chapter 1, Part 3, Section 7 of the *Government Owned Corporations Act 1993 (Qld)* (GOC Act), the Statement of Corporate Intent (SCI) represents a formal performance agreement between the Board of Sunwater Limited (Sunwater) and its shareholding Ministers with respect to the financial and non-financial performance targets specified for the financial year. The SCI represents agreement to the major activities, objectives, policies, investments and borrowings of Sunwater for 2022-23.

This SCI is consistent with Sunwater's 2023 – 2027 Corporate Plan, submitted to shareholding Ministers and agreed in accordance with Chapter 3, Part 7 of the GOC Act.

In signing this document, the Board of Sunwater undertakes to achieve the targets proposed in the SCI for 2022-23.

Major changes to key assumptions that underpin the performance outcomes detailed in this SCI, and which come to the Board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this SCI will be dealt with in accordance with the GOC Act.

This SCI is signed by the Chair on behalf of all the directors in accordance with a unanimous decision of the Board of Sunwater.

The Hon Cameron Dick MP Date

Treasurer and Minister for Trade and Investment

The Hon Glenn Butcher MP Date

Minister for Regional Development and Manufacturing and Minister for Water

Dr Lisa Caffery Date: 15 August 2022

Chair, Sunwater Limited

Key performance indicators

Performance in 2022-23 will be assessed against the financial and non-financial key performance indicators that have been agreed with shareholding Ministers. Achievements against agreed measures and targets will be reported through Quarterly Scorecard reports and directly through quarterly and annual presentations to shareholder representatives.

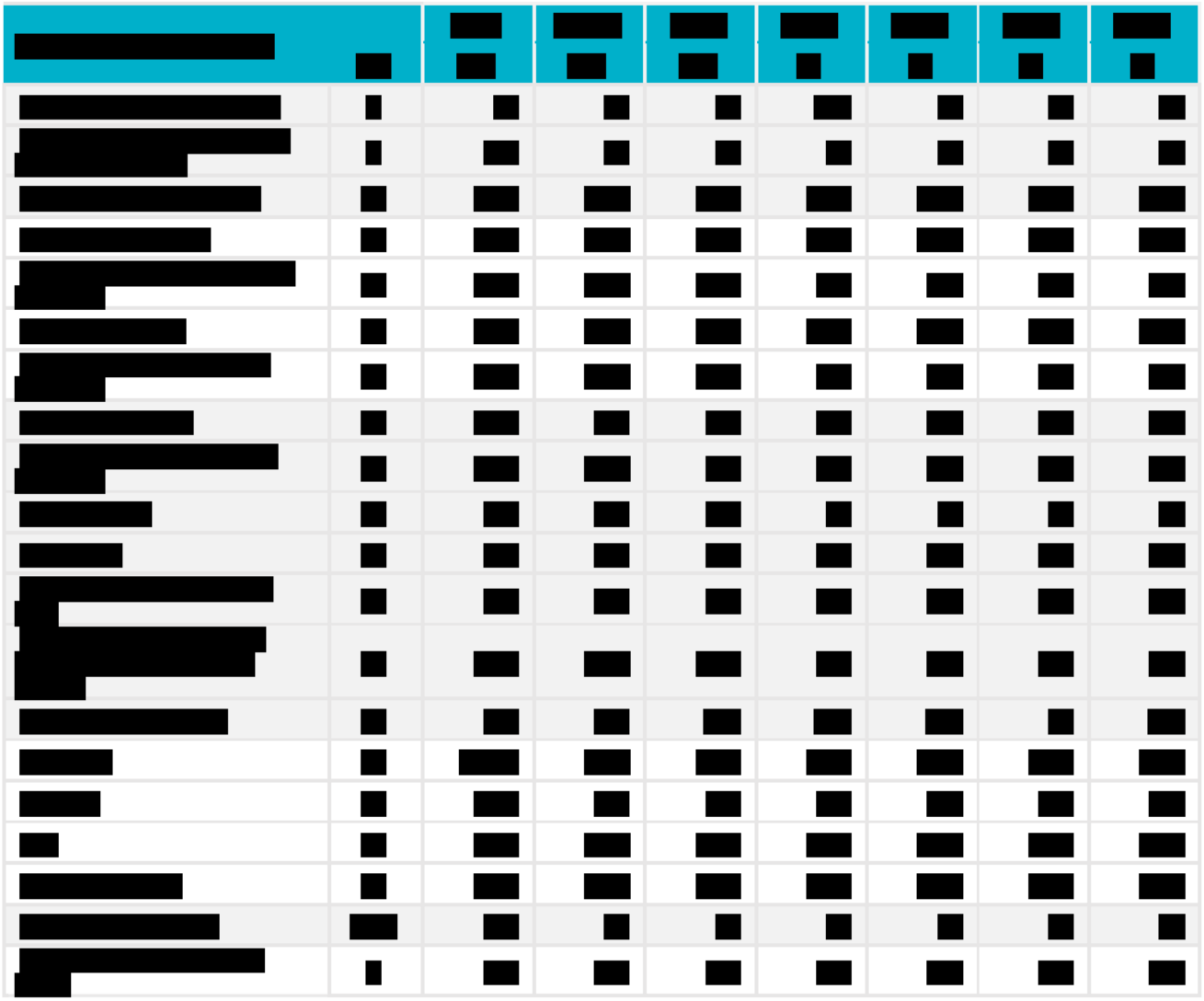
Corporate non-financial performance indicators	Full Year 2022-23	Q1	Q2	Q3	Q4
All injury Frequency Rate (AIFR)[1]	<35	<35	<35	<35	<35
Total Recordable Injury Frequency rate (TRIFR)	<5	<5	<5	<5	<5
Lost Time injury Frequency rate (LTIFR)	<1	<1	<1	<1	<1
Compliance with Environmental Standards & Laws	No material breaches	No material breaches	No material breaches	No material breaches	No material breaches
Employee Engagement	>65%	-	-	-	>65%
FTE[2]	622	-	-	-	622
Customer complaints responded to within 10 business days	100%	100%	100%	100%	100%
Community Events[3]	2 open days Rating >4	-	-	-	2 open days Rating >4
Customer engagement/advocacy[4] – Irrigation	>15.81	-	-	-	>15.81
Customer engagement/advocacy[4] – Urban	>49.14	-	-	-	>49.14
Customer engagement/advocacy[4] – Industrial	>58.36	-	-	-	>58.36

1. All injuries per million hours worked.

2. FTE includes permanent and temporary employees, which includes contractors engaged in roles "as if" they were part of the longer term Sunwater organisational structure, as well as project and alliance related FTEs. It does not include contractors engaged by third parties and Group Training Organisations (GTO).

3. Open day ratings are out of a possible rating of 5 and represents the attendees' experience on the day and whether they learnt something new.

4. The customer advocacy score is based on industry standard and is a measure of the net number of customers who have indicated that they would speak favourably about Sunwater less those who have indicated that they will not.



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Key assumptions and risks

The key assumptions underpinning Sunwater's SCI for 2022-23 include:

- Irrigation revenue assumption for FY23 reflects the price direction from the Queensland Government with any difference between cost-reflective prices and irrigation prices set by the Queensland Government via the Rural Water Pricing Direction Notice to be made up by the State in the form of a Community Service Obligation (**CSO**).
- The anticipated Rural Irrigation CSO of $17.7 million, noting that further discussions with Government regarding program funding arrangements may be required.
- The anticipated Cloncurry Urban CSO, which will be $6.6 million (pending Government decision and new deed of agreement).
- Industrial revenue assumptions for FY23 are consistent with that used for FY22 Budget and are in line with current contractual arrangements.
- Recreation area costs are currently absorbed within Sunwater's costs.
- [redacted]
- In FY23-24, Sunwater expects to commence the Dam Improvement Program (**DIP**) at Paradise Dam, returning the dam to full capacity, at an estimated total project cost of $1.2 billion (subject to shareholding Minister approval). [redacted]
- In FY23-24, Sunwater expects to commence work on Burdekin Falls Dam, a detailed business case (**DBC**) has been presented for approval, including a height raising option for consideration. FY23 spend of $29.5 million (subject to shareholding Ministers' approval) is forecast to undertake early project planning and establishment activities prior to any decision by Government regarding the DBC and an announcement of project funding.
- As the outlook for inflation has again been revised higher, Sunwater's forecast costs and revenues (where anticipated to be impacted) have been revised including Paradise Dam and Burdekin Falls Dam improvement programs.
- Wage increases from 1 July 2022 have been segmented by Enterprise Agreement (**EA**) and Individual Employment Contracts (**IEC**):
  - In accordance with the proposed EA, 3 per cent increase has been applied and increments for eligible employees advancing to the next highest pay point within respective EA classification level until an employee achieves the highest increment within the classification.
  - For IEC, 4.5 per cent applied as a mitigation against potential labour market cost and availability risks.
- A vacancy rate of five per cent has been applied to full time equivalents, reflecting expected market conditions for FY23.
- Insurance costs reflect an assumed increase of 15 per cent in market premiums.
- The SCI includes DIP projects for dams where there has been approval or a well-developed view of the works necessary, and cost of completing the remediations required. Work is ongoing to develop a comprehensive view of all DIP projects to be completed by 2035.
- Due to the material outflows expected in respect of the DIP, [redacted] This reflects the risk of timing differences between funding, revenue receipts and supplier payments.
- It is expected that Sunwater will not declare a nominal dividend in FY23 due to the financial impacts of the DIP.
- The key assumptions and risks which may impact Sunwater's ability to deliver its financials for 2022-23 are outlined on the following two pages.

Key assumptions	Budget 2021-22	Budget 2022-23
Economic Indices		
CPI %	2.0%	5.75%[2]
Wage Growth Enterprise Agreement % (EA) (including EA classification increments applicable)	6.0%	4.5%
Wage Growth Individual Employment Contract % (IEC)	6.0%	4.5%
[redacted]	[redacted]	[redacted]
Dividend Payout Ratio[1]	100% of adjusted NPAT	100% of adjusted NPAT
Other		
Irrigation Revenue	Based on the QCA recommended prices for 2022 excluding discount. The assumption is that any adjustment to these rates will be offset via CSO	Based on the QCA recommended prices for 2023 excluding discount. The assumption is that any adjustment to these rates will be offset via CSO or other funding
Industrial revenue	In line with current contractual arrangements	In line with current contractual arrangements
Insurance costs (decrease)/increase	30%	15.0%
Electricity Cost Inflation	Known contract rates, CPI & Step changes on transitional tariffs	Known contract rates, CPI & Step changes on transitional tariffs
Full Time Equivalents (FTE)[3]	564	622
[redacted]	[redacted]	[redacted]

1. The FY23 budget assumes 100 per cent dividend payout in line with Government Policy adjusted for non-cash profit elements.

2. Midpoint of Reserve Bank Australia Statement on Monetary Policy (May 2022) inflation forecast for June 2022 (5.5%) and December 2022 (6.0%).

3. FTE includes permanent and temporary employees, which includes contractors engaged in roles "as if" they were part of the longer term Sunwater organisational structure, as well as project and alliance related FTEs. It does not include contractors engaged by third parties and Group Training Organisation (GTOs).

4. WACC rate cashflow stream definition: pre-tax, pre-financing, no imputation.

Key risks facing Sunwater for 2022-23*

Labour and Materials

A key risk over the next 12 months will be the cost and availability of key business inputs: labour and materials. This reflects economic and geopolitical conditions as well as impacts of COVID-19, in particular low unemployment, higher commodity prices and supply chain impacts.

COVID-19 Pandemic and Broader Market Dislocation

The COVID-19 pandemic has had minor impact on Sunwater's customers and business to date with some increase in material costs and staff absence. It remains unpredictable, however, with potential for indirect disruption to Sunwater during the SCI period ahead.

Sunwater is seeing some supply chain issues arising, lengthening delivery timelines and tightening supply which, to date have not had a material impact on operations but had some impacts on cost. Sunwater continues to engage with its employees, contractors, and suppliers to manage access and conditions for working on Sunwater sites in line with Queensland Government policy. The increased number of COVID-19 positive cases has had some impact on internal workforce as the virus circulates in the community.

Russia – Ukraine

Sunwater has identified potential supply chain issues, particularly in relation to agricultural chemicals if the Russian invasion and associated sanctions continue.

2011 Queensland Flood Class Action

In 2020-21, the New South Wales Court approved a settlement with the plaintiff of the 2011 Queensland Floods Class Action.

[redacted] Payment of the net $200 million settlement sum was completed in May 2022 and is included in FY22 in the SCI and Corporate Plan. The settlement terms are confidential.

In respect of further insurance recoveries [redacted], Sunwater has appealed the recent New South Wales Supreme Court decision preventing access to further levels of insurance. The outcome of that appeal will determine whether further insurance proceeds become available.

Dam Improvement Program (DIP) Delivery

Sunwater has a program of dam improvement projects to ensure regional bulk water assets are maintained in accordance with State and national standards. The prioritisation of these works is determined by a Portfolio Risk Assessment (PRA). The PRA relates to our 22 referable structures (i.e., regulated) and prioritises, based on life safety risk, the future sequential approach to mitigating that risk.

The PRA results and priority of DIP works can change as new issues are identified or in response to changes in Statutory requirements (such as new guidelines), incidents (such as flood damage), advances in technology and improved knowledge.

The SCI includes execution costs for only those dams where there has been approval or there is a well-developed view of the works necessary and cost of completing the remediations required.

[redacted]

Rookwood

The project to build the Rookwood Weir and ancillary structures, has met challenges in the year, with geological issues leading to the need to excavate further than planned, creating deeper concrete foundations; the impact of weather events that have led to the scaling back of activity and subsequent ramp up; [redacted]

[redacted]

Savings and Efficiency Program

Sunwater acknowledges the Queensland Government's savings and debt plan and is committed to implementing efficiency measures consistent with Queensland Government and GOC policies.

Sunwater's role in undertaking "economic benefit" projects

A number of new bulk water assets in Queensland are at varying stages of advancement in terms of conception, design and business case development, generally by private proponents. Such projects typically seek the involvement of State and Federal governments regarding funding and potentially their development, operation and ownership.

Sunwater is often required to play a role in such projects as they arise, ranging from a consultancy involvement through to assuming the role of proponent, developer, operator and owner. This category of project is not usually capable of justification on a commercial basis, but rather is justified based on regional economic benefit. As a result, there is a risk that Sunwater is required to assume substantial involvement on projects whose cost will significantly exceed any direct revenues that can be generated. In such circumstances, Sunwater must assume that there will be external funding support provided to cover any shortfall.

There is $2.0 million incorporated into the SCI to allow for known or expected involvement during FY23 in a range of 'economic benefit' projects, without any offsetting external funding support. It is also noted that such involvement by Sunwater may reduce its ability to progress other priorities.

People

Availability of appropriately qualified personnel to perform necessary design and construction work on Sunwater's major projects is a risk, given the scale of water and other infrastructure projects being undertaken around Australia.

Availability of appropriately qualified personnel, more generally, is a potential constraint given the competitive labour market.

Additional key risks that may impact Sunwater delivering on its financial performance targets include:

- higher insurance costs due to expected increases in market premiums
- volatile weather patterns giving rise to extremes of flood and drought across the Sunwater asset base, with potential unplanned flood repair work
- high inflation with not all increases able to be passed on through water prices and forecast project expenditure underestimating potential cost increases.

Water security

Most high priority customers will start the year with 100 per cent announced allocation. Medium priority customers in some schemes will start FY23 with a higher announced allocation than in FY22, particularly in the southern part of Queensland.

**Refer to the FY2023-2027 Corporate Plan for more comprehensive discussion on longer term risks*

[redacted]

[redacted]	[redacted]	[redacted]	Budget [redacted]	Budget [redacted]	Budget [redacted]	Budget [redacted]	Budget [redacted]
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1 [redacted]

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1 Subset of all projects

Capital expenditure

- Bulk water capital expenditure mainly relates to the Dam Improvement Program and existing asset refurbishment.
- [redacted]
- Shareholding Ministers' approvals are required for investments over $40 million. Shareholding Ministers are notified for investments over $10 million.

Report – Capital Expenditure	FY23
SUMMARY REPORT – includes capitalised interest	**$000's**
A – Infrastructure – Bulk Water	61,890
B – Infrastructure – Irrigation Systems	11,544
C – Infrastructure – Industrial Pipelines	8,031
D – Infrastructure – Development Projects	0
E – Feasibility Projects	43,525
F – Non-infrastructure (including digital)	18,425
Consolidated Group Total	**143,414**

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Capital structure

Borrowings			
Facility	2021-2022	2022-2023	Change
1 Portfolio-linked Loan	$369M	$409M	$40M

There is a $40 million increase to borrowings assumed for FY23 to fund the capital program and target working capital requirements. Sunwater is forecast to maintain its existing credit rating in compliance with the requirement to maintain an investment grade credit rating.

Statement of Compliance

Subject to the Directors meeting their fiduciary duties, the Sunwater Board and its subsidiaries will comply with all Policies, Guidelines and Directives as advised by shareholding Ministers from time to time. Sunwater has adopted the recommendations in the *Corporate Governance Guidelines for Government Owned Corporations (February 2009).* The Sunwater Board also undertakes to continually monitor and review its corporate governance arrangements to reflect good practice, having regard to the guidelines.

The Board will ensure Sunwater takes full responsibility, within any constraints associated with shareholders' policy requirements, to ensure prudent financial practices will be applied both within the Corporation and within its Subsidiaries (whether fully controlled or otherwise).

Forecast Financial Performance

The nominal FY23 budget net loss after tax of $5.7 million is primarily a result of the asset impairment costs resulting from the Dam Improvement Program and associated impairments.

Consolidated group P&L – Cost Type View	Actual FY21	Forecast FY22	Budget FY23	Budget Q1	Budget Q2	Budget Q3	Budget Q4
	$000	$000	$000	$000	$000	$000	$000
Operating revenue							
Water charges							
Irrigation	61,060	51,905	53,208	12,844	13,946	13,187	13,232
Industrial	199,197	207,225	217,174	53,847	54,304	53,976	55,046
Urban	16,027	13,511	13,728	3,406	3,475	3,385	3,462
Drainage	810	817	833	208	208	208	208
Electricity generation	164	342	342	75	80	75	112
CSO - irrigation	11,897	18,686	17,656	4,414	4,414	4,414	4,414
CSO - urban	6,241	6,317	6,600	1,650	1,650	1,650	1,650
Grants & subsidies [1]	98,480	74,486	180,640	45,165	45,161	45,153	45,161
Water entitlement / trading	21,092	19,422	18,108	4,525	4,525	4,525	4,532
Consulting	1,179	38	6,152	1,589	1,545	1,472	1,545
Facilities management	5,053	3,366	5,122	1,012	1,314	1,073	1,722
Other	52,389	214	1,086	271	271	271	271
	473,588	**396,328**	**520,649**	**129,007**	**130,894**	**129,391**	**131,357**
Employee costs [2]							
Salaries & wages	(49,061)	(52,275)	(72,930)	(17,611)	(18,150)	(18,266)	(18,902)
Employee related expenses - statutory	(14,859)	(16,717)	(23,642)	(5,628)	(6,033)	(5,778)	(6,202)
Employee related expenses - non-statutory	(6,050)	(5,411)	(5,895)	(1,434)	(1,422)	(1,419)	(1,620)
Agency contractors	(11,537)	(4,931)	(6,703)	(1,567)	(1,649)	(1,612)	(1,874)
	(81,507)	(79,334)	(109,169)	(26,241)	(27,254)	(27,076)	(28,598)
Costed labour	5,827	12,679	16,862	5,225	4,452	3,128	4,057
	(75,680)	**(66,655)**	**(92,307)**	**(21,016)**	**(22,802)**	**(23,948)**	**(24,541)**
Direct costs							
Accommodation & travel	(1,733)	(3,161)	(3,390)	(832)	(826)	(819)	(912)
Contractors [3]	(123,357)	(150,089)	(219,176)	(57,180)	(54,511)	(52,259)	(55,226)
Depreciation - infrastructure	(41,340)	(36,553)	(37,130)	(9,494)	(9,494)	(9,390)	(8,752)
Electricity	(28,702)	(30,681)	(29,452)	(6,910)	(7,871)	(7,014)	(7,657)
Materials	(5,121)	(9,928)	(16,622)	(3,599)	(4,153)	(3,572)	(5,298)
Plant, equipment & vehicles	(2,519)	(3,721)	(6,822)	(1,284)	(1,744)	(1,428)	(2,366)
	(202,773)	**(234,133)**	**(312,592)**	**(79,299)**	**(78,599)**	**(74,481)**	**(80,212)**
Corporate & administration costs							
Insurance, legal & administration costs	48,913	(31,338)	(30,312)	(7,499)	(7,616)	(7,443)	(7,754)
Depreciation - non infrastructure	(3,645)	(8,950)	(12,501)	(3,072)	(3,072)	(3,032)	(3,325)

Consolidated group P&L – Cost Type View	Actual FY21	Forecast FY22	Budget FY23	Budget Q1	Budget Q2	Budget Q3	Budget Q4
	$000	$000	$000	$000	$000	$000	$000
Occupancy costs	(3,867)	(2,557)	(4,400)	(1,105)	(1,098)	(1,093)	(1,105)
Other asset costs	(2,694)	(6,805)	(11,709)	(2,927)	(2,927)	(2,928)	(2,927)
	38,707	**(49,650)**	**(58,922)**	**(14,603)**	**(14,713)**	**(14,496)**	**(15,111)**
Overheads & indirect costs	7,090	12,542	29,463	9,172	7,792	5,421	7,078
Total operating costs	**(232,656)**	**(337,895)**	**(434,358)**	**(105,746)**	**(108,322)**	**(107,504)**	**(112,787)**
Operating profit (loss)	240,932	58,432	86,290	23,261	22,571	21,888	18,570
Asset (impairment) revaluation	(85,500)	(58,159)	(77,284)	(27,558)	(19,947)	(13,493)	(16,286)
Non-operating revenue	1,484	35	398	131	89	91	87
Financing charges	(13,585)	(12,674)	(15,112)	(3,722)	(3,722)	(3,722)	(3,946)
Profit (loss) before taxation - PBT	**143,332**	**(12,366)**	**(5,707)**	**(7,888)**	**(1,008)**	**4,764**	**(1,575)**
Taxation	(104,305)	23,000	0	0	0	0	0
Profit (loss) after taxation - PAT	**39,026**	**10,634**	**(5,707)**	**(7,888)**	**(1,008)**	**4,764**	**(1,575)**
Dividends	(10,405)	0	0	0	0	0	0
Retained profit (loss) for the period	**28,621**	**10,634**	**(5,707)**	**(7,888)**	**(1,008)**	**4,764**	**(1,575)**

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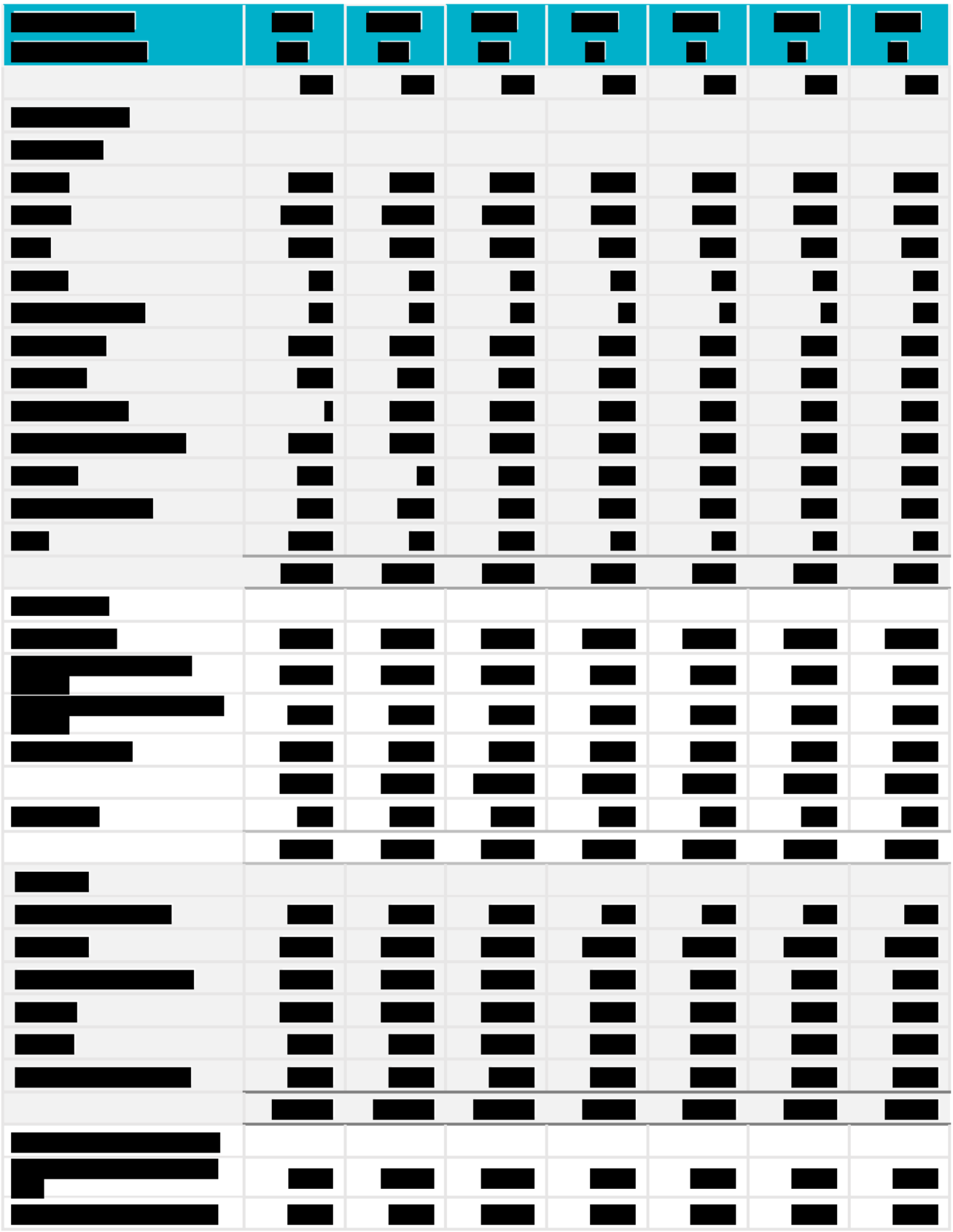
[redacted]

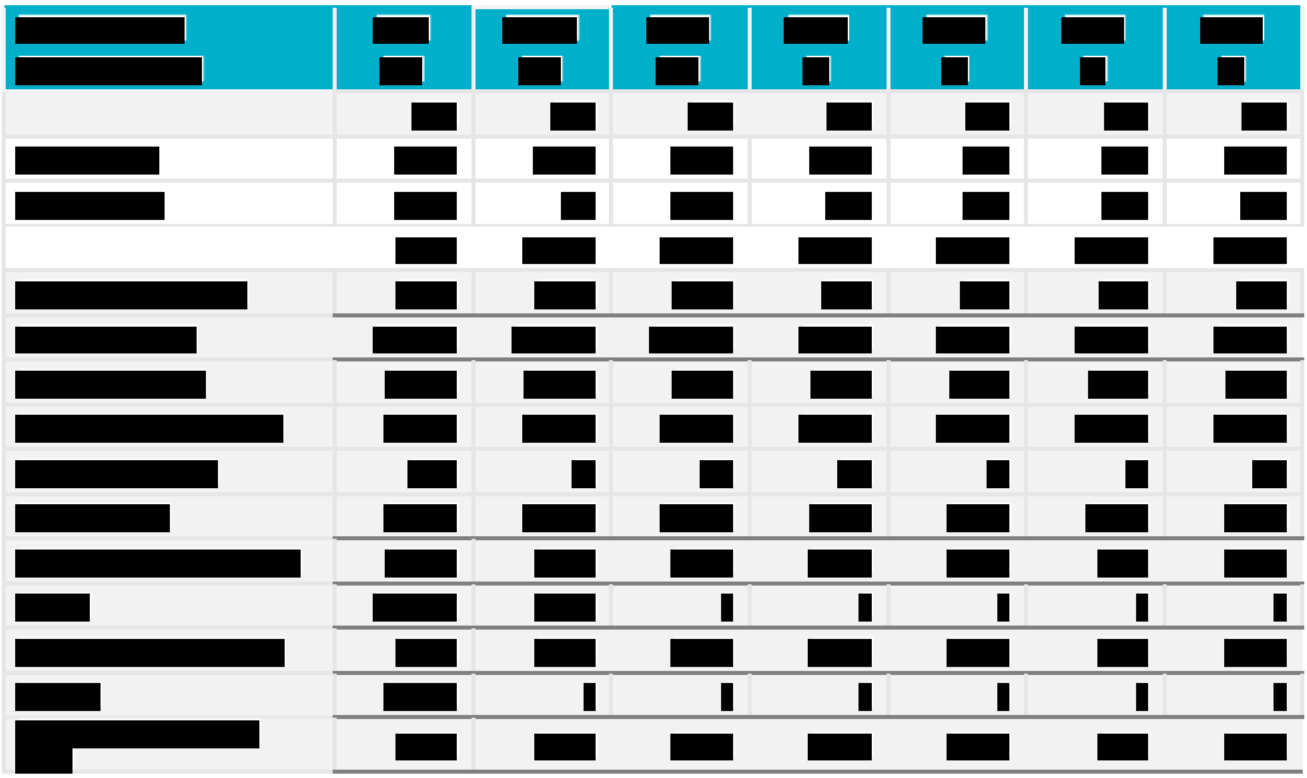
2. FY23 increase in employee costs required to support major projects. Note, typically capitalised or recovered as part of the project costs.

[redacted]

Forecast Financial Performance (excluding the Rookwood project)

Excluding the Rookwood project, FY23 budget net loss after tax of $5.7 million is primarily a result of the asset impairment costs resulting from the Dam Improvement Program.





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Forecast financial position

Consolidated group Balance Sheet	Actual FY21	Forecast	Budget FY23	Budget Q1	Budget	Budget Q3	Budget Q4
	$000	$000	$000	$000	$000	$000	$000
Current Assets							
Cash	84,669	92,230	61,344	71,626	59,806	62,367	61,344
Advance to Queensland Treasury	57,155	7,686	88	88	88	88	88
Receivables	13,594	12,034	12,782	20,408	19,744	16,596	12,782
Accrued revenue	22,845	17,841	16,243	26,264	23,964	22,778	16,243
Inventories	2,880	2,938	2,996	2,925	2,913	2,901	2,996
Other	5,566	5,856	5,859	5,749	5,638	5,541	5,859
	186,709	138,584	99,313	127,060	112,154	110,271	99,313
Non-Current Assets							
Property, Plant & Equipment	794,953	776,864	797,885	778,600	783,731	788,046	797,885
Leased assets	18,309	15,203	13,952	14,891	14,578	14,265	13,952
Intangibles	23,172	23,094	23,094	23,094	23,094	23,094	23,094
Deferred tax assets	1,738	7,143	6,904	6,796	6,864	6,818	6,904
	838,173	822,304	841,836	823,381	828,266	832,223	841,836
TOTAL ASSETS	**1,024,882**	**960,889**	**941,149**	**950,440**	**940,420**	**942,494**	**941,149**
Current Liabilities							
Payables	41,281	48,689	43,987	49,126	49,010	49,019	43,987
Leasing liabilities	3,389	4,334	4,588	4,588	4,588	4,588	4,588
Provision - dividends	10,405	0	0	0	0	0	0
Provisions - other	233,714	47,846	10,912	38,318	24,985	17,964	10,912
Other (including deferred revenue)	20,311	11,918	11,918	11,978	12,038	12,098	11,918
	309,100	112,787	71,406	104,009	90,621	83,670	71,406
Non-Current Liabilities							
Borrowings	283,858	368,858	408,858	368,858	368,858	368,858	408,858
Leasing liabilities	18,412	14,688	13,371	14,168	13,902	13,637	13,371
Provisions - other	1,450	1,270	1,270	3,154	2,526	1,898	1,270
Deferred tax liabilities	1,738	7,143	6,904	6,796	6,864	6,818	6,904
Other (including deferred revenue)	130,287	165,470	154,375	170,671	175,872	181,074	154,375
	435,745	557,429	584,779	563,647	568,023	572,285	584,779
TOTAL LIABILITIES	**744,845**	**670,217**	**656,185**	**667,656**	**658,644**	**655,955**	**656,185**
NET ASSETS	**280,037**	**290,672**	**284,965**	**282,784**	**281,776**	**286,540**	**284,965**
Shareholders' Equity							
Contributed equity	236,347	236,347	236,347	236,347	236,347	236,347	236,347
Retained profits	43,691	54,325	48,618	46,437	45,429	50,193	48,618
TOTAL SHAREHOLDERS' EQUITY	**280,038**	**290,672**	**284,965**	**282,784**	**281,776**	**286,540**	**284,965**

Financial model version - 2200.00

Statement of cash flows

Consolidated group Cashflow	Actual FY21	Forecast FY22	Budget FY23	Budget Q1	Budget Q2	Budget	Budget Q4
	$000	$000	$000	$000	$000	$000	$000
Cash flows from operating activities							
Inflows:							
Receipts from customers	322,655	298,185	314,980	61,612	82,101	81,531	89,736
CSO, government grant & deferred income receipts	132,850	133,489	201,251	58,293	58,289	58,281	26,389
Interest received	196	0	0	0	0	0	0
Outflows:							
Payments to suppliers and employees [1]	(277,223)	(474,546)	(432,309)	(102,675)	(110,974)	(103,433)	(115,226)
Taxation - external	30,198	23,000	0	0	0	0	0
	208,676	(19,871)	83,923	17,230	29,416	36,380	898
Cash flow from investing activities							
Inflows:							
Return of advance to Queensland Treasury	0	50,000	7,600	7,600	0	0	0
Interest received	725	946	339	98	80	82	79
Proceeds from sale of other investments	283	0	0	0	0	0	0
Outflows:							
Purchase of property, plant & equipment	(126,818)	(81,033)	(143,414)	(40,730)	(36,513)	(29,099)	(37,072)
Advance to Queensland Treasury	(12,673)	0	0	0	0	0	0
	(138,483)	(30,087)	(135,475)	(33,032)	(36,433)	(29,017)	(36,994)
Cash flow from financing activities							
Inflows:							
Proceeds from borrowings	0	85,000	40,000	0	0	0	40,000
Outflows:							
Interest paid	(12,378)	(12,864)	(15,000)	(3,719)	(3,719)	(3,719)	(3,843)
Repayment of borrowings	(162)	(4,213)	(4,334)	(1,083)	(1,083)	(1,083)	(1,083)
Loans advanced	(3,885)	0	0	0	0	0	0
Dividends to owners of Sunwater Limited	0	(10,405)	0	0	0	0	0
	(16,425)	57,518	20,667	(4,802)	(4,802)	(4,802)	35,073
Increase (decrease) in cash balance	53,768	7,560	(30,885)	(20,604)	(11,820)	2,561	(1,023)
Cash balance brought forward	30,901	84,669	92,230	92,230	71,626	59,806	62,367
Cash balance carried forward	84,669	92,230	61,344	71,626	59,806	62,367	61,344

Financial model version - 2200.00

1 FY22 includes the insurance payment associated with the 2011 Queensland floods class action.

Appendix A | Customer, stakeholder and community engagement cost

Activity	Actual 2020–21 ($)	Forecast 2021–22 ($)	Budget 2022–23 ($)
Industry and community support			
Australian National Committee on Large Dams (ANCOLD) conference	9,000	9,000	10,000
Industry[1]	17,086	18,300	30,000
Sponsorships	21,055	20,010	15,000
TOTAL (1)	47,141	47,310	55,000
Corporate entertainment			
Employee (value improvement) awards ceremony[2]	Nil	6,550	10,000
Office Christmas celebrations[3]	17,116	23,000	34,320
Other (total of meetings and events below $5,000)	7,979	8,800	10,200
TOTAL (2)	25,095	38,350	54,520
Strategic community and stakeholder engagement activities			
Emergency communication and education	Nil	130,000	140,000
Public safety program communication and education	40,433	160,000	200,000
Public safety campaign[4]	211,264	Nil	250,000
School safety program	Nil	20,000	34,000
TOTAL (3)	251,697	310,000	624,000
Total (1)+(2)+(3)	323,933	395,660	733,520

1. Industry engagement in the regions. Note Covid impacted previous year anticipated events.
2. FY23 budget for employee awards ceremony same as prior year. Note FY22 expenditure lower as assumed staff travel for event impacted by Covid.
3. Sunwater Christmas party for FY23 is calculated based on $55 per person (same unit cost as prior year). The increase in FY23 expenditure reflects the business need for additional headcount.
4. A targeted, multi-channel public safety campaign is budgeted for every two years to promote appropriate interaction with Sunwater assets.

Appendix B | Employment and Industrial Relations (E&IR) Plan

Category	Assumptions
E&IR Philosophy / Direction	Sunwater's E&IR philosophy and direction is supportive of Sunwater's Strategic Goals by providing conditions for a safe high-performance culture, employment security, labour cost certainty and flexibility to support our business operations. This direction is reinforced through fair and transparent processes where performance in Sunwater is measured by both the results our people achieve and the demonstration of our values. As a Government Owned Corporation (GOC), Sunwater is governed by the Fair Work Act 2009 (Cth) as federal legislation and Queensland provisions of the Government Owned Corporations Wages and Industrial Policy 2015. Redundancy is managed by a Redundancy Procedure and the conditions with the Sunwater Enterprise Agreement. Sunwater complies with the Superannuation Guarantee legislation for its employees. Sunwater also provides a co-contribution scheme QSuper to its employees as per the Superannuation (State Public Sector) Deed 1990 (Qld).

Award / Agreement	Scope	Reference	Expiry date
Sunwater Enterprise Agreement 2018-2022	Covers all Sunwater employees as per classification schedule of the Agreement	AG2020/3391	Nominal expiry date 30 June 2022
Annualised Salary Arrangements (Sunwater EA)	Covers some employees under classifications SW08 – SW10 of the EA	N/A	N/A
Common Law Contracts	Offered to employees where the position evaluation is outside of the EA coverage	N/A	N/A
Fair Work Act 2009 (Cth)	All employees	N/A	N/A
Water Industry Award	Most employees (except Executives and some Common Law contracted employees)	MA 000113	N/A

Significant and emerging issues

Significant and emerging issues	Assumptions
Sunwater Enterprise Agreement 2022 – 2025	Sunwater commenced negotiations in Q3 FY22 and is committed to having "In principle" agreement by 30 June 2022. Implementation of the new agreement will occur in FY23, subject to Shareholding and Office of IR approvals.
Major Projects	The Queensland Procurement Policy and amendments, including the Ethical Mandate Supplier Guidelines, continue to be monitored and are managed through Sunwater cascading the requirements down to Alliance Partners or Principal Contractors and reviewing their performance for compliance. The majority of Sunwater employees are covered by employment conditions contained in the Enterprise Agreement. The Agreement contains conditions of employment that are no less favourable than the National Employment Standards (NES) and/or the Modern Award (Water Industry Award). Sunwater regularly monitors amendments to the Fair Work Act 2009 (Cth), Modern Industry Award and NES to ensure compliance with relevant legislation.
Reporting	Sunwater will provide regular reports on the implementation and progress of the productivity initiatives included in Sunwater's Enterprise Agreement to shareholding Ministers through its Quarterly Scorecard Reports. E&IR is actively working with Finance to track the savings and benefits realised through the EA. Workforce management and strategic workforce planning are in place to ensure the targets are achieved. Employee Relations leader training will also continue in FY23 to provide a consistent approach when managing to the objectives of the EA.

Assumptions

Category	Assumptions
Employment (FTE) and workforce planning	Sunwater has completed a detailed Strategic and Operational Workforce Plan for FY23-27, resulting in an increase in FTE supporting the delivery of upcoming programs of work across the business and supporting customer delivery activities. The greater proportion of the increase is in major projects, mainly the DIP, and across regional operations. These increases have driven a required level of uplift in professional and technical services. These increases in FTEs allow the DIP to be delivered in a cost-effective manner. There is also an uplift to manage our workforce retirement risk. A vacancy factor of five per cent has also been applied across FY23. Based on these assumptions, the forecast total approved FTEs against positions for FY23 is 622. Within these approved FTEs are several new positions for which the nature (permanent, fixed term or casual) has not yet been determined as this will depend on the availability of skills in the market.

GOC's remuneration arrangement for Chief Executive Officer and senior executives	The Chief Executive Officer and senior executives of Sunwater are to be remunerated in line with the Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements (Policy). The Executive Employment contract states that in the event the executive's employment is terminated through redundancy, redundancy pay will be made in accordance with the *Fair Work Act 2009 (Cth)*.

Employment Category	As at April 2022
Permanent Full Time	412
Permanent Part Time	18
Temporary Full Time	39
Temporary Part Time	3
Executive	7
Other	0
Apprentice inhouse	0
Cadet	3
Trainee	0
Casual	0
Total Directly Employed	482
Apprentice indirect[1]	8
Trainee indirect[1]	0
Contractor (trade/technical)	9
Contractor (all other)	61
Labour Hire	0
457 Visa	0
Total Workforce[2]	560

1. Hired through Group Training Organisation (GTO)
2. Total workforce is the total people filling open positions including permanent and temporary positions, which includes contractors engaged in roles "as if" they were part of the longer term Sunwater organisational structure, as well as project and alliance related FTEs. It does not include contractors engaged by third parties.

Employment Category	2022-2023 Forecast
Senior executive positions	7
Common law contract positions (excl senior executives)	44
General positions (EA & ASA)[1]	621
Casual positions	0
TOTAL SCI[2]	672
Additional Workforce (non-permanent)	
Contractor positions[3]	32
Apprentice/trainee positions	12
TOTAL WORKFORCE POSITIONS	716[4]

1 This includes positions planned for FY23 and not yet categorised as well as positions on alliances (e.g., Rookwood, Paradise, Burdekin).

2 Total approved positions including all permanent or fixed term positions planned for FY23.These positions may be filled with full or part-time positions. This does not include the five percent vacancy rate. This includes agency contractors who fill a vacant position in the business but excludes contractors engaged by third parties and Group Training Organisation (GTO) shown under the Additional Workforce heading. This equates to 622 FTEs.

3 This includes third party contractors generally associated with project related work.

4. This does not include the five per cent vacancy rate or the time of year for recruitment.

Position	Remuneration Payable (2022-2023) *
Chief Executive Officer	$680,165
Chief Financial Officer	$426,400
Chief Development Officer	$476,848
Chief People Officer	$355,362
EGM Operations	$350,424
EGM Customer and Stakeholder Relations	$332,703
EGM Engineering and Water Resources	$355,000

**As at 1 July 2022 - total fixed remuneration only and reflecting Sunwater's remuneration review.*

These figures have been rounded and are unaudited.

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