

SOUTH AUSTRALIAN WATER CORPORATION

CHARTER

September 2021

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Charter

South Australian Water Corporation

Part 1: Preliminary

1. Purpose

- 1.1. The purpose of this Charter is to set out the strategic objectives, operational arrangements and financial requirements for the South Australian Water Corporation (the Corporation), as determined by the Government of South Australia.
- 1.2. This Charter has been prepared by the Minister for Environment and Water (the Minister) and the Treasurer, in consultation with the Corporation, pursuant to section 12 of the *Public Corporations Act 1993*.
- 1.3. This Charter should be read in conjunction with the annual Performance Statement prepared in consultation with the Minister and the Treasurer pursuant to section 13 of the *Public Corporations Act 1993*, setting the performance targets that the Corporation is to pursue in the coming financial year.

2. Legislative context

- 2.1. The *South Australian Water Corporation Act 1994* provides the broad framework which specifies how the Corporation operates. These requirements are primarily set out in Part 3 sections 12 to 16 of the Act.
- 2.2. A range of Commonwealth and State legislation, and SA Government policy, is relevant to the administration of the Corporation and its operations, with the most salient to this Charter including:
 - *South Australian Water Corporation Act 1994*
 - *Public Corporations Act 1993*
 - *Water Industry Act 2012*
 - *Essential Services Commission Act 2002*
 - *Cost of Living Concessions Act 1986*
 - *Public Finance and Audit Act 1987*
 - *Public Sector Act 2009*
 - *Public Sector (Honesty and Accountability) Act 1995*
 - *Metropolitan Drainage Act 1935, Linear Parks Act 2006 and South-Western Suburbs Drainage Act 1959*
 - *Code of Ethics for the South Australian Public Sector*
 - *Public Non Financial Corporations Ownership Framework (October 2004)*.

3. Definitions

3.1. In this Charter, the following definitions apply:

Board means the board of directors established as the governing body of the South Australian Water Corporation under the *South Australian Water Corporation Act 1994*

Director means a member of the Board

Minister means the Minister for Environment and Water

Performance Statement means the statement of performance targets that the Corporation must pursue in the coming financial year as specified by the Minister and the Treasurer after consultation with the Corporation under section 13 of the *Public Corporations Act 1993*

the Corporation means the South Australian Water Corporation

the Government means the Government of South Australia

the State means the State of South Australia

Treasurer means the Treasurer for the Government of South Australia

Part 2: Purpose and direction

4. Establishment

4.1. The Corporation is established under the *South Australian Water Corporation Act 1994* and is a statutory corporation to which the provisions of the *Public Corporations Act 1993* apply.

5. Functions of the South Australian Water Corporation

5.1. Pursuant to section 7 of the *South Australian Water Corporation Act 1994*:

- (1) *The Corporation's primary functions are to provide services—*
 - (a) *for the supply of water by means of reticulated systems; and*
 - (b) *for the storage, treatment and supply of bulk water; and*
 - (c) *for the removal and treatment of wastewater by means of sewerage systems.*
- (2) *The Corporation has the following further functions:*
 - (a) *to carry out research and works to improve water quality and wastewater disposal and treatment methods;*
 - (b) *to provide consultancy and other services within areas of the Corporation's expertise;*

- (c) to develop commercially and market products, processes and intellectual property produced or created in the course of the Corporation's operations;
- (d) to advise users of water in the efficient and effective use of water;
- (e) to encourage and facilitate private or public sector investment and participation, whether from within or outside the State, in the provision of water and wastewater services and facilities;
- (f) any other function conferred on the Corporation by this Act, any other Act or the Minister or delegated to the Corporation by the Minister.

5.2. The following functions have been conferred on the Corporation in addition to the functions set out in section 7 of the *South Australian Water Corporation Act 1994*:

- To act as operational agent of the Minister in his capacity as Constructing Authority under the *Murray-Darling Basin Act 2008* (Government Gazette, 16 February 2006, page 566).
- To act as agent of the Minister for the purpose of purchasing water entitlements under the *River Murray Act 2003* (Government Gazette, 23 February 2006, page 735).

6. Governance arrangements

- 6.1. The Corporation owns assets for and on behalf of the Government for the benefit of the State and has the powers of a natural person and any other powers conferred on it by legislation.
- 6.2. The Government, represented by the Minister and the Treasurer, is the owner of the Corporation, acting for and on behalf of the people of South Australia.
- 6.3. The Minister and the Treasurer will prepare and review, an annual Performance Statement, in consultation with the Corporation, pursuant to section 13 of the *Public Corporations Act 1993* for the coming financial year or other period specified in the statement.

7. Functions of the Board

Board powers

- 7.1. The Board is empowered under the *South Australian Water Corporation Act 1994* to make binding decisions for the implementation of that Act.
- 7.2. The Board is authorised to interpret the meaning of this Charter, and to determine any other matter relating to the affairs of the Board and Corporation on which this Charter is silent.

- 7.3. The Board may make recommendations to the Minister and the Minister for Finance regarding improvements or modifications to this Charter.

Board responsibilities

- 7.4. The Board is accountable to the Minister and the Treasurer for the sound management and stewardship of the Corporation and its assets, for and on behalf of its owners, in accordance with the law, and for the attainment of performance targets specified in the Performance Statement.
- 7.5. The Board's key responsibilities are to achieve continued performance improvement and to manage the Corporation to protect the Government's financial interests.
- 7.6. The Board and directors shall fulfil these responsibilities in accordance with relevant Government policy and legislation as outlined in section 2.1 of this Charter.
- 7.7. Consistent with section 17 of the *South Australian Water Corporation Act 1994*, the Chief Executive of the Corporation will be appointed by the Board with the approval of the Minister. The Board is also responsible for setting the Chief Executive's remuneration, contract terms and conditions, and conducting annual and other performance assessments.

Board composition

- 7.8. In accordance with section 12 of the *South Australian Water Corporation Act 1994*, the Board shall consist of six members appointed by the Governor and the chief executive officer of the Corporation.
- 7.9. As provided for in section 8 of the *Public Corporations Act 1993*, a person authorised in writing by the Minister or the Treasurer may attend, but not participate in, any meeting of the Board, and may have access to papers provided to directors for the purposes of the meeting.
- 7.10. In nominating members, the Board will comply with Premier and Cabinet Circular *PC022: Establishment and Governance Requirements for Government Boards and Committees*.

Part 3: Operational matters

8. Commercial operations

- 8.1. For the purposes of section 12 of the *Public Corporations Act 1993*, all operations of the Corporation are commercial operations, except for those operations specified at section 9 below.
- 8.2. The Corporation may undertake other commercial operations within South Australia where such operations:
- support or are ancillary to or utilise by-products of the Corporation's primary operations

- involve water trading to secure supplies or in accordance with the functions in paragraph 5.2
 - relate to research and development to support primary or ancillary operations.
- 8.3. The Corporation may undertake commercial operations outside South Australia, subject to the approval of the Minister and the Treasurer, where such operations:
- support or are ancillary to or utilise by-products of the Corporation's primary operations
 - involve water trading to secure supplies or in accordance with the functions in paragraph 5.2
 - relate to research and development to support primary or ancillary operations
 - relate to commercialisation or marketing of products, processes or intellectual property produced or created in the course of the Corporation's operations.
- 8.4. With the approval of the Minister and the Treasurer, the Corporation may pursue commercial opportunities through subsidiaries, joint venture or other appropriate arrangements, to the extent necessary or expedient to fulfil this Charter.

Fees and charges

- 8.5. The Corporation's fees and charges will be established in accordance with the *Water Industry Act 2012* and any determination issued under the *Essential Services Commission Act 2002*, as detailed in the Corporation's *Fees and Charges Framework – April 2013*. This will include providing for community concessions to certain customers as determined by the Corporation, Minister or Treasurer.
- 8.6. For operations not subject to the *Water Industry Act 2012* or *Essential Services Commission Act 2002*, fees and charges will be established in accordance with the Corporation's *Fees and Charges Framework* and will:
- be at competitive market rates (where appropriate)
 - take into account all operational costs and
 - be compliant with competitive neutrality principles and, to the extent required, National Water Initiative pricing principles.

Asset management

- 8.7. The Corporation will comply with Treasurer's Instructions and other Government policies relating to the acquisition and disposal of assets.

Borrowing and investment activities

- 8.8. The Corporation may borrow funds from the South Australian Government Financing Authority, subject to approval by the Treasurer.
- 8.9. All funds or retained earnings shall be invested with the South Australian Government Financing Authority.

Capital Structure

- 8.10. In accordance with the Government's Financial Ownership Framework for Public Non-Financial Corporations, the Corporation shall maintain a capital structure commensurate with the capital intensity of its operations and the risk profile of its operating revenue and expenses. In addition, consideration will also be given to the:
- impact of alternative asset valuation methods on business value
 - dividend requirements
 - credit rating objectives
 - need for financial flexibility
 - ability to finance approved capital expenditure.

Dividend and tax equivalent payments

- 8.11. The Corporation will comply with Government policies and relevant Treasurer's Instructions on dividend and tax equivalent payments.
- 8.12. In accordance with section 29 of the *Public Corporations Act 1993*, the Corporation will pay to the Treasurer all rates, duties and taxes that would apply if the Corporation was not an instrumentality of the Crown.
- 8.13. In accordance with section 30 of the *Public Corporations Act 1993*, before the end of each financial year the Corporation will recommend to the Treasurer a dividend for that financial year, with the final dividend to be determined by the Treasurer in consultation with the Minister.

9. Non-commercial operations

- 9.1. Pursuant to section 12 of the *Public Corporations Act 1993*, the Corporation's non-commercial operations include those operations that are:
- subject to a community service obligation agreement between the Corporation and a purchasing Minister; or
 - subject to a direction under section 6 of the *Public Corporations Act 1993*, as published in the Government Gazette; or
 - related to the operational responsibility of water and wastewater facilities for identified Aboriginal communities; or
 - agreed by the Minister and the Treasurer to be non-commercial.
- 9.2. In addition to the requirements of section 11 of the *Public Corporations Act 1993*, the Corporation is to undertake non-commercial operations so as to minimise any negative impact on the State.
- 9.3. Non-commercial operations are to be costed and funded in line with Government policy or as determined by the Minister and the Treasurer.
- 9.4. The Corporation may undertake non-commercial operations within or outside the State, subject to the approval of the Minister and the Treasurer.

Part 4: Financial standards and reporting

10. Financial reports, systems and practices

Form and content of accounts and financial statements

- 10.1. The Corporation will maintain financial and accounting processes, practices and systems, and prepare financial statements in accordance with:
- applicable Australian Accounting Standards
 - generally accepted accounting principles and practices
 - all relevant Government policies including Treasurer's Instructions and Accounting Policy Statements (unless specifically exempted) issued under the *Public Finance and Audit Act 1987*.

Accounting and internal auditing systems and practices

- 10.2. The Corporation will establish and maintain effective records of all asset acquisitions and disposals.

- 10.3. The Corporation will establish and maintain effective internal auditing of its operations in accordance with appropriate standards of practice and as required by its Governance, Finance and Risk Committee (or such other Board-appointed committee performing audit committee functions as required pursuant section 31(2) of the *Public Corporations Act 1993*).

Obligations to report on operations

- 10.4. In addition to statutory reporting, the Corporation will provide the following reports to the Minister, the Treasurer, or the Department of Treasury and Finance (DTF) (as appropriate):
- a quarterly report including information on financial performance and financial position, contributions to government, capital expenditure, borrowings, financial and operational performance targets and cash flow
 - annually for the budget planning process, a forward estimates report covering the Budget year and the four out years
 - annual reports on performance against the approved Performance Statement
 - other information as requested from time-to-time by the Minister or the Treasurer.
- 10.5. The Board is obliged to:
- advise the Minister, as soon as practicable, of any development that materially affects the financial or operating capacity of the Corporation or any of its subsidiaries or gives rise to an expectation that the Corporation or any of its subsidiaries may not be able to meet its debts as and when they fall due
 - ensure that all information furnished to the Minister by the Corporation or any of its subsidiaries is accurate and comprehensive
 - provide advice on dividends to Government and dividend returns to Government in accordance with the *Public Non Financial Corporations Ownership Framework (October 2004)*. The Corporation will provide any other information that is requested by the Minister or the Treasurer.

Part 5: Date of operation

11. Date of operation

- 11.1. This Charter comes into operation upon signing by the Minister for Environment and Water and the Treasurer and is binding on the Corporation.



Hon David Speirs MP
**Minister for Environment
and Water**

Date: 29/11/2021



Hon Rob Lucas MLC
Treasurer

Date: 30/11/21



Mr Andrew Fletcher AO
Chair

Date: 1/12/21