



*Rockhampton Regional Council
and
Fitzroy River Water*

Operating Agreement

As at 1 July 2010



1	Intent	1
2	Definitions	2
3	Defining the Nature of the Commercial Business Unit: Fitzroy River Water	3
3.1	Core Business of FRW	3
3.2	Asset Base	3
3.3	Asset Renewals and Replacement	3
3.4	New works and strategic initiatives	3
3.5	Water Allocation(s)	4
3.6	Branding and Public Image	4
4	Defining Key Service Delivery and Operational Functions	4
4.1	Levels of Service.....	4
4.2	Customer Service	4
4.3	Required Return	4
4.4	Capital Works.....	4
4.5	Dealing with External Parties.....	5
4.6	Compliance and Regulatory Reporting	5
4.7	Risk Management	5
4.8	Billing	5
4.9	Water and Sewerage Pricing	5
4.10	Media/Community Engagement	5
4.11	Treatment of Surpluses and Losses	6
4.12	Water Restrictions.....	6
4.13	Delegations and Authorisations	6
4.14	Reporting to Council.....	6
5	Specific Roles and Responsibilities.....	7
6	Service Level Agreements.....	15
6.1.1	Compulsory.....	15
7	Rockhampton Regional Council Policies and Procedures.....	15
8	Preparation and Delivery of a Performance Plan.....	15
8.1	Performance Plan Content.....	15
8.2	Timeframes.....	16
8.3	Approval, adoption and review process	16
9	Compliance Plan Content	17
10	Financial Planning and Reporting	17
11	Performance Management	17
11.1	Quarterly Reporting	17
11.2	Annual Reporting.....	17
11.3	National Performance Report Framework	18
11.4	Incident and Event reporting.....	18
11.5	Auditing and external review	18
12	Variations to the Operating Agreement	19
13	Dispute Resolution	19

1 Intent

The Agreement is between the CEO and Executive Director FRW and will identify what is expected of the various parties and clearly articulate and expand on the roles and responsibilities of those parties namely FRW and Council.

The Agreement will outline the process for planning, monitoring, reporting and managing the performance of water and sewerage services and enable the Council to assess the effectiveness and performance of the service being provided as well as that of the commercial business unit.

The initial operating period for the Agreement will be for 5 years (July 2010 – June 2015). During this period a baseline of performance will be established allowing realistic performance measures to be developed.

2 Definitions

CEO	the Chief Executive Officer of Rockhampton Regional Council
CMDG	Capricorn Municipal Design Guidelines
Council	the Rockhampton Regional Council
CSO	Community Service Obligation
CSS	Customer Service Standards
DERM	the Queensland Department of Environment and Resource Management
DIP	Department Infrastructure and Planning
Executive Director FRW	the Executive Director of Fitzroy River Water
FRW	Fitzroy River Water, Rockhampton Regional Council's commercial business unit for providing water and sewerage services
GIS	Geographic Information System
ICS	Infrastructure Charges Schedule
Mayor	Mayor of Rockhampton Regional Council
NPR	The National Performance Report compiled as part of the National Performance Framework administered by the National Water Commission and Water Services Association of Australia (WSAA)
OCR	the Office of the Corporate Regulator of the Rockhampton Regional Council
Operating Year	the period from 1 July to 30 June in the following year
PIP	Priority Infrastructure Plan
QTC	Queensland Treasury Corporation
ROL	Resource Operations Licence
SAMP	Strategic Asset Management Plan
SLA	Service Level Agreement
The Act	the Local Government Act
The Business	Rockhampton Regional Council's commercial business unit – Fitzroy River Water
The Charter	The Rockhampton Regional Council and Fitzroy River Water Operating Charter as in force from time to time
WSAA	Water Services Association of Australia

3 Defining the Nature of the Commercial Business Unit: Fitzroy River Water

3.1 Core Business of FRW

FRW is an operational entity responsible for the efficient and effective provision of water and sewerage services on behalf of RRC achieved via the devolution of management responsibility of water supply and sewerage assets.

FRW's primary responsibility is for service delivery. To better enable the business to provide agreed levels of service FRW will also be engaged to develop and implement asset management plans, as well as operational policies and procedures, that will ensure service levels of existing assets are maintained, or improved, and whole of life costs are optimised.

3.2 Asset Base

Council is the owner of the assets with FRW having management responsibility to develop and maintain asset management systems and plans that, along with forecast operations & maintenance costs, will allow the business to develop pricing proposals for Council adoption.

To align the business goals and objectives with the assets FRW has operational responsibility to maintain information on the assets and quantify the regulated asset base for the purpose of deriving revenue requirements and developing pricing proposals for Council adoption.

3.3 Asset Renewals and Replacement

FRW is responsible for developing and maintaining appropriate asset registers and procedures to enable asset condition and performance to be monitored and appropriate plans put in place to ensure ongoing performance levels are satisfied.

FRW will prepare the SAMP document detailing operations, maintenance and renewals strategies for existing assets within expenditure guidelines provided by RRC. SAMP will be required to be in line with Council's Long Term Asset Management Plan and Long Term Financial Management Plan. FRW provides SAMP to OCR for review and subsequent presentation to Council for adoption. Significant upgrades will be planned in consideration of proposed new works and strategic initiatives.

3.4 New works and strategic initiatives

RRC responsible for identifying new works required to satisfy growth or expansion of service area and carrying out preliminary planning.

RRC will work with FRW to ensure future areas are adequately serviced; however, ultimate responsibility is with RRC. RRC may engage FRW to assist in this process or engage an external party if FRW advises planning resources are not sufficient. FRW will maintain information on and models of existing infrastructure that can be provided to Planning to allow high level analysis of options for meeting future demands on services to be carried out.

3.5 Water Allocation(s)

Use of Council's allocation above current urban demand fluctuations constitutes new initiatives and as such is the responsibility of RRC. This includes ensuring that reliability of the allocation is appropriately maintained thus retaining suitability for trade.

FRW will identify anticipated demands for the 5 year period detailed in the Performance Plan with RRC ensuring adequate water available, or suitably reliable, to meet new demands. FRW may be engaged to provide technical support or critically review proposals.

3.6 Branding and Public Image

RRC will be the public interface for water supply and sewerage in the Rockhampton region. FRW will be identified as the Council owned entity that operates and maintains water and sewerage assets. FRW is entitled to establish a public brand and promote as such.

4 Defining Key Service Delivery and Operational Functions

4.1 Levels of Service

Council will set desired levels of service in line with overall funding considerations and implications on the long term financial plan. FRW will provide proposed target levels of service to the OCR, as part of longer term plans, for review and benchmarking prior to being presented for Council adoption.

4.2 Customer Service

Council is responsible for the contract and commitment with customers in accordance with CSS. Commercial customers will also have a contract with Council but the service will effectively be provided by FRW on behalf of Council.

4.3 Required Return

Council will identify a target rate of return and dividend it wants from water and sewerage activities. FRW will develop a Performance Plan that will deliver the required returns for Council adoption.

FRW will be as far as possible responsible for driving performance improvements to ensure target dividends are returned. Should FRW consider that in realising the dividend that service levels will be unduly impacted a case is to be made to the OCR for presentation to Council to reconsider the position (eg pricing).

4.4 Capital Works

FRW will deliver water and sewerage related capital works in line with Council approved program of works

An indicative 5 year rolling program to be maintained as part of the Performance Plan with 1-3 years considered to be firm and will incorporate new works identified in the Priority Infrastructure Plan, strategic initiatives and upgrade/replacement works identified in the SAMP.

4.5 Dealing with External Parties

The Executive Director FRW will be provided with suitable delegation and authorisation to fulfil the role.

FRW will represent on relevant industry groups and working parties. FRW will provide advice and recommendations for future planning and/or water allocation reliability to OCR. Issues requiring involvement of the CEO and/or Mayor will be facilitated as required.

4.6 Compliance and Regulatory Reporting

RRC is the registered water service provider with ultimate responsibility for compliance.

FRW will abide by all relevant legislation as well as perform specific functions as detailed in the Compliance Plan. FRW will be responsible for managing the day to day requirements of Council's responsibilities under various licences including the ROL, Environmental Development Approvals and preparing required reports.

FRW is responsible for the development of regulatory reports in accordance with the approved Compliance Plan and delivery on the outcomes of the final approved plans including associated reporting.

The OCR will facilitate Council sign off as required

4.7 Risk Management

FRW through OCR is responsible to prepare corporate level risk information for water and sewerage in adopted Council format.

Operational risk management will be the responsibility of Executive Director FRW to assist with preparation of corporate level risk registers and action plans for OCR review and submission to RRC Corporate Risk Register.

Operational risks are to be adequately identified and assessed by the Executive Director FRW.

4.8 Billing

Bills will be issued and administered by RRC with FRW providing metering information with bills to be issued by and for RRC.

4.9 Water and Sewerage Pricing

FRW will be required to submit forward pricing proposals as part of the 5 year Performance Plan with annual reviews in line with the rating process. FRW proposed pricing for water and sewerage is to be in line with Council objectives. OCR reviews proposals and presents to Council.

4.10 Media/Community Engagement

FRW will be bound by the same process and policies as RRC Departments. For the initial period of *The Agreement*, FRW will be required to coordinate all media interactions through Media and Engagement.

Requirements of the Act to fully engage the community on significant planning issues will be the responsibility of the OCR who may engage FRW to assist and provide advice and recommendations as required.

4.11 Treatment of Surpluses and Losses

Surpluses and losses after dividend and tax equivalents have been forwarded to Council are to be retained in a Reserve for revenue fluctuations unless the Council endorses an alternate treatment of such revenue.

4.12 Water Restrictions

Power to restrict water supply in response to drought is to be devolved to the Mayor. Emergency Powers to restrict water supply will be devolved to CEO.

FRW are required to prepare and monitor the Drought Management Plan and recommend to OCR when restrictions are required to be enforced.

4.13 Delegations and Authorisations

A full list of delegations and authorisations will be maintained in Council's Delegations Register.

4.14 Reporting to Council

FRW will report to Council through the OCR with quarterly meetings of Council and Senior FRW Management to be held in conjunction with the Quarterly Report. Attendance by FRW officers at Council meetings/workshops at other times will be by invitation.

5 Specific Roles and Responsibilities

Task or Function	Task and Function Specific Roles and Responsibilities		
	OCR	FRW	Other Council Department / Section
<p>Long Term Financial Plan</p> <p>Long Term Asset Management Plan</p> <p>Community Plan</p>	<p>Liaison with Financial Services on revenue debt targets etc and preparation of broad objectives for SAMP development including funding limitations and additional QTC/DIP performance measures to be included in <i>the Agreement</i>.</p> <p>Annual brief for FRW to consider when compiling Performance Plan and SAMP reviews if modifications to those contained in the agreement are required.</p> <p>Reviews FRW plans to ensure they are in line with Council's overall objectives and long term plans. Once satisfied present to Council for adoption.</p> <p>Ensure water and sewerage issues are considered and included in broader Council plans</p>	<p>Ensures water and sewerage plans compliment and feed into Council's broader plans.</p> <p>Provide Asset Management Plans and Financial Management Plan for water and sewerage to OCR for review and presenting to Council for adoption.</p> <p>Financial modelling and planning for water and sewerage related activities within bounds set by Council</p>	<p>Financial Services provide OCR with targets for revenue and debt levels.</p> <p>Financial Services review SAMP Financial Plan and feed into Council's long term plan</p> <p>Assets review and include approved asset plans in Council's Long Term Asset Management Plan</p>

Task or Function	Task and Function Specific Roles and Responsibilities		
	OCR	FRW	Other Council Department / Section
<p>Land Use Plans</p> <p>Priority Infrastructure Planning</p> <p>Development Assessment</p>	<p>Ensure interface is maintained and work is done by both FRW and Planning in relation to water and sewerage provision.</p> <p>May prepare specific scope for engaging FRW to carryout a technical review of options and implications for servicing an area.</p>	<p>Monitor existing planning areas and water supply areas. Provide accurate data on existing assets and possibly provide technical review of proposed strategies.</p> <p>FRW to include proposed capital works from PIP in Performance Plan.</p> <p>FRW to review water and sewerage aspects of development applications and calculate charges in line with ICS.</p> <p>FRW inspect new assets for handover.</p> <p>Monitor outcomes of PIP process and have understanding of future direction and PIA and future water supply areas.</p> <p>Consultancy planning work for OCR in line with specific scope of works</p> <p>Provide information for the Infrastructure Charges Register</p>	<p>Planning Section defines future planning areas and plans for trunk infrastructure and ICS.</p> <p>Development Assessment collects Infrastructure Charges and transfers to appropriate reserves.</p> <p>Assets collect as constructed information and maintain GIS</p>
Long Term Reliability of Water Supply	Responsible for ensuring long term water supplies are appropriate for the region.	Provide technical advice to OCR on long term water supplies for the region.	Planning to provide information on any changes to demand projections

Task or Function	Task and Function Specific Roles and Responsibilities		
	OCR	FRW	Other Council Department / Section
Initiatives to improve services to existing areas i.e. sewer new areas, major augmentations to improve service reliability.	<p>Responsible for ensuring preliminary planning is completed (either consultant or FRW) and options and feasibility analysis.</p> <p>Provides proposal for Council adoption in relation to (policy) direction.</p> <p>Issues direction for FRW to include project in forward plan of works.</p>	<p>Provides technical advice and review of proposals.</p> <p>Once approved by Council and included in Long-term Financial Plans etc to be included in FRW Performance Plan for detailed design, construction and operation etc</p> <p>May identify performance improvement options as part of continual improvement process to be put forward to OCR for consideration</p>	<p>Finance provides an economic assessment of proposals.</p> <p>Set up funding arrangements such as benefited areas etc if required</p> <p>Includes an allowance in Long Term Financial plan</p>
Pricing/ Fees and Charges	<p>Obtain fundamental direction on pricing from Council and Finance.</p> <p>Review FRW proposed pricing path</p> <p>Develop special rates and benefited areas proposals for adoption.</p>	<p>Propose pricing proposal for consideration as part of 5 year plan.</p> <p>Allowance for tax equivalents and competitive neutrality requirements</p> <p>Fees and charges developed</p>	<p>Finance to provide targets etc</p> <p>Include in rates and revenues and budget process</p>
Licenses and approvals to operate	<p>OCR reviews Licenses and Approvals and undertakes reporting to Council where required.</p>	<p>FRW negotiates on OCR's behalf and reports to OCR in a timely manner.</p> <p>Operates in accordance with the license and collects and reports data as required. Suggests operational strategies and asset improvements to ensure compliance as part of the SAMP</p>	

Task or Function	Task and Function Specific Roles and Responsibilities		
	OCR	FRW	Other Council Department / Section
Regulatory Plan Development and Approval	OCR reviews plans and presents final plans to Council for adoption.	FRW prepare regulatory plans for approval FRW responsible for implementing actions and reporting in accordance with the Compliance Plan.	
Reporting to Council	Presents reports to Council for adoption. Arranges for expert/peer review of recommendations from FRW as required. OCR facilitates Council approval of major contracts above CEO delegation.	Provide data and Final reports for presentation as per compliance plan.	
RRC Corporate Planning	Ensures that the FRW Performance Plan is consistent with the initiatives in Council's Corporate Plan. Ensures water and sewerage issues are adequately captured at a corporate planning level.	FRW will consider strategies and initiatives in Council's Corporate Plan when compiling its Performance Plan	Reform and innovation compile Corporate Plan and include FRW strategies from Performance Plan in Operational Plan
CSO's	Review objectives of CSO's to ensure required outcomes have been achieved and / or are being progressed. Ensures that all CSO's as proposed by FRW or others are in accordance with the Corporate Plan and included in the FRW Performance Plan. Provides advice to Council on any decision that may result in a CSO.	Implements and monitors objectives as required by the regulations. Identifies initiatives that may be considered to be CSO's for review	Finance reviews costs of CSO's and substantiates the full cost of providing the service

Task or Function	Task and Function Specific Roles and Responsibilities		
	OCR	FRW	Other Council Department / Section
Performance Reporting	Develops framework/templates Sets timeframes Reviews reports from FRW Prepares reports to Council Feedback to FRW	Reports in appropriate format within set timeframes as detailed in Performance Plan	
Regulatory Reporting Co-ordination	Sets timeframes for completion Reviews documentation Prepares reports to Council Submits adopted documentation to Regulator Feedback to FRW	Prepares documentation within set timeframes as detailed in the Compliance Plan	Finance check financial data for accuracy and alignment with long term financial strategy. Planning provide input into long term strategic planning and check alignment with other asset management planning
Auditing	Ensures legislative auditing requirements are undertaken. Identify high risk business functions / activities to be listed on annual audit plan.	Arranges legislatively required audits – SAMP, NPR etc Makes internal operational staff and information available to OCR (reasonably) to provide detailed information as part of audit/review process.	Internal Audit
Compliance plan development and ownership	Prepares Compliance Plan in concert with FRW. Ensures accuracy of Compliance Plan including timeframes for submission to OCR of individual documents / plans Reports on FRW's execution of the Compliance Plan	Undertakes specified actions in accordance with the plan. Updates status of Compliance Plan	
Issue variations to FRW resulting from Council directions	Advise Council on any impaction/cost of Council direction if in addition to adopted framework/budget	Report on any impact that the direction may have on the performance of the business	Finance analysis of cost impacts of Council direction as required

Task or Function	Task and Function Specific Roles and Responsibilities		
	OCR	FRW	Other Council Department / Section
Report to Council on Business Unit performance	Assess actual performance against targets Prepare report to Council Feedback to FRW	Provides performance data against set targets	
Water and sewerage operations	Establish and implement systems to report performance and measure progress against business objectives	Operate all assets in line with adopted standards and legislative requirements. Collect operational information adequate to monitor and measure performance Accurately capture costs involved with operations. Systems in place to preempt possible system failures	Finance to provide adequate corporate systems to capture and report operational costs.
Asset register maintenance and development including GIS	Periodic audits of systems	Ensure all asset information is captured and is reliable and procedures are in place to continually improve asset data set	Assets provide suitable Asset Management software to maintain water and sewerage related assets
Water and sewer system modelling	Periodic audits of systems	Maintain systems and models to confidently represent the system.	GIS to integrate with system models Use model outputs for planning purposes utilising FRW expertise
Develop 10 year SAMP (operations and maintenance and renewals)	Review plan for adequacy Facilitate Council adoption of SAMP	Interrogate asset data and develop renewals and replacement programs that optimise investment	Finance to review against long term financial plan

Task or Function	Task and Function Specific Roles and Responsibilities		
	OCR	FRW	Other Council Department / Section
CMDG/WSAA Code development	Periodic audits of codes and standards being used	Develop construction and design standards suitable for the Regional area and the Business for adoption. Inspect contributed assets to ensure they meet requirements	Planning to ensure standards are imposed on development and enforced.
Data collection and information system maintenance	Periodic audits of system	Operate SCADA and supporting systems to monitor performance and capture data	
Operational Accounting	Periodic audits of system aspects	Capture information and generate reports to track performance	Finance to provide adequate corporate systems to capture and report operational costs
Financial Planning	Review plans and periodic audits	Prepare long term financial plans and model implications of alternative scenarios	
Private works	Periodic audits of system	Prepare quotes and track performance of service provided. Ensure adequate pricing and cost tracking	Review commercial neutrality implications and any issues.
Emergency Response and Business Continuity	Periodic review of document	Prepare adequate plans to ensure essential service is provided. Training in plan requirements. Ensure plans compliment RRC plans	RRC Disaster management plan to consider FRW proposed response and visa versa
Operational Policies and Procedures	Periodic audits/review procedures being used	Develop business specific policies and procedures Ensure policies and procedures complement Council procedures and policies	
Irrigator Management	Periodic audits of systems	In accordance with conditions of ROL	

Task or Function	Task and Function Specific Roles and Responsibilities		
	OCR	FRW	Other Council Department / Section
Dam Safety	Periodic review of plans etc	Inspect and review dams as required and implement appropriate management plans	
Water supply agreements (existing reticulation, special water supply agreements (outside water supply area), commercial customers etc)		Assess and arrange as necessary provided any such arrangements do not adversely impact on Council's adopted CSS.	
Leases and Easements	Review and facilitate with Council (easements)	Maintain all leases and easements required to operate the infrastructure. Identify, recommend and maintain all leases and easements required to operate the infrastructure.	
Trade Waste	Periodic audits of systems	Maintain policies and procedures to protect sewerage system	Plumbing inspectors Notify FRW of new premises potentially requiring trade waste approvals
Connection Information	Periodic audits of systems	Ensure water connection information is collected and accurate	Rates to maintain database of connected properties Plumbing Section to provide rates with timely and accurate connection data
Waste Management	Compliance issues in the SAMP	Plan and manage long term sustainable options for disposal of treatment waste.	Work with FRW where appropriate to ensure compliance.

6 Service Level Agreements

FRW will utilise existing services of RRC; however, if there is an additional cost associated with use of internal services that would not be borne by use of external providers these costs should be identified and the difference accounted for in the financial documents of the commercial business unit.

For the initial 12 months of *the Charter*, FRW will be required to source all services that are currently being provided by RRC through SLA's. In subsequent years FRW will be able to prepare sound business cases to utilise external service providers.

6.1.1 Compulsory

A number of internal services are considered compulsory for FRW to utilise these being:

- Customer Service
- Rates and Revenue
- Corporate systems
- Payroll
- Records Management
- Finance

If FRW consider that by using an internal service the business is being negatively impacted then the Executive Director FRW will prepare a business case clearly defining the costs and operational issues surrounding the internal arrangement and anticipated benefits of using an alternate provider.

(N.B- Criteria will be developed during the first twelve months of the agreement to enable this assessment to be made)

7 Rockhampton Regional Council Policies and Procedures

FRW shall be bound by Council corporate policies and procedures until such time that FRW develops specific policies and procedures that improve its performance. Any such policies and procedures are subject to the proposed policy complementing the Council policy direction and the approval process.

8 Preparation and Delivery of a Performance Plan

The Performance Plan will provide the linkage between the agreement and the delivery of services as well as be the primary tools used to monitor and report on performance of the commercial business unit.

While FRW have the autonomy to deliver the initiatives contained in the Performance Plan any deviation from the plan needs to be reported to the OCR.

8.1 Performance Plan Content

The Performance Plan will be for a rolling period of 5 years and will detail how the objectives identified in *the Charter* and the requirements of *the agreement* will be realised.

The Performance Plan will include a detailed budget for the forthcoming 12 month period (the “operating year”) and fulfil the requirements of an “Annual Performance Plan” as detailed in the regulation with initiatives identified forming part of Council’s Operational Plan.

At a minimum the Performance Plan will document:

- The objectives of the business unit as identified in the Rockhampton Regional Council’s Corporate Plan
- An overview of the nature and extent of the significant business that the commercial business unit is to run.
- Proposed standards and conditions of service and supply including non-financial performance targets.
- Detailed program of works for the operating year as well as a forward plan for the 5 year period.
- Additional initiatives proposed by FRW detailing the objectives of these and how the objectives will be met and associated timeframes.
- How FRW intend to satisfy future demands on services during the life of the plan.
- Anticipated revenue requirements, capital and operating expenses, borrowings and projected returns for council as part of a long term financial plan for providing water and sewerage services (while the Performance Plan will cover 5 years FRW would be expected to maintain a financial plan that extends to 20 years).
- Notional capital structure of the commercialised business unit.
- Pricing proposals for the 5 year period prepared in accordance with defined pricing principles.
- Modified Financial Documents incorporating financial performance targets compiled in accordance with *the Agreement*.
- Any proposals to actively explore new markets with an overview of the initiative and an associated budget allocation to prepare a business case for approval.
- Identify what would be considered to be Community Service Obligations under *the Act* and the proposed costs and ongoing monitoring proposed for these initiatives in line with Councils current Competition and Reform Policy
- The Performance Plan will also list any Service Level Agreements in place between FRW and RRC Departments current at the time or to be developed during the Operating year.
- Reference to Sections of *the Charter* and *the Agreement* that address additional requirements of the Act and regulation in regard to the Annual Performance Plan.

The Compliance Plan will include all timeframes that will be met and incorporate suitable review periods for documents requiring Council approval.

8.2 Timeframes

By the 1st of April each year FRW will prepare and submit to the OCR a Performance Plan prepared in accordance with the requirements of *the charter* and this *agreement*, for the forthcoming period.

8.3 Approval, adoption and review process

After reviewing the OCR will present the Performance Plan to Council for adoption.

Any revisions to the Performance Plan, identified by either party, during the operating year will be presented with supporting information detailing the need for the change as part of the Quarterly Report for Council adoption.

9 Compliance Plan Content

The Compliance Plan will detail all compliance requirements that the Business Unit is required to satisfy and how it intends to achieve this.

Included in the Compliance Plan will be a monitoring and reporting protocol which will detail how the Business Unit will record, compile, monitor, measure and report against the performance indicators and compliance matters relevant to the business and also those identified in this agreement.

10 Financial Planning and Reporting

As an operational entity wholly a part of RRC, FRW will not be required to prepare formal financial statements; however, in accordance with the regulation the financial performance of the business will be measured and monitored against a complementary set of indicators and targets. Those indicators and targets will be identified annually and included in the Performance Plan.

11 Performance Management

Due to the heavily regulated nature of the water industry it is intended that reporting requirements required under *the Agreement* will complement systems and reports required to be generated by existing legislation. In committing to not unnecessarily increase the reporting burden on the Business Unit, the OCR will work with FRW to streamline reporting processes within the first twelve months of *The Agreement's* operation.

To ensure clarity, the compilation of these reports is not to be considered as outside normal business or an additional demand on the business.

11.1 Quarterly Reporting

A quarterly report is to be prepared within 1 month of the end of the reporting period detailing:

- Progress of initiatives identified in the Performance Plan for the previous period.
- Operating Statement for period including income and expenditure
- Summary of compliance with the Compliance Plan
- Provide a forecast and outlook for the next period and identify any departures to the Performance Plan for the operating year and any developments that could materially impact on the longer term direction contained in the Plan.

11.2 Annual Reporting

In accordance with the regulation FRW will report annually to the OCR addressing the following:

- Performance against the Performance Plan
- Summary of compliance with the Compliance Plan

- Community Financial Report
- Outcomes of reviews of the SAMP and CSS and Performance Plan conducted throughout the year.
- Outlook for the period ahead
- Any changes made to the Performance Plan during the Operating Year.
- Directions made by Council to the Business Unit for the Operating year

11.3 National Performance Report Framework

RRC will participate in the NPR reporting process so as benchmarking of services and performance can be carried out against similar organisations around the country. FRW and the OCR will negotiate a sub set of meaningful performance indicators for reporting which will be included in the Performance Plan.

Timeframes for providing reports and conducting required audits will be included in the Compliance Plan

11.4 Incident and Event reporting

FRW will be required to notify the OCR of any significant events or incidents that occur and provide comprehensive and timely information on the cause, implications and measures put in place to rectify the situation both short and long term.

- If reporting is required by legislation the OCR will be advised contemporaneously;
- If a breach of CSS within 2 working days; and
- If a breach of this agreement (and not an above related matter) within 5 working days.

11.5 Auditing and external review

In addition to audits identified as being required under legislation or as a requirement for submitting performance data, the OCR will periodically conduct internal and/or arrange external audits of aspects of FRW operations to promote the concept of continuous improvement.

The OCR, in consultation with FRW and the Internal Audit Section, will develop a risk based program of audits which will be facilitated during the term of the agreement.

The program will highlight areas to be audited and indicative timeframes. No later than 2 months prior to an audit is being scheduled FRW will be provided with confirmation that the audit is to be conducted along with the scope of the audit.

Depending on the nature and scope of the audit proposed a time suitable for all parties will be arranged.

Outcomes of audits will be reported to the audit committee and any improvement opportunities implemented according the relative risks and issue identified.

12 Variations to the Operating Agreement

This Operating Agreement may be varied by mutual agreement in writing by the OCR and FRW with the approval of the CEO.

13 Dispute Resolution

If a dispute arises between FRW and OCR in connection with this Operating Agreement, the GM Organisational Service and the Executive Director of FRW will negotiate and settle the issue. If agreement can not be reached at this level, each party will provide details in writing to the Chief Executive Officer to support their position. The Chief Executive Officer will make a decision in relation to the matter in dispute.