



# ENRICHING QUALITY OF LIFE

2018/19 ANNUAL REPORT



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# **OUR PURPOSE**

**Enrich quality of life**

# **OUR VISION**

**We play a valued  
role in enhancing  
the liveability  
of our communities**

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# OUR VALUES

## PARTICIPATION

Activate. Collaborate. Accelerate.

## CUSTOMERS AND COMMUNITY

Listen. Understand. Respond.

## ACCOUNTABILITY

See it. Own it. Solve it.

## SAFETY

Everyone. Everywhere. Every day.

## DELIVER VALUE

Define it. Create it. Deliver it.

## CREATIVITY

Initiate. Create. Inspire.

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# WELCOME

## We are pleased to present Queensland Urban Utilities' Annual Report for 2018/19.

This report provides an overview of our performance between 1 July 2018 and 30 June 2019 and documents our progress against the outcomes specified in our *2023 Corporate Plan* and *2018/19 Operational Plan*.

Our integrated corporate reporting approach means we are able to bring together material information about our operating environment, business strategy, governance, and financial and non-financial performance to demonstrate how we deliver value for our customers and shareholders.

This report has been prepared in accordance with the *Annual report requirements for Queensland Government agencies*, issued by the Queensland Government in May 2019.

The letter of compliance and the compliance checklist can be found on pages 164 and 165.

### READERSHIP

The annual report is intended to provide important information to a broad range of stakeholders including: our customers, current and future employees, our shareholders, government departments and agencies, non-government organisations, and our partners.

### ACCESSING THIS REPORT

This report is available on our website: [urbanutilities.com.au](http://urbanutilities.com.au)

### INTERPRETER SERVICE STATEMENT

We are committed to providing accessible services to our customers and stakeholders from culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, please contact us on 13 14 50 and we will arrange an interpreter to communicate the report to you effectively.



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### TELL US WHAT YOU THINK ABOUT THIS REPORT

#### Visit us at our Head Office:

Level 2, 15 Green Square Close  
Fortitude Valley QLD 4006  
(Monday to Friday 8.00am – 5.00pm)

#### Phone us on:

13 26 57 (8am – 6pm weekdays)

#### Email us at:

[customerservice@urbanutilities.com.au](mailto:customerservice@urbanutilities.com.au)

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### ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Traditional Owners of the lands on which we operate and recognise their continuing connection to land, waters and community. We pay our respects to them and their cultures, and to elders both past and present.

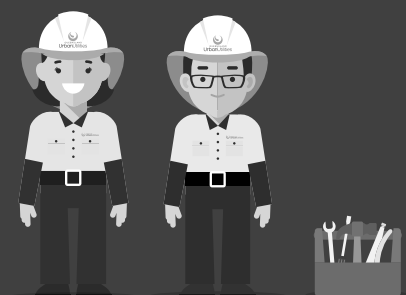


# CONTENTS

<b>About this report</b>	<b>4</b>	<b>Chapter 4: Corporate governance</b>	<b>70</b>
<b>Chapter 1: About us</b>	<b>6</b>	Our governance structure	71
Where we operate	7	Our shareholders	72
Our proud history	8	Our Board	72
Our stakeholders	10	Our Board committees	76
Our strategic direction	12	Our Executive Leadership Team	78
A snapshot of our business in 2018/19	14	Our executive advisory groups	82
<b>Chapter 2: Year in review</b>	<b>16</b>	Our plan for the future	83
Awards and recognition	17	Our controls and assurance	88
Performance snapshot	18	Accountability and transparency	90
Financial summary	20	Other disclosures	91
Calendar of events	22	<b>Chapter 5: Financial performance</b>	<b>92</b>
A message from our Chair	24	Chief Financial Officer's summary	92
A message from our CEO	25	Guide to our Financial Statements	96
<b>Chapter 3: Performance against our strategic direction</b>	<b>26</b>	Audited Financial Statements	98
 Strategic Goal 1: Constructive Culture	28	<b>Appendices</b>	<b>164</b>
 Strategic Goal 2: Foundational Success	40	Compliance letter to Minister	164
 Strategic Goal 3: Environmental Leadership	60	Compliance checklist	165
 Strategic Goal 4: Social & Economic Value	64	Glossary	166
		Index	167

# CHAPTER 1: ABOUT US

**When it comes to delivering water and sewerage services, there's a lot that goes on behind the scenes – and under the ground.**



On 1 July 2010, the Central SEQ Distributor-Retailer Authority, trading as Queensland Urban Utilities, was established as a statutory body under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* and a service provider under the *Water Supply (Safety and Reliability) Act 2008*.

Our shareholders are the councils of Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset, and we are governed by an independent Board (see page 73). We operate in a unique environment where we serve the same customers and communities as our shareholders.

We are responsible for delivering drinking water, recycled water and sewerage services to 587,000 residential properties and 37,000 commercial properties in South East Queensland – that's over 1.5 million customers!

We deliver these services via our \$5.8 billion infrastructure network, the components of which can be seen on page 41.

To enable our core services, we undertake a number of related functions, including:

- future services planning,
- asset planning and management,
- water meter management and billing,
- development assessments and approvals,
- waste management (including trade waste), and
- research and development.

We also operate the SAS Laboratory, which is responsible for providing water sampling services and chemical and microbiological analysis to a range of industries.

## WHERE WE OPERATE

**Our 14,384km<sup>2</sup> geographic area is made up of five local government areas: Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset.**



## OUR PROUD HISTORY

1863



The *Brisbane Water Works Act* was introduced to bring order and improvement to the quality of South East Queensland's metropolitan water supply.

1866



The Enoggera Dam was constructed – the foundation of Brisbane's first safe water supply scheme.

1878



Ipswich Municipal Council became the first council in the state to manage a government-built water supply.

1890



Construction began on the Mount Crosby pumping station, reservoir, and pipeline. This was an important step to help solve Brisbane's limited water supply problem.

1920



Sewering of the Brisbane metropolitan district commenced – the first sewer system with true environmental credentials.

1922

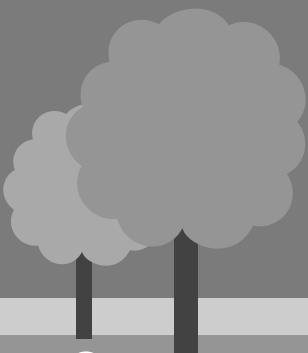


Ipswich City Council began purchasing bulk water from the Mount Crosby scheme.

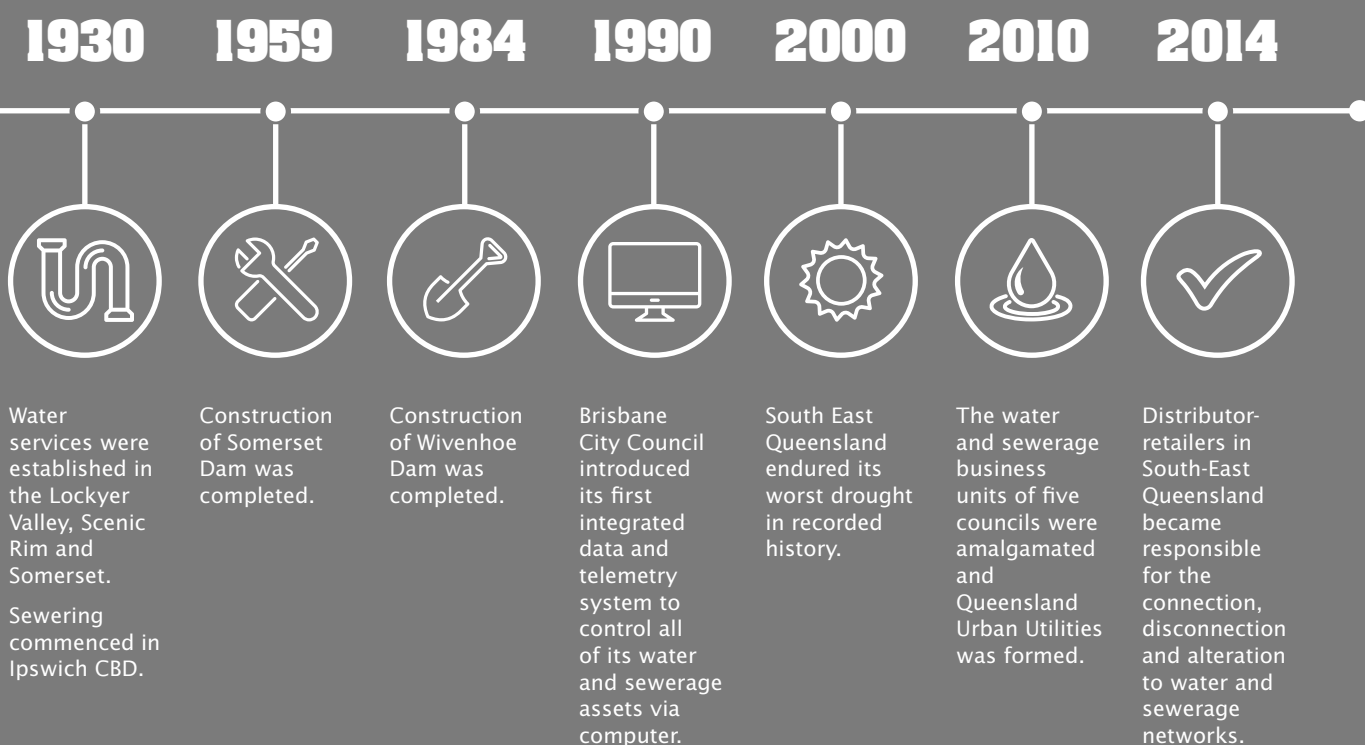
1928



The Metropolitan Water Supply and Sewerage Board was dissolved and the water supply system was transferred to Brisbane City Council.







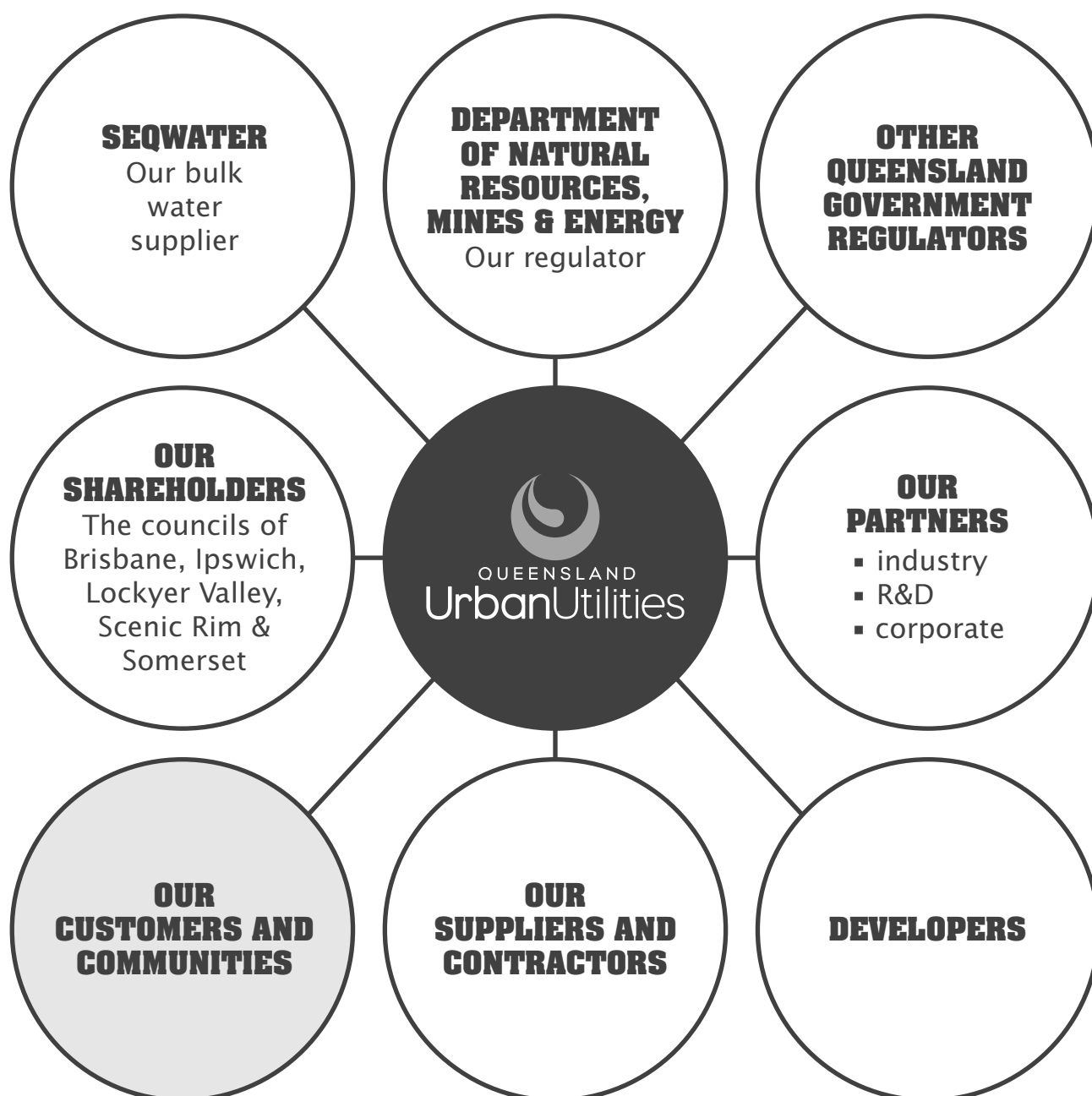
## NOW AND INTO THE FUTURE

The water and sewerage industry will continue to innovate and enrich quality of life.



## OUR STAKEHOLDERS

As a water and sewerage service provider, the important work we do has the ability to directly and indirectly impact a wide range of external stakeholders. Equally, external activities, such as policy changes, elections or local planning decisions, can influence our activities and the way we work. To help prioritise material topics and better address our stakeholders' needs, we engage with them through a wide range of forums.



# HOW WE ENGAGE WITH OUR STAKEHOLDERS

## CUSTOMERS AND COMMUNITIES

### Key interest areas

- Water and sewerage prices
- Public health
- Customer service
- Environmental impact
- Billing
- Financial hardship
- Community relations
- Corporate and charitable support
- Capital works and infrastructure maintenance

### How we engaged

- Contact Centre
- Customer and Community Reference Group
- Printed collateral
- Website
- Social media
- Events
- Focus groups

## SHAREHOLDERS

### Key interest areas

- Strategic direction
- Business performance
- Economic development
- Research and development
- Service and infrastructure delivery

### How we engaged

- Proactive and reactive shareholder relations
- Performance reports
- Shareholder satisfaction survey
- Regional Board meetings and Board Chair communication (monthly)
- Special General Meeting (annual)

## DEPARTMENT OF NATURAL RESOURCES, MINES & ENERGY + OTHER QUEENSLAND GOVERNMENT REGULATORS

### Key interest areas

- Legislative compliance
- Public health
- Environmental management
- Financial management
- Sustainable policy and legislation
- Economic development

### How we engaged

- Executive meetings
- Relationship management
- Advocacy groups
- Steering and working committees

## SEQWATER

### Key interest areas

- Water security
- Water quality
- Bulk water supply

### How we engaged

- Regular meetings
- Strategic regional initiatives

## DEVELOPERS

### Key interest areas

- Customer service
- Research and development
- Infrastructure delivery
- Economic development
- Technical standards
- Planning policy

### How we engaged

- Relationship management
- Industry forums
- Dedicated website portal

## PARTNERS

### Key interest areas

- Collaborative opportunities
- Research and development
- Sponsorship
- Knowledge sharing

### How we engaged

- Forums and events
- Site and facility tours
- Working group membership
- Workshops and meetings

## SUPPLIERS AND CONTRACTORS

### Key interest areas

- Fairness, equity and transparency in awarding work
- Forward visibility of work
- On-time payment of invoices
- Fairness in dealing with unforeseen circumstances
- Compliance with contracts

### How we engaged

- Contract management meetings
- Site visits and audits
- Variation management
- Tenders and expressions of interest

## OUR STRATEGIC DIRECTION

**This year, we launched our 2023 strategic direction, which includes a new vision and revised priorities for the years ahead.**

Since our formation in 2010, our role as a water utility has evolved. While we remain dedicated to our core business of delivering reliable water and sewerage services, we now play a greater role in satisfying society's broader aspirations, such as creating liveable and connected communities, championing environmental health and building our resilience to a changing climate. To reflect this evolution, we have updated our five-year strategic direction, which is further detailed in our *2023 Corporate Plan*.

As part of the process, we reflected on our founding purpose, **Enrich quality of life**, and considered it still relevant and aspirational, which is why it remains unchanged. We did, however, update our vision to encapsulate the social, economic and environmental value we provide to our customers, communities and shareholders.

Effective from 1 July 2018, our new vision is: **We play a valued role in enhancing the liveability of our communities.**

Guiding our actions are four new **strategic goals: Constructive Culture, Foundational Success, Environmental Leadership and Social and Economic Value.**

These goals allow us to focus our day-to-day activities and strategic priorities to ensure we are on track to achieve our purpose and vision.

At the core of our strategy is **customer centricity**. We are committed to giving our customers a voice and including them in our business planning. Every decision we make is viewed through the lens of the customer.

And finally, encircling all of these components is **value**. By delivering the social, economic and environmental outcomes associated with our strategic goals, we are confident that our shareholders, customers and communities will regard us as an organisation that provides value – social, economic, human and environmental.

## OUR PURPOSE

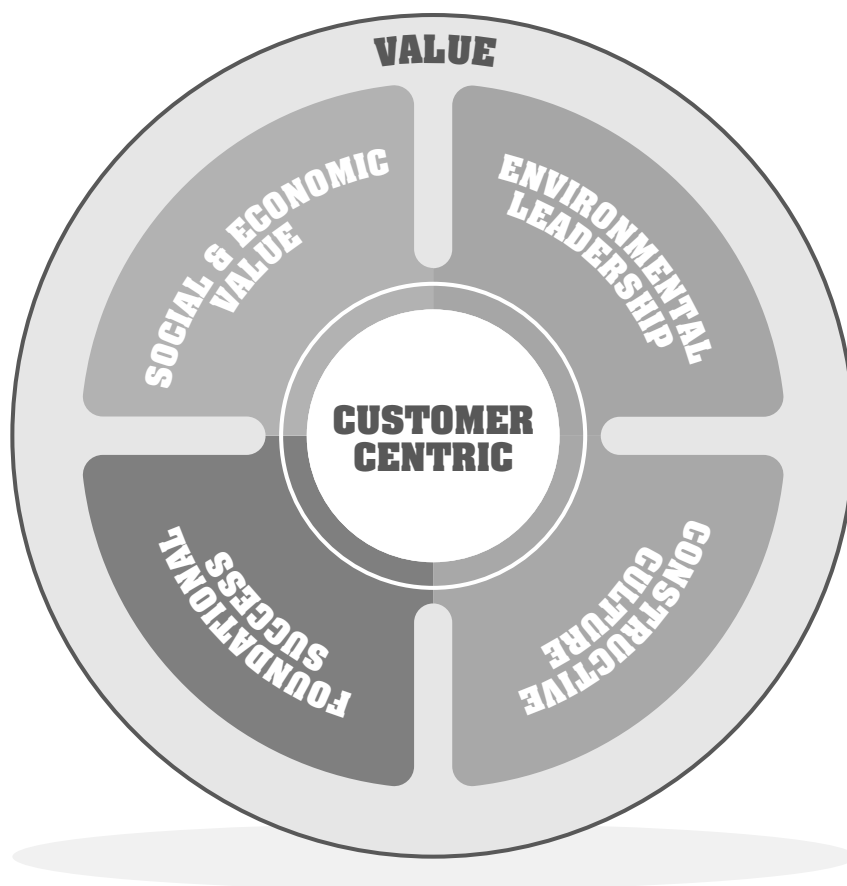
Enrich quality of life.

## OUR VISION

We play a valued role in enhancing the liveability of our communities.

## OUR STRATEGIC STATEMENT

Our strategic direction is underpinned by our commitment to customer-centricity and value creation; every decision we make is considered through the lens of our customer and the value it delivers. As we build on our solid foundations and our constructive culture, we will pursue growth through the development of partnerships that deliver environmental, economic and social benefits. These outcomes will be valued by our customers, communities and shareholders, and enhance the health and amenity of our region.



### CONSTRUCTIVE CULTURE

Our constructive culture is aligned to our purpose and is the foundation of our service to customers and communities.

### FOUNDATIONAL SUCCESS

We have the right foundations and smarter ways of working to deliver predictive and proactive services to our customers and agile and efficient work processes for our people.

### ENVIRONMENTAL LEADERSHIP

We protect, rehabilitate and enhance our environment for our customers and communities by delivering healthy waterways, secure drinking water and resilient communities.

### SOCIAL & ECONOMIC VALUE

We partner and innovate to deliver high-value economic, social and customer outcomes.

# A SNAPSHOT OF OUR BUSINESS IN 2018/19

**1.5 MILLION  
CUSTOMERS**

**137,700ML OF DRINKING  
WATER SUPPLIED**

**115,700ML OF  
SEWAGE COLLECTED,  
TRANSPORTED AND  
TREATED**

**6,900ML OF RECYCLED  
WATER SUPPLIED**



**1,100  
EMPLOYEES**

**\$5.8 BILLION  
ASSET BASE**

**9,476 KM OF  
WATER MAINS**

**9,686 KM OF  
SEWERAGE MAINS**

**10,000 NEW WATER  
CONNECTIONS**

**660,000 UNIQUE  
WEBSITE USERS**

**203,000 PHONE CALLS  
ANSWERED**

**27,600 FOLLOWERS ON  
SOCIAL MEDIA**



**2 MILLION WATER  
METER READINGS**

**81,000 DRINKING WATER  
QUALITY TESTS**

**2,700 DEVELOPMENT  
APPLICATIONS PROCESSED**

**17,500MWH ENERGY  
GENERATED FROM WASTE**

## CHAPTER 2: YEAR IN REVIEW

**This year, we achieved a number of impressive milestones, but not without facing a handful of challenges.**



Our commitment to building an innovative, sustainable and customer-centric business is evident in our performance results for the year ended 30 June 2019. It was a productive year, and we are proud to have achieved all strategic success measures listed in our *2023 Corporate Plan*.

This chapter provides an overview of the year that was and includes a snapshot of our performance against our four strategic goals – each showing a selection of performance highlights, and whether we achieved our strategic success measures.

It also contains a list of our state, national and global accolades, an easy-to-understand breakdown of our financial activity, an outline of our busy events calendar, and messages from our Chair and Chief Executive Officer.

For more detailed information on our performance against our strategic direction, refer to Chapter 3 (page 26). Also in Chapter 3 is an explanation of our strategic success measures and how they are measured.

For an in-depth look at our 2018/19 financial performance, see Chapter 5 (page 92).





## AWARDS AND RECOGNITION

### WINNER

#### **2019 Australasian Reporting Awards**

Gold Award for our 2017/18 Annual Report

#### **2018 Australian Water Association (Queensland) Awards**

Research Innovation Award for UGold – a decentralised technology for the removal and recovery of valuable nutrients from source-separated urine

#### **2018 Utility of the Future Today**

Named an international honouree for exemplifying water sector innovation

#### **2018 Public Relations Institute of Australia Golden Target Awards (National)**

Best Consumer Campaign for The Great Backyard Dunny Search

Excellence in Evaluation and Measurement for The Great Backyard Dunny Search

#### **2018 Public Relations Institute of Australia Golden Target Awards (Queensland)**

Best Experiential Campaign for The Great Backyard Dunny Search

Best Integrated Marketing and Communication Campaign for The Great Backyard Dunny Search

Best Consumer Campaign for The Great Backyard Dunny Search

#### **2019 Mumbrella CommsCon Awards**

Social Media Community Manager of the Year – Lucille Burkitt (Social Media and Content Specialist)

### FINALIST

#### **2019 Australasian Reporting Awards**

Report of the Year for our 2017/18 Annual Report

#### **2018 Australian Water Association (Queensland) Awards**

Program Innovation Award for our Advanced Algae Treatment Program

#### **2019 Digital Utility Awards**

Digital Utility of the Year – Water

Utility Innovator of the Year (Karen Pollock and Margarita Camus)

Young Digital Leader of the Year (Lucille Burkitt)

#### **2019 Mumbrella CommsCon Awards**

Best Campaign with a Small Budget for The Great Backyard Dunny Search

PR Professional of the Year – Michelle Cull (PR and Media Manager)

### HIGHLY COMMENDED

#### **2019 Australian Water Association Awards**

Research Innovation Award for our UGold research trial

#### **2018 IAP2 Australasia Core Values Awards**

Organisation of the Year

## PERFORMANCE SNAPSHOT



### STRATEGIC GOAL 1: CONSTRUCTIVE CULTURE (PAGES 28-39)

#### HIGHLIGHTS & OPPORTUNITIES

- Introduced our new strategic direction
- Measured employee engagement and enablement
- Launched Purpose Day for our employees
- Upgraded our Learning Management System
- Continued to shift our safety mindset
- Hosted Indigenous interns
- Hosted refugees as part of a work placement program



### STRATEGIC GOAL 2: FOUNDATIONAL SUCCESS (PAGES 40-59)

#### HIGHLIGHTS & OPPORTUNITIES

- Launched our first Customer Strategy
- Launched our new sewerage awareness campaign
- Undertook drought preparedness activities
- Launched our first School Water Conservation Program
- Launched the Simpler Billing initiative
- Continued to upgrade our core ICT systems
- Progressed our industry-leading Program Management Approach
- Offset \$1.2M in electricity costs
- Secured federal funds for a new research project
- Employed leak-detecting dogs

#### SUCCESS MEASURES

Constructive culture styles	Not reported this period*
Passive defensive and aggressive defensive styles	Not reported this period *
Employee effectiveness	Achieved ✓

\* Reported biennially

#### SUCCESS MEASURES

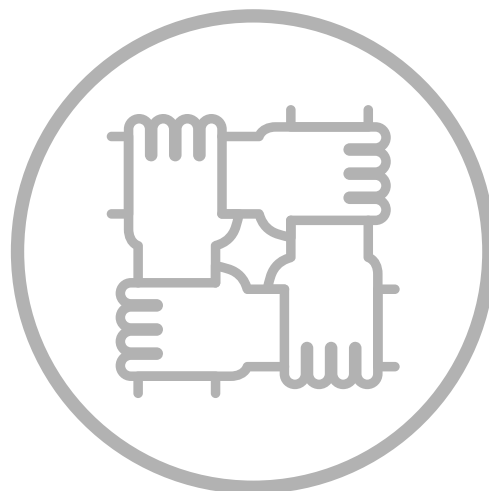
Brand index score	Achieved ✓
Customer experience satisfaction	Achieved ✓
Return on equity	Achieved ✓



### STRATEGIC GOAL 3: ENVIRONMENTAL LEADERSHIP (PAGES 60-63)

#### HIGHLIGHTS & OPPORTUNITIES

- Developed a nature based solution to address wet weather overflows
- Implemented a quality control system for our recycled water
- Decreased the volume of nutrients we discharged into waterways



### STRATEGIC GOAL 4: SOCIAL & ECONOMIC VALUE (PAGES 64-69)

#### HIGHLIGHTS & OPPORTUNITIES

- Improved our understanding of how we deliver value to communities
- Hosted Hardship and Vulnerable Customer Forums
- Commenced our reconciliation journey
- Supported various charities through fundraising and sponsorship
- Investigated new solutions to turn waste into valuable resources

#### SUCCESS MEASURES

Reduced nutrient discharges	Achieved	✓
Greenhouse gas emissions	Achieved	✓

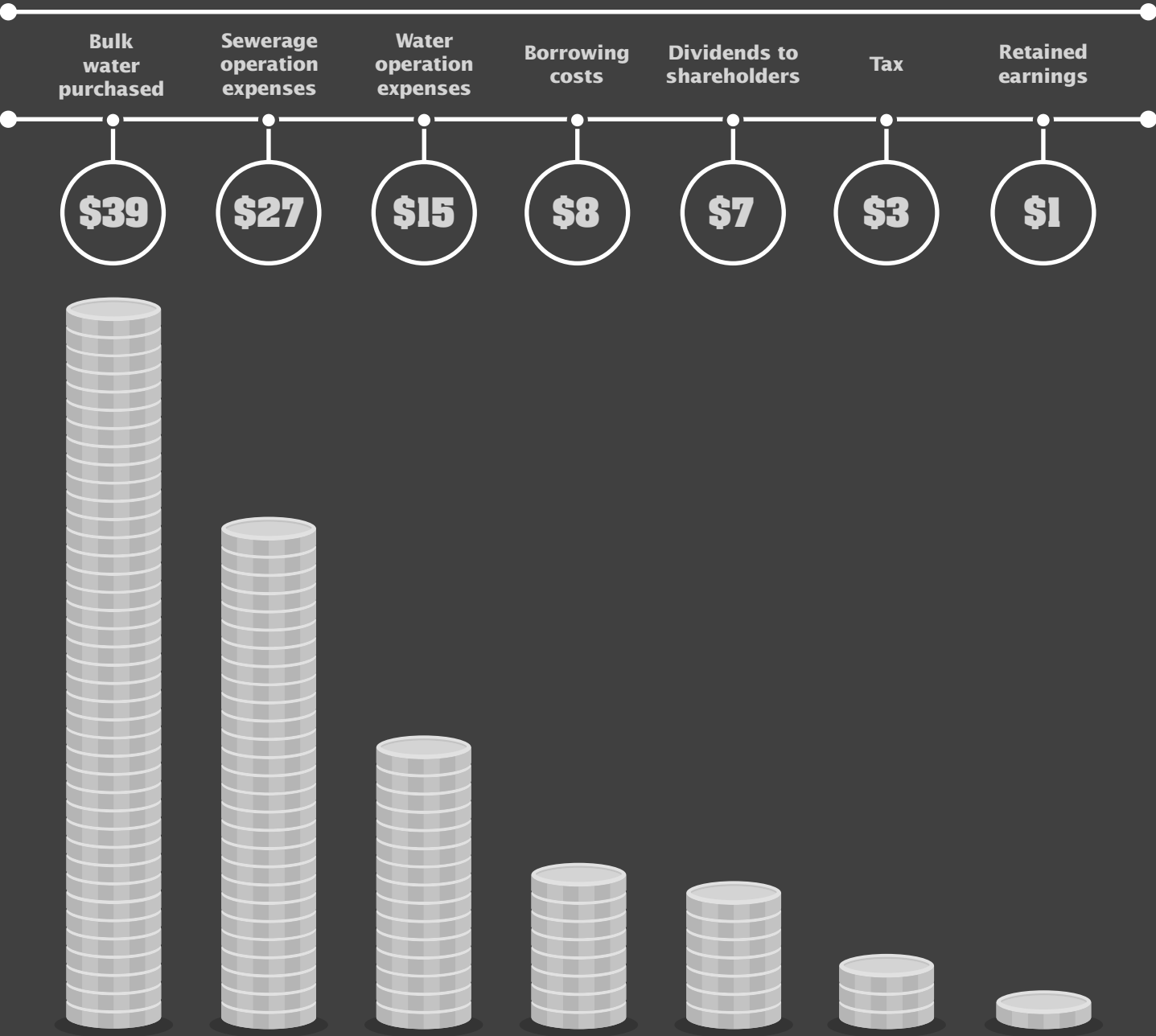
#### SUCCESS MEASURES

Corporate reputation index	Achieved	✓
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# FINANCIAL SUMMARY

## Where your \$100 went...

The majority of revenue we received from customers was directly applied to the water and sewerage services we provided to them. For every \$100 we received from our customers for utility charges<sup>1</sup>, here's how we used it in 2018/19<sup>2</sup>.

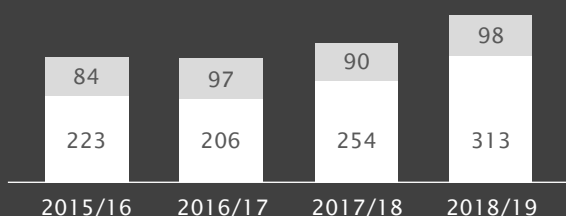


<sup>1</sup> Utility charges represent the ongoing charges and sundry fees relating to our water and sewerage services. It excludes contributions received from developers that finance part of our Capital Infrastructure Program.

<sup>2</sup> The Statement of Comprehensive Income on page 99 represents our total revenues and expenses. The representation shown above is an approximation of total costs allocated against utility charges to demonstrate how this revenue is used.

### Capital investment (\$m)

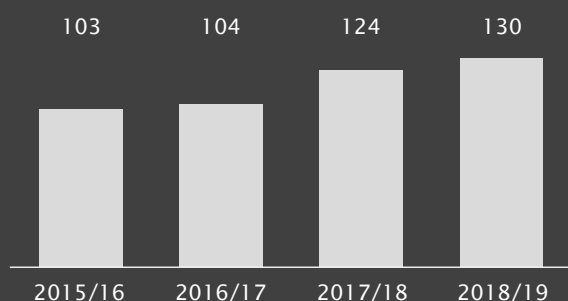
■ Our investment in capital  
■ Capital provided by developers



### INVESTING IN THE FUTURE

We continue to invest in infrastructure and systems to ensure we can meet the evolving needs of our customers and enhance our growing communities. This year, we saw a slight increase in developer contributions, and also invested an additional \$59 million in our Capital Investment Program.

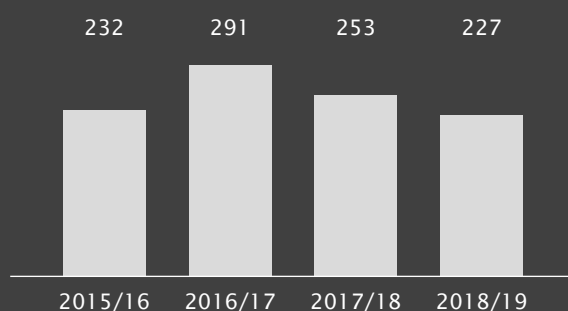
### Operating profit before tax and capital revenues (\$m)



### BUILDING A SUSTAINABLE BUSINESS

Our prudent and efficient method of operating means we are able to support the needs of our customers and communities while remaining a sustainable and profitable business. This year, we increased our operating profit by 5%.

### Net profit after tax (\$m)



### DECLINING DEVELOPER CONTRIBUTIONS

This year, we saw a 10% reduction in our net profit after tax, which can largely be attributed to the \$44 million decrease in developer contributions (capital revenues). This fall was driven by a reduction in the number of high-density inner-city apartment projects approved and completed within the Brisbane region.

## CALENDAR OF EVENTS

**This year, we championed a range of community and corporate events and initiatives through participation, sponsorship or in-kind donations. The following is a snapshot of the events we supported in 2018/19.**

### JULY 2018

- Had a presence at the Scenic Rim Winter Harvest Festival where attendees could fill up their reusable water bottles at our Hydration Station and be entertained by The Water Warriors.
- Supported the 2018 Healthy Land and Water Awards by sponsoring the Environmental Stewardship Award category.
- Supported the Somerset Rail Trail Fun Run by distributing drinking water and reusable water bottles.
- Sponsored the Peaks to Points Festival, which celebrates the efforts of local governments and their communities to care for creek catchments.

### AUGUST 2018

- Hosted a stand at the EKKA where we introduced our new sewerage awareness campaign, 'What's a No.3?' Over the 10 days, we engaged with and educated thousands of customers, and distributed over 17,000 reusable water bottles to prevent the purchase of single-use bottles.

### SEPTEMBER 2018

- Supported the biannual Green Heart Fair (Brisbane's leading sustainability event) in Carindale where we promoted our 'What's a No.3?' campaign and distributed reusable water bottles.
- Had a presence at the Laidley Spring Festival where we distributed reusable water bottles and offered fresh water from our Hydration Station.

### OCTOBER 2018

- Sponsored the Somerset Mayoral Gala Charity Ball, with all money raised going to support those suffering from disability, homelessness or trauma in the Somerset region.
- Sponsored the Brisbane City Council Cleaner Suburbs Awards.
- Supported the Department of Education and Training by having a presence at the 2018 Showcase Awards for Excellence in Schools.

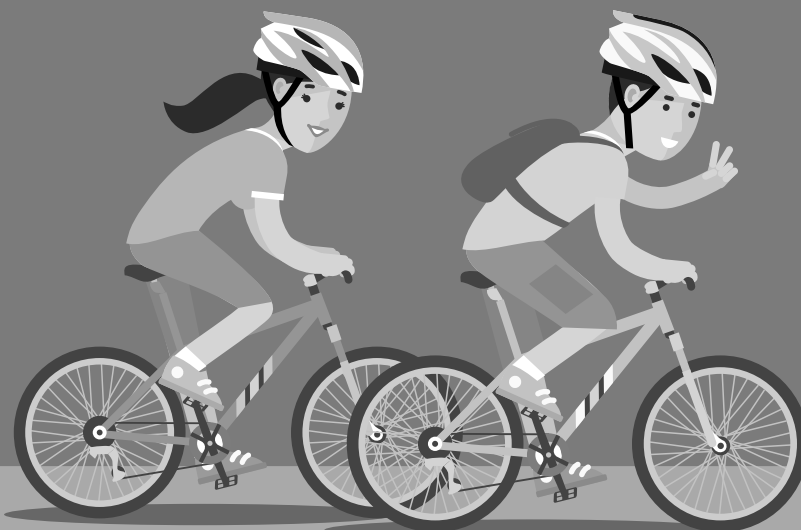
- Sponsored the Product Innovation Category at the Lord Mayor's Business Awards.
- Supported the inaugural Women in Digital Awards by sponsoring the 'Making a Difference' category.

### NOVEMBER 2018

- In partnership with the University of Queensland's Advanced Water Management Centre, we hosted the 2018 International Water Association Nutrient Removal and Recovery Conference.

### DECEMBER 2018

- Proudly sponsored the 2018 TEDxBrisbane event.



## FEBRUARY 2019

- Hosted a Queensland WaterAid Ball event to highlight the vital work performed by WaterAid and encourage industry participants to purchase tickets to the ball in August.
- Hosted a tour of our Innovation Precinct for students of Kelvin Grove College.

## MARCH 2019

- Hosted a community planting day in Carindale to regenerate one of our construction sites.
- In collaboration with Tangalooma EcoMarines, we supported Clean Up Australia Day by sharing our Turn to Tap messaging and distributing free reusable water bottles.
- Supported the UN Women Brisbane International Women's Day 2019 breakfast.
- Sponsored the 2019 Digital Utility Awards, which recognises the utility industry's achievements in the digitisation of utility networks, processes and practices across Australia.

- Hosted a stand at the University of Queensland's Careers Day where we promoted our Graduate Programs.
- Had a presence at the World Science Festival in South Bank where we gave children the opportunity to observe a variety of water bugs and learn how these bugs can indicate the health of a waterway.

## APRIL 2019

- Hosted a tour of our Oxley Resource Recovery Centre for students of Islamic College of Brisbane.

## MAY 2019

- Supported Tangalooma EcoMarines' Corporate Clean Up Day.
- Promoted our Turn to Tap campaign by distributing free drinking water and reusable water bottles to participants in the Mother's Day Classic fun run.

- Continued our ongoing annual sponsorship of the Ipswich Red Shield Appeal.
- Sponsored the Girl Shaped Flames Industry Ignite Program, which focuses on empowering the next generation of female frontrunners, entrepreneurs and creative minds.

## JUNE 2019

- Had a presence at the Green Heart Fair in Chermside where we distributed reusable water bottles and promoted our "What's a No.3?" campaign.
- Supported the MS Brissie to Bay bike ride by giving riders free reusable water bottles and offering fresh water from our Hydration Station.



## A MESSAGE FROM OUR CHAIR



### REFRESHING OUR STRATEGIC DIRECTION

Since our formation in 2010, our role as a water utility has evolved. While we remain dedicated to our core business of delivering reliable water and sewerage services, we now play a greater role in satisfying society's broader aspirations, such as creating liveable communities and championing environmental health. To reflect this evolution, we have refreshed our strategic direction, which includes a new vision and four new strategic goals. These are discussed further on page 26.

### EXPLORING NATURE BASED SOLUTIONS

One of our strategic goals is Environmental Leadership, the focus of which is to further reduce our impact on waterways and the broader landscape by working in harmony with the environment.

This is best exemplified by our work on the Cannery Creek project, which is adopting a 'whole of catchment' approach that delivers multiple benefits.

Rather than building larger, more expensive pipes to mitigate occasional wet weather overflows in the area, we are proposing a cost-effective nature-based solution in the form of a constructed wetland, which will naturally treat the overflow water before it enters the creek.

You can read more about this innovative and sustainable project on page 62.

### SUPPORTING POPULATION GROWTH

As the custodian of our region's water and sewerage networks, we are committed to providing services that are sustainable, affordable, reliable and resilient for our customers, now and into the future. This year, we were proud to invest \$268.6 million in new and upgraded infrastructure across our service territory.

One of the major projects we progressed was the \$55 million Bulimba Creek Sewer Catchment Upgrade which, once fully completed, is expected to accommodate population growth for at least another 50 years.

Turn to page 44 to view a list of our major infrastructure projects.

### ACKNOWLEDGEMENTS

On behalf of the Board, I convey my thanks to our shareholders for their ongoing support. I would also like to thank Louise Dudley, the Executive Leadership Team and all employees for their commitment to delivering on our purpose and vision.

This year, we bid a fond farewell to our outgoing Board Chair, Geoff Harley, who is the epitome of a gracious leader. Under his stewardship, Queensland Urban Utilities has evolved into a customer-centric, innovative and sustainable business, all of which are hallmarks of an industry-leading utility.

On behalf of the team at Queensland Urban Utilities, I thank Geoff for his valuable service and wish him every success in the future.

A handwritten signature in dark ink, appearing to read 'Bronwyn Morris'.

**Bronwyn Morris**  
Chair



## A MESSAGE FROM OUR CEO



### **BUILDING STRONG CUSTOMER RELATIONSHIPS**

We are dedicated to understanding our customers and responding to their evolving needs and expectations. This year, we launched our enterprise Customer Strategy, which will guide us to build long-term, meaningful customer relationships based on trust, value and respect. An example of our planned initiatives can be seen on page 47.

The strategy may be in its infancy, but our focus on customer centricity is firmly embedded. This year, we were proud to achieve 90% of our Customer Service Standards (page 42), exceed our Customer Experience Satisfaction target (page 46) and record our highest number of customer commendations since formation.

### **VALUING DIVERSITY AND INCLUSION**

Research consistently suggests that diversity plays a key role in an organisation's success. With this in mind, we continue to foster a culture where difference is respected and tolerated,

and where individuals' contributions, knowledge, skills and experience are valued and encouraged.

Guided by our Diversity and Inclusion Strategy, we have delivered a number of initiatives over the past 12 months. For example, we hosted seven Indigenous interns, supported a 12-week work placement program for refugees and began developing our first Reconciliation Action Plan. You can read about these and other diversity and inclusion initiatives on pages 38 and 39.

### **DRIVING INNOVATION THROUGH PARTNERSHIPS**

We are committed to innovating for a better future, which is why we are partnering with industry and universities to undertake valuable research.

This year, bolstered by \$1.4 million Commonwealth grant, we launched a major collaborative research project, which has the potential to transform the way we treat sewage in rural areas (page 54).

We also joined forces with a local technology company to test the ability of a remote operated vehicle to inspect the condition of our assets. This technology trial is the result of our partnership with WaterStart – a Nevada-based company that brings global leaders together to accelerate water technology, research and expertise (page 57).

### **ACKNOWLEDGEMENTS**

I would like to take this opportunity to thank the Board, the Executive Leadership Team and each and every employee for their commitment to enriching the quality of life for our customers and communities. I would specifically like to thank Geoff Harley for his service over the past seven years, and wish him all the best in his future endeavours.

A stylized, handwritten signature in black ink, belonging to Louise Dudley.

**Louise Dudley**  
Chief Executive Officer

## CHAPTER 3: PERFORMANCE AGAINST STRATEGIC DIRECTION

**Our four strategic goals are vital to the ongoing success of our business. They inform the way we prioritise, plan and deliver our products and services, and are the basis of our performance reporting.**

### STRATEGIC GOAL 1

#### CONSTRUCTIVE CULTURE

Our constructive culture is aligned to our purpose and is the foundation of our service to customers and communities.

### STRATEGIC GOAL 2

#### FOUNDATIONAL SUCCESS

We have the right foundations and smarter ways of working to deliver predictive and proactive services to our customers and agile and efficient work processes for our people.

### STRATEGIC GOAL 3

#### ENVIRONMENTAL LEADERSHIP

We protect, rehabilitate and enhance our environment for our customers and communities by delivering healthy waterways, secure drinking water and resilient communities.

### STRATEGIC GOAL 4

#### SOCIAL & ECONOMIC VALUE

We partner and innovate to deliver high-value economic, social and customer outcomes.

This year, we introduced a new strategic direction (see page 12), which includes four new strategic goals: Constructive Culture, Foundational Success, Environmental Leadership and Social and Economic Value. It should be noted that their sequencing is purposeful; the success of one goal bolsters our ability to deliver the next. The links between each goal will become clear as you read through Chapter 3 (specifically, the introduction on each goal on pages 28, 40, 60 and 64).

Under each goal are a number of strategic objectives, with 14 in total. These objectives signify what we want to achieve. Throughout Chapter 3, each story will be marked with the relevant objective/s, with some spanning multiple goals.

#### Strategic objectives:

- SO1: Continue to build our constructive culture
- SO2: Drive and reward high performance
- SO3: Enhance the employee experience by streamlining accountabilities
- SO4: Empower people as the solution

SO5: Deliver a fit for purpose range of water products

SO6: Improve how our customers trust and value our services

SO7: Renew and transform our asset management to deliver improved reliability and value for customers

SO8: Pursue long-term financial sustainability, focusing on affordability for customers, value for our communities and returns for our shareholders.

SO9: Reduced nutrient discharge, improving our waterways

SO10: Improved water cycle management, enabling a more secure water supply

SO11: Reduced greenhouse gas emissions, enabling healthier communities

SO12: Partnerships delivering more liveable and connected communities

SO13: New and revised products and services

SO14: Converting waste to resources



### WHAT'S INCLUDED IN THIS CHAPTER?

Chapter 3 summarises our performance against the program of work we committed to in our *2018/19 Operational Plan*, which supports our overarching *2023 Corporate Plan*.

The chapter is divided into four parts, each representing a strategic goal. Under each goal you will find:

- Year-on-year reporting against our **strategic success measures**. These quantitative measures reflect the outcomes we want to achieve by 2023. By setting short-term targets, we are able to assess our progress and ensure we are on the right track to achieve our long-term goals.
- Reporting against our **strategic objectives** in the form of brief storytelling. Strategic objectives are the specific outcomes we want to achieve under each goal.
- A deep-dive into various subjects in the form of detailed **case studies**.

Each section also includes goal-specific reporting and facts and figures.



## STRATEGIC GOAL 1: CONSTRUCTIVE CULTURE

**Enriching quality of life starts with employing the right people – people who are purpose-driven and care about providing the best products and services for our customers and communities. It is vital they have clarity on how their role aligns to our purpose, and that they feel engaged, enabled and rewarded. If we take care of our people, they will take care of our business.**

### PERFORMANCE SUMMARY

- Hosted our first Purpose Day, giving employees the chance to give back to the community.
- Continued to deliver Safe. Simple training – a bespoke program designed to change the collective safety mindset.
- Hosted seven interns identifying as Aboriginal or Torres Strait Islander.
- Launched a new Learning Management System to enhance our employees' learning and development.
- Experienced a slight decline in our employee engagement and enablement scores; however, met our overall effectiveness target.

### OUR FOCUS FOR 2019/20

- Transform the leader and employee experience by introducing a strategic Human Resource Information System.
- Develop and implement an internal communications framework that engages leaders and employees with our culture transformation, business strategies and organisational change objectives.
- Develop and implement an approach that integrates our health and wellness objectives into more workplace activities and practices.

# 92%

**OF EMPLOYEES  
BELIEVE THEIR  
WORK AREA IS  
SAFE**

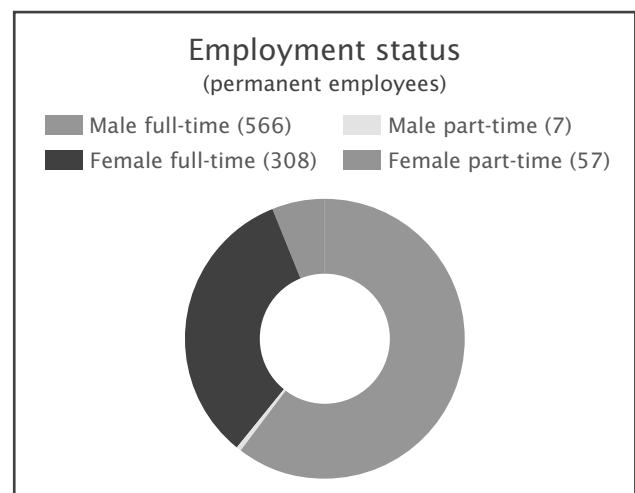
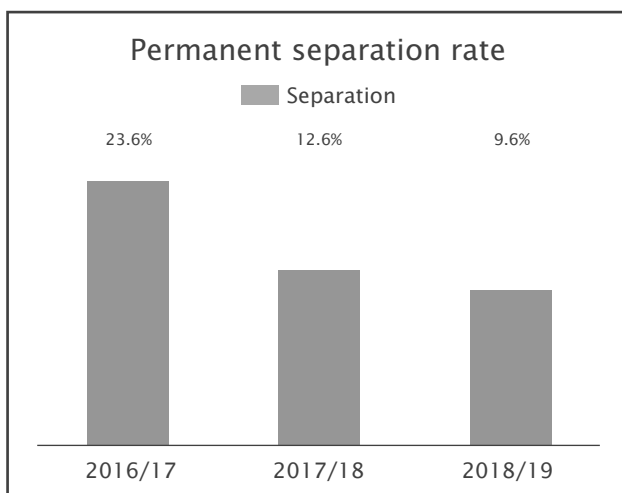
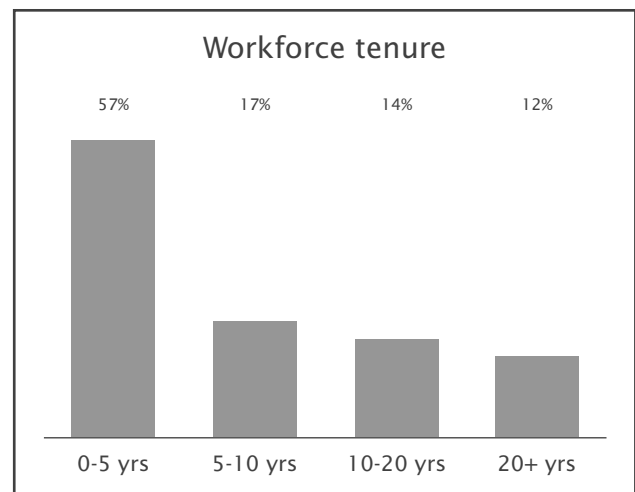
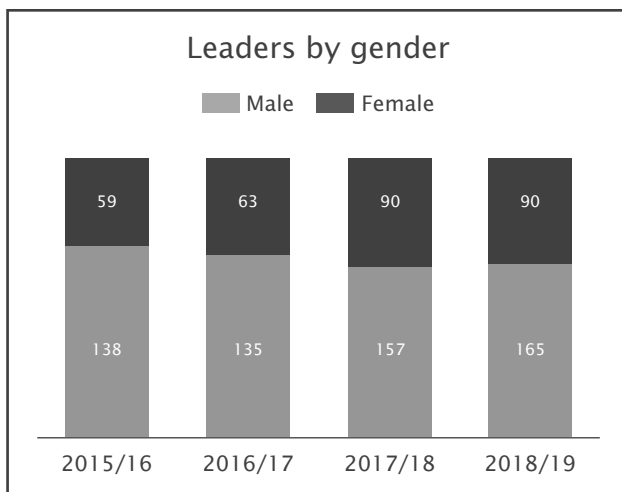
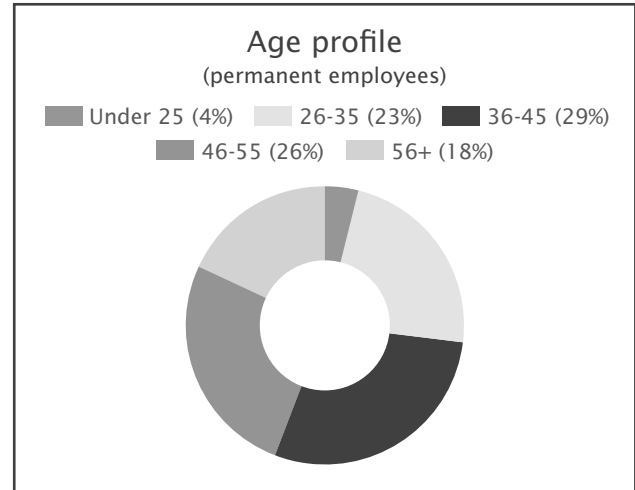
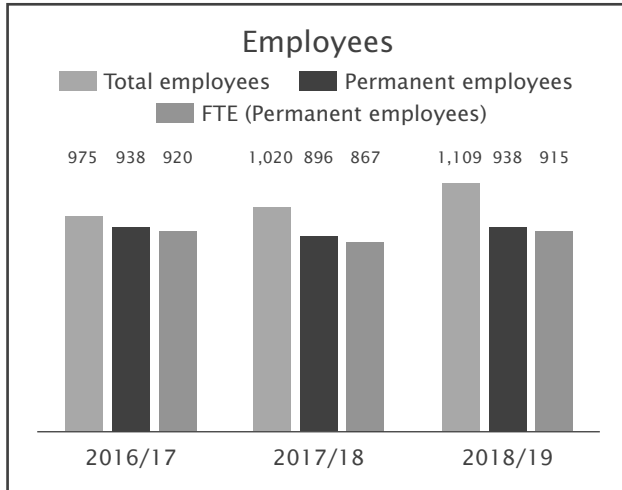
# 87%

**OF EMPLOYEES  
FEEL THEY ARE  
TREATED FAIRLY  
AND WITHOUT  
DISCRIMINATION**

# 87%

**OF EMPLOYEES  
UNDERSTAND THE  
RESULTS REQUIRED  
OF THEM**

## OUR WORKFORCE PROFILE



## OUR WORKFORCE

### Our workforce profile

In 2018/19, our total workforce (1,109) comprised a range of professional and trade roles in permanent full-time, permanent part-time and casual capacities, and included employees on enterprise and individual employee arrangements. This figure excludes agency resources who were employed on a short-term basis to meet ad-hoc business needs. The figure was a slight increase on 2017/18. This related to employment of resources to support the delivery of the capital and information and technology programs and key infrastructure and billing transformational programs.

Of our permanent employees, 93% were employed in full-time roles, while 6% of our female permanent employees and slightly less than 1% of our male permanent employees were employed in part-time roles, demonstrating our support of flexible working arrangements.

Research continues to prove that diversity is essential for any organisation to grow and prosper. In a typically male-dominated industry, we boast distinctly higher female leadership representation than the industry norm of 22.9%. In 2018/19, 35% of all leaders were female, while 40% of our Executive Leadership Team was represented by women. Our commitment to attracting and retaining quality female talent is illustrated by our partnership with Work 180 (previously Diverse City Careers) – a unique jobs board that exclusively supports companies with female-friendly policies, such as paid parental leave, pay equity and flexible working arrangements. Other diversity and inclusion initiatives are detailed on pages 38 and 39.

During 2018/19, our workforce profile by age and tenure remained fairly consistent, with marginal movement in each category. The majority of our employees were aged between 36 and 45 years old, and over half of our workforce had been employed with us for less than five years.

Finally, our retention rate (90.4%) increased by 3.1 percentage points, while our separation rate (9.6%) decreased by 3 percentage points.

### Industrial and employee relations

Under the *Fair Work Act 2009 (Cth)*, we operate to three enterprise agreements:

1. Administration and Technical Enterprise Agreement 2017
2. SAS Laboratory Employees' Enterprise Agreement 2017
3. Operations and Field Services Enterprise Agreement 2018

All Enterprise Agreements were negotiated using an approach that optimised employee engagement and was reflective of our values and culture. The agreements provide our employees with specific terms and conditions, and support our aspiration to become a 'utility of the future'.

### Our values

Our values are the foundation of how we work. To achieve our purpose and vision, we must embrace our values in all that we do (see page 3).

### Code of Conduct (*Public Sector Ethics Act 1994*)

All Queensland Urban Utilities employees are expected to maintain the highest ethical standards and conduct themselves in a way that reflects our values, policies and legal obligations.

Our Code of Conduct is the foundation on which we will continue to build a positive and constructive culture. Prepared in accordance with the *Public Sector Ethics Act 1994*, our Code of Conduct sets the minimum standard of behaviour for how employees should behave and carry out their duties.

Our Code of Conduct was reviewed in 2014/15 and includes direct alignment to our values.

### Official misconduct

Matters that raise a suspicion of corrupt conduct are referred to the Crime and Corruption Commission. Where necessary, investigations are undertaken, with outcomes reviewed and monitored.

### **Promoting a work/life balance**

We continued to promote work/life balance for our employees by offering a range of options, including:

- flexible work arrangements, such as nine-day fortnights,
- staggered working weeks/fortnights and part-time work arrangements, job sharing arrangements, flex-time and time off in lieu is utilised to benefit both employees and the business,
- the ability for employees to work from home or alternative workplaces, while electronically maintaining a presence in their primary office, and
- access to various paid and unpaid leave arrangements.

### **Workforce planning, attraction and retention**

Queensland Urban Utilities has a strong focus on attracting and retaining talent that aligns with both current and future skills requirements. To help us achieve this, we have:

- insourced a dedicated Talent Acquisition team,
- established a graduate program,
- continued to deliver our Diversity and Inclusion Program (see page 38) and
- introduced a new Learning Management System (see page 36).

These initiatives, to name a few, will enable us to continue building our constructive culture and foster a workforce that is reflective of the communities we serve.

The Talent Acquisition team, which was insourced in 2017/18, continues to deliver significant cost efficiencies for our business. The team is focused on ensuring team leader involvement in all aspects of the recruitment process, with a focus on both the cultural fit and overall skills and capability of candidates. In 2018/19, 241 roles were filled, with 65% percent of the appointments made externally and 35% filled by current employees.

Over the next two decades we can expect that technological advances and automation will impact the way our business is structured and how work is designed. Additionally, as the world's population ages and the retirement age continues to shift, we can expect to see people staying in jobs longer and a more diverse workforce with varied capabilities and capacity for reskilling and training.

Through investment in technological improvements, the People and Safety group will be able to gather and analyse current employee skills and measure these against future requirements. Employees will be encouraged to champion their own career development and seek out mentoring and development opportunities with their colleagues. Work is also underway to identify how we can improve the systems and processes that have the highest impact on our employees and have the potential to significantly help or hinder their performance.

Many of our current initiatives, including a major investment in digital and technology across the business; specific investment in human resources technology, including talent management and training and development; innovation programs; leadership development and our ongoing work on organisational culture and a purpose driven business; will support the ability to meet our future talent requirements.

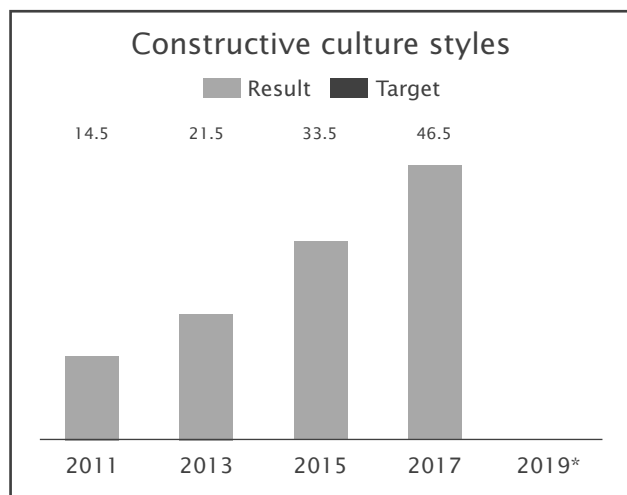
### **Health and safety committees**

Our health and safety (H&S) structure was specifically designed to support consultation and communication on H&S issues across our organisation. We have achieved this by ensuring that all work groups have access to a safety committee or advisory group, and at least 50% of our committee members are employee-nominated representatives.

The committee structure has two distinct layers:

- **Strategic Safety Group:** An executive committee that sets the strategic direction for all of our H&S initiatives and is responsible for creating and embedding our safety culture.
- **Line Committees:** These committees bring together Health Safety Representatives (HSRs), employees and leaders to discuss safety issues, and are responsible for implementing best practice safety solutions for their work groups. The line committees include:
  - Office Administration/Safety Committee
  - Operational Safety Committee
  - Petroleum and Gas Advisory Group
  - Electrical Safety Advisory Group
  - Delivery Partner Working Group

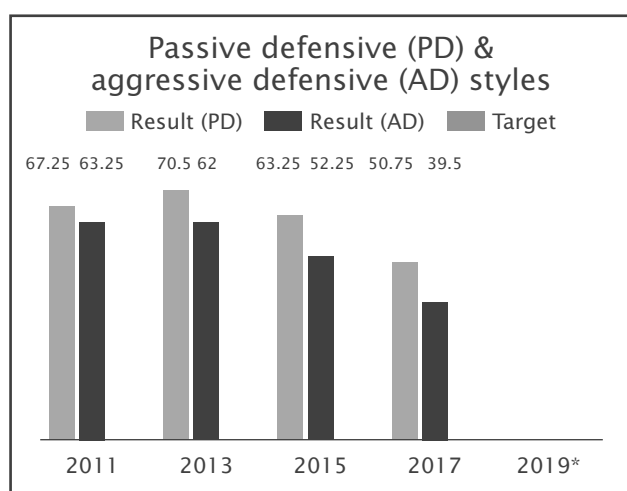
## PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES



### STATUS: NOT REPORTED THIS PERIOD\*

Constructive styles encourage people to approach tasks and interact with others in ways that meet their needs for satisfaction and growth. They promote teamwork and synergy, and enhance individual, group and organisational adaptability and effectiveness.

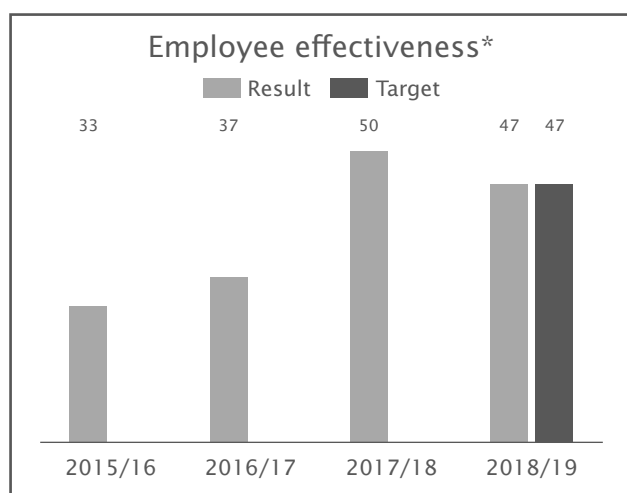
\*This measure is reported biennially and is next due in December 2019. No historical targets available as not previously a strategic success measure.



### STATUS: NOT REPORTED THIS PERIOD\*

Passive defensive and aggressive defensive styles result from people interacting with others in cautious and tentative ways, or to meet their own needs at the expense of others in their group and organisation. They can stifle creativity and initiative, allow the organisation to stagnate and can lead to stress, turnover and inconsistent performance.

\*This measure is reported biennially and is next due in December 2019. No historical targets available as not previously a strategic success measure.



### STATUS: ACHIEVED

Our employee effectiveness score is based on the Korn Ferry™ Hay Group's Employee Effectiveness Survey and indicates how effectively we stimulate and enable our employees' enthusiasm for their work and direct it toward our success.

\*No historical targets available as not previously a strategic success measure.



## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### Introducing employees to our new strategic direction SO1, SO2, SO4

In November 2018, we hosted our organisation-wide roadshow, ENRICH, which brings together employees from all over our service territory to reflect on our past performance and look ahead to future opportunities.

The focus of this year's roadshow was our 2023 strategic direction, which saw our CEO Louise Dudley formally introduce our five-year strategy and explain the reasoning behind our new vision and strategic goals.

Expanding on these messages was a trade show featuring over 30 stalls – each relating to one of our four strategic goals. This gave attendees the opportunity to find out more about our strategic goals in an informative and engaging way.

For many, the highlight of the event was a guest presentation by Craig Reucassel, host of award-winning TV series, War on Waste. Aligning closely to our Environmental Leadership strategic goal, Craig spoke about our nation's rampant creation of waste and how we can limit our personal impact on the environment.

The success of the roadshow was reflected by the positive employee feedback submitted on the day. Of the 688 respondents, 91% agreed or strongly agreed that they enjoyed the event, 90% felt proud to work for Queensland Urban Utilities, 85% felt excited about future opportunities ahead and 83% said they had a better understanding of our vision and strategic goals.

### Measuring our employee engagement and enablement SO1, SO2, SO4

Universally, the engagement ("I want to") and enablement ("I can do") of employees has been strongly linked to the overall effectiveness of organisations around the world.

To measure the engagement and enablement of our employees, we've been conducting an annual Employee Effectiveness Survey (EES) using the Korn Ferry Engaged Performance Framework® since 2014.

This widely recognised organisational development tool helps us better understand the key drivers of performance and satisfaction for our employees that we need to improve upon.

This past year, we again undertook this survey, achieving a very high participation rate of 80%. While our latest results saw slight declines in both engagement and enablement from the significant increases of last year, they were consistent with our improving trend over a number of years.

*Continued on page 34.*

**OF THOSE WHO ATTENDED THE  
EMPLOYEE ROADSHOW,**

**90%**

**SAID THEY FELT PROUD TO  
WORK FOR QUEENSLAND URBAN  
UTILITIES**

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Queensland Urban Utilities	2014	2015	2016	2017	2018	2019
Employee Engagement	53%	55%	56%	59%	65%	64%
Employee Enablement	56%	56%	57%	59%	70%	68%

A range of factors likely impacted our latest results, including some significant organisational change projects.

These results continue to underscore a number of factors employees value about working at Queensland Urban Utilities, including pay and conditions, respect and recognition and development opportunities. Specifically, 92% of respondents said their workplace was safe, 87% said they were given fair treatment without regard to race, colour, age or religion, and 86% said people in their work group were committed to delivering high quality products and services.

Importantly, this survey also pointed to opportunities for continued improvement, including effective collaboration between work groups, training better tailored to work needs and improved confidence in leaders.

Over the coming 12 months, we will focus on addressing the priority areas identified in the survey results. In addition, our Employee Experience and Cultural Transformation team will continue to work with specific groups that require the most support to bolster their enablement and engagement.

### ENGAGEMENT

Engagement measures how committed employees are to the organisation, and how willing they are to put in extra effort for the good of the organisation.

### ENABLEMENT

Enablement measures how employees feel their skills and abilities are utilised in their role, and if the organisational environment supports them to perform their work.

### Inspiring our employees to connect with our purpose SO1

Our purpose is to enrich quality of life; this is our reason for existing. Being a purpose-driven organisation gives our employees a common goal to work towards, and helps to inspire a sense of meaning and belonging.

Based on insights from our Employee Experience research, our employees told us they valued volunteer work and would like to experience, first hand, what it's like to enrich quality of life. To make this a reality, we launched Purpose Day – a one-off opportunity for all employees to spend one full work day with a registered charity of their choice.

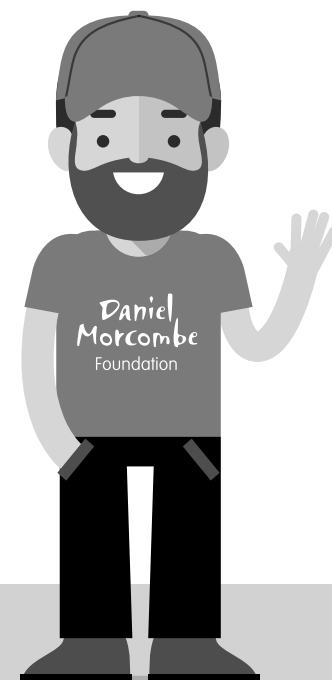
Employees dedicated their time to a variety of organisations, including the Daniel Morcombe Foundation, Tangalooma Ecomarines, FlexiCare, the Bulimba Creek Catchment Coordinating Committee, Animal Welfare League Queensland, Orange Sky Laundry and the Multiple Sclerosis Society.

#### WHAT EMPLOYEES SAID ABOUT THEIR PURPOSE DAY EXPERIENCE

“Taking time out of my work day to lend a hand to the Daniel Morcombe Foundation was an enriching experience. I met some inspiring people and I walked away feeling great about having helped such a worthwhile cause.” – **Lucas, Senior Graphic Designer**

“Members from Infrastructure Delivery were privileged to spend their Purpose Day at FareShare where we helped prepare 2,800 meals for those in need. It was an awesome experience.”  
– **Lachlan, Program Assurance and Commissioning Manager**

“The Strategic Asset Management team engaged with the Tangalooma EcoMarines for a Corporate Clean-up at Kangaroo Point. We had an educational and memorable experience and collected a wide variety of litter in such a short period of time.” – **Daniel, GIS Data Officer**



## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### Enhancing our Learning Management System SO3, SO4

Australian and international evidence suggests there are strong links between employee learning, training and development and overall business performance.

At Queensland Urban Utilities, we understand the importance of enabling self-directed skills and knowledge development, which is why we invested in a new Learning Management System (LMS) for our employees.

Launched in March, the new LMS, called ULearn, offers employees a range of features and benefits, including an easy-to-navigate dashboard that helps users track their personal learning activities and those of their teams (for leaders). Reporting is also made easier, with dashboard and learning transcript information being both exportable and printable, helping leaders and employees track due and completed training.

In addition, ULearn gives employees access to an extensive learning library, including eBooks, audio books, online courses and videos to support them in driving their own training and development.

Moving forward, we will continue to work with our employees and leaders on how to best develop a more contemporary learning and development strategy aimed at lifting our capacity to attract, develop and retain the talent in our organisation.



**Changing our safety culture with Safe.Simple SO1, SO4**

On the back of its successful launch in 2018, we continued to deliver Safe.Simple, a bespoke training series aimed at enabling sustainable and meaningful safety change through the application of three key principles:

1. Empowering people as the source of solutions.
2. Seeing safety not as the absence of negative events, but as the presence of positive capacities.
3. Safety as an ethical responsibility.

This year, we delivered four rollouts of the three-module program, with a focus on our Executive Leadership Team and leaders within our Operations and Service Delivery group. Abridged training around the principles and selected tools and practices was also delivered to Health and Safety Representatives, Treatment Plant Operators, employees at our SAS Laboratory and the Board.

Topics covered during the training included:

- Moving from zero harm to resilience and reliability.
- Decluttering and focusing on the 'safety of work' vs 'safety work'.
- Being curious, thinking critically and taking an evidence-based approach.
- Changing the way we respond to error and failure and instead emphasising learning, trust and accountability.
- Understanding the difference between 'work as imagined' and 'work as done'.

To date, with over 150 employees having received Safe.Simple training, we've received overwhelmingly positive responses, both anecdotal and measured. For example, 95% of participants said they would apply learned skills and ideas from Module 1, while 98% said the same for Modules 2 and 3.

In 2019/20, the Safe.Simple program will continue to be rolled out across the organisation.

**WHAT ATTENDEES ARE SAYING ABOUT SAFE.SIMPLE TRAINING**

- "One of the best safety courses I've ever had the pleasure of attending."
- "Best training I've done. Ridiculously interesting and on point."
- "Awesome and excitement content – let's put it to good use!"
- "Thought provoking, interesting and will ultimately change people's way of thinking around how we approach safety."

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### Fostering a diverse and inclusive culture SO1

In 2017, we launched our Diversity and Inclusion Strategy, the objective of which is to develop a culture where difference is respected and tolerated, and where individuals' contributions, knowledge, skills and experience are valued and encouraged.

The strategy outlines five key priority areas:

1. Gender
2. Aboriginal and Torres Strait Islanders
3. Youth
4. Cultural and linguistically diverse backgrounds
5. Returned defence force personnel.

Since the strategy's launch, we have implemented a range of programs and initiatives against each of these key areas, with additional work being undertaken at an organisational level to promote diversity and inclusion more broadly.

This year, we:

- Commenced our journey to become an accredited White Ribbon Workplace. The program will provide us with the tools we need to strengthen our culture of respect and gender equality, with a focus on being able to respond to and prevent violence against women.
- Began attending Job Access Disability Awareness Sessions to assist in aspects of recruitment, management and support of employees with accessibility requirements and/or disabilities.
- Became an Industry Partner of Girl Shaped Flames – an organisation that supports teenage girls to build their confidence and develop their skills to succeed in school, relationships and the workforce.
- Hosted seven interns through CareerTrackers – a national non-profit with the goal of creating pathways and support systems for Indigenous young adults (see following story).
- Developed our first Reconciliation Action Plan (see page 67).

- Supported six returned defence force work trial placements across the organisation.
- Supported Multicultural Development Australia's Work & Welcome 12-week job placement program for new Australians, with a number of placements offered across the business. Two of these placements have since converted to fixed-term contracts (see case study on page 39).

In 2019/20, we plan to refresh our current strategy based on updated workforce demographics and new data that has been collected since launching the strategy. We also plan to begin collecting diversity data (on a voluntary basis) in line with the Diversity Council of Australia's recommendations.

### Providing hands-on experience to Indigenous interns SO1

As part of our Diversity and Inclusion Program, we partnered with CareerTrackers to welcome seven interns into our business.

CareerTrackers is a national non-profit organisation that gives university students and school leavers with Indigenous heritage work experience in a corporate environment. Their aim is to increase the number of Indigenous graduates in corporate roles and build their cultural representation in the workforce.

We hosted our interns for a minimum of 12 weeks across a variety of business areas, including Developer Services, Finance, Marketing, Information Services and the SAS Laboratory.

An intern in our Marketing team said, "I love that I get to contribute to something real. When you're doing a university assignment, the end result is your grade and it doesn't go any further than that. I get to see the things my team has worked on actually play out in the real world, which makes it much more rewarding."

In 2019/20, we will host at least two returning interns in Finance and at the SAS Laboratory.

## CASE STUDY

### Welcoming new Australians into our workforce SO1

In 2018, we partnered with Multicultural Development Australia and took part in its Work & Welcome 12-week job placement program. The program is designed to provide meaningful employment for refugees who are new to Australia and are seeking work experience and social connections. Two of these placements have since converted into fixed-term contracts.

Ghada Tanno is currently employed as a Data Analytics Assistant in our Operations and Service Delivery group.

Born and raised in Iraq, Ghada graduated from the University of Baghdad's civil engineering department. She was employed by the National Centre of Engineering Consultancy for 13 years before feeling compelled to resign in 1996 in order to protect her children from the chaos of the surrounding war zone.

Ghada and her family immigrated to Australia in 2016 where, despite her experience, her job search was proving futile.

"I applied at so many places but nobody even asked for an interview," Ghada said.

"I was so lucky to get into this (MDA) program. There was an interview with people from Queensland Urban Utilities and they helped me with everything.

"Working here has given me a push to learn better English and how to deal with other people. And also, it's added something to my personality. I've become more confident and I've gained so many friends."

Ghada went on to say that the program will give hope to others who have left their home countries and are looking for meaningful work.

Undertaking the same 12-week program as Ghada was Morhaf Wahbe, who is currently employed as an Infrastructure Maintenance Assurance Officer, also in our Operations and Service Delivery group.

Originally from Syria, Morhaf settled in Dubai where he established his family and performed contract work for 12 years.

When the Syrian Civil War broke out in 2011, Morhaf and his family lost their home and were unable to return to Syria, which saw them immigrate to Australia.

"The MDA work placement introduced us to the Australian lifestyle in general," Morhaf said.

"It started as a 12-week placement, then I got extended, then I got extended again!

"I've got the right stuff now – I've got my tools."





## STRATEGIC GOAL 2: FOUNDATIONAL SUCCESS

**We want to build long-term, meaningful customer relationships that are based on trust, value and respect. Our customers have told us that to build trust, we must continue to enhance the delivery and cost effectiveness of our water and sewerage services. To us, Foundational Success means adopting new technologies and smarter ways of working so we can continue to provide sustainable products and services for current and future generations. With this strong foundation in place, we can explore opportunities to provide and support increased social, economic and environmental value for our customers and communities.**

### PERFORMANCE SUMMARY

- Launched our first Customer Strategy.
- Launched our new sewerage awareness campaign, 'What's a No.3?'
- Undertook drought preparedness activities, including updating our water efficiency messaging.
- Launched our first School Water Conservation Program.
- Launched our Simpler Billing initiative in the Somerset and Lockyer Valley regions.
- Continued to move towards full implementation of our industry-leading Program Management Approach.
- Secured a \$1.4M grant to further our research into transforming lagoon-based sewage treatment plants.
- Employed scent-detector dogs to identify water leaks in our network.

### OUR FOCUS FOR 2019/20

- Develop a framework for measuring customer centricity.
- Develop and commence execution of a detailed core service delivery operating model and implementation plan.
- Continue to develop our Enterprise Asset Management Solution.
- Align integrated planning, feasibility, design, procurement and delivery functions.
- Complete and embed a benefit and on-going cost realisation framework.

# 15%

**INCREASE IN  
CUSTOMER  
COMMENDATIONS**

# \$1.2M+

**SAVED BY  
GENERATING OUR  
OWN ELECTRICITY**



## OUR INFRASTRUCTURE NETWORK

Our vast water and sewerage networks are made up of hundreds of individual assets. These include:



**109**

**WATER RESERVOIRS**

**339**

**SEWAGE PUMP STATIONS**

**60**

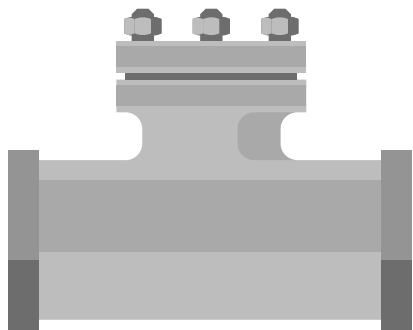
**WATER PUMP STATIONS**

**9,476KM  
OF WATER MAINS**



**85**

**WATER  
BOOSTERS**



**9,686KM  
OF SEWERAGE MAINS**

**29**

**SEWAGE  
TREATMENT PLANTS**

## PERFORMANCE AGAINST CUSTOMER SERVICE STANDARDS

Specific to the Foundational Success strategic goal are our Customer Service Standards, which inform our customers of the level of service they can expect to receive from us.

The following table shows how we have performed against these standards over the past five years.

Indicator	Service standard	2014/15 result	2015/16 result	2016/17 result	2017/18 result	2018/19 result	Achieved?
<b>Water quality</b>							
Annual chemical compliance with <i>Australian Drinking Water Guidelines</i> health limits	All relevant schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	Yes
Bacteriological compliance with the <i>Public Health Act 2005</i>	All relevant schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	Yes
Chemical compliance with the <i>Public Health Act 2005</i>	All relevant schemes compliant	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	Yes
Water quality complaints	≤6 Per 1,000 properties	2.5	1.7	1.75	2.42	0.68 <sup>1</sup>	Yes
<b>Water service reliability</b>							
Number of unplanned water supply interruptions	≤100 per 1000 properties per annum	91	67	67	77	83	Yes
Water main breaks	39 breaks per 100 km of water main per year	27.9	26.2	23.1	22.5	30.0	Yes

<sup>1</sup> On 1 July 2019, we changed the way we classify and report water quality complaints to ensure alignment with the Australian Standard and consistency with other water utilities. While this change in reporting will see a significant decrease in the reported water quality complaints, it does not change our commitment to investigate instances where our service or product fails to meet customer expectations or our service standards. We value all customer feedback as it helps us to identify any trends and possible areas of improvement in the operation, maintenance and management of Queensland Urban Utilities' water networks.

Indicator	Service standard	2014/15 result	2015/16 result	2016/17 result	2017/18 result	2018/19 result	Achieved?
<b>Responding to unplanned water and sewerage interruptions</b>							
Urgent water & sewerage	80% within 1 hour	80%	80%	91%	89%	89%	Yes
Non-urgent water & sewerage	80% within 24 hours	76%	67%	73%	85%	77% <sup>2</sup>	No
<b>Restoration of supply after unplanned water and sewerage interruptions</b>							
Restoration of water supply	≥90% unplanned interruptions restored within 5 hours	93%	95%	97%	96%	96%	Yes
<b>Sewerage service reliability</b>							
Sewerage main breaks and chokes	30 breaks per 100 km of sewerage main per year	30	29.8	25.8	20.9	18.4	Yes
<b>Water pressure and flow</b>							
Water pressure	Urban area ≥21 metres head of water Trickle feed areas (and private booster) ≥10 metres head of water	Queensland Urban Utilities undertakes ongoing electronic and manual monitoring of the water network to ensure water supply pressure and volume standards are met. Where an issue is detected or a complaint received, it is investigated and corrective action is undertaken.					
Water flow	Urban areas ≥25 L/min Trickle feed areas ≥3.2 L/min						

<sup>2</sup> This service standard was slightly below target for 2018/19 due to higher than expected incident volumes between January and March 2019, thereby impacting the backlog of requests. The focus on addressing this backlog between April and June 2019 impacted the full-year result.

## MAJOR INFRASTRUCTURE PROJECTS COMPLETED OR PROGRESSED

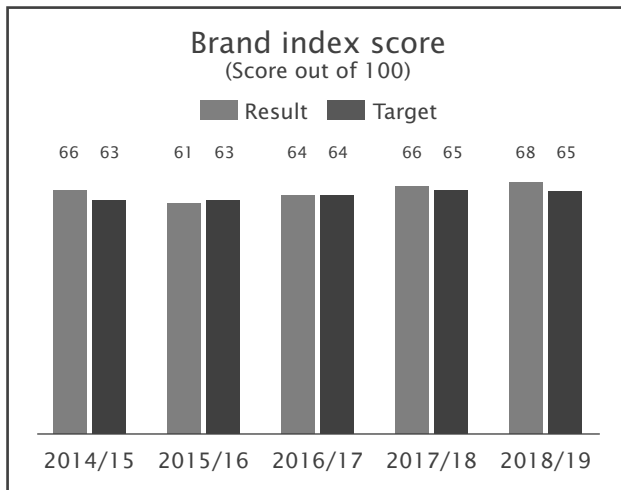
In 2018/19, we invested \$268.6 million in new and upgraded infrastructure to improve the reliability and sustainability of our water and sewerage network. The table below shows the key infrastructure works we commenced, progressed or completed during the year.

The balance of the \$268.6 million was invested in ongoing programs for the renewal, enhancement and replacement of existing infrastructure across our service territory.

Region	Project Title	2018/19 Investment (\$m)	Total Project Investment (\$m)	Commenced	Estimated Completion
Brisbane	Bulimba Creek Trunk Sewer Stage 2 Upgrade	12.6	51.2	2015/16	2019/20
	Rochedale Water Infrastructure Upgrade	9.4	22.2	2017/18	2020/21
	Luggage Point STP Dewatering Upgrade - Portions A, B and C	6.2	15.4	2015/16	2018/19
	Luggage Point STP Odour Control	5.6	13.1	2017/18	2019/20
	S1 & S18 Main Sewer Rehabilitation	4.6	70.6	2015/16	2020/21
	Bartleys Hill / Wellers Hill Zone Connection Including River Crossing	4.2	25.7	2015/16	2018/19
	Jindalee Water Trunk Main Replacement and Fortrose Street Sewer Rising Main Rehabilitation	3.8	29.0	2015/16	2018/19
	Oxley Creek STP Thermal Hydrolysis Upgrade	3.6	4.0	2017/18	2018/19
	Kingsford Smith Drive Retic Water Main – Stage 2	3.4	11.2	2016/17	2019/20
	Oxley Creek STP Aeration Diffusers Renewal	2.3	5.5	2017/18	2019/20

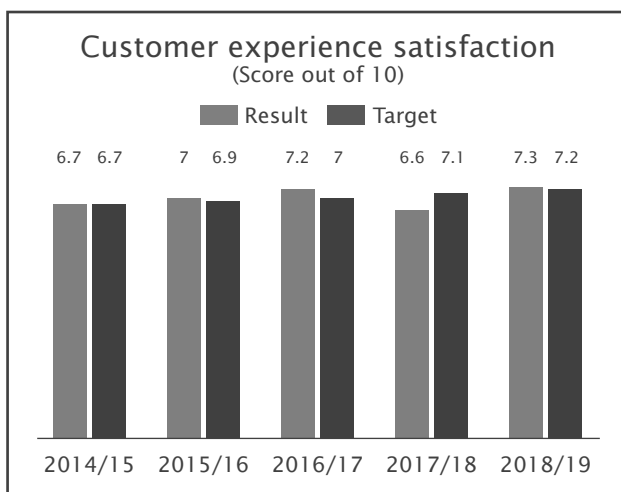
Region	Project Title	2018/19 Investment (\$m)	Total Project Investment (\$m)	Commenced	Estimated Completion
Ipswich	Bundamba STP Various Upgrades, Renewals and Improvements	2.7	23.1	2017/18	2019/20
	Chelmsford Ave No. 2 Reservoir R074 and Springfield College Drive Reservoir R091 Rehabilitation	1.2	1.3	2017/18	2018/19
	Ipswich RTU Telemetry Network Upgrade	0.9	10.6	2017/18	2020/21
	Carole Park STP Various Upgrades Renewals and Improvements	0.9	4.5	2018/19	2020/21
	Bundamba STP Flood Resilience Program	0.5	5.2	2017/18	2020/21
Lockyer Valley	Regional STPs Upgrades	6.8	10.5	2017/18	2019/20
	Regional STPs Chemical Delivery and Storage Compliance	0.9	4.9	2018/19	2019/20
	Gatton STP Septage Receiving Facility & Trickling Filter Bypass	0.7	3.7	2018/19	2019/20
	Laidley STP Upgrade	0.5	4.5	2018/19	2020/21
Scenic Rim	Beaudesert STP Renewals and Rehabilitation Works	1.4	3.4	2016/17	2019/20
	Beaudesert STP Capacity Compliance and Improvements Projects	0.9	7.7	2018/19	2020/21
	Kooralbyn STP Compliance Enhancement - Phase 1	0.8	3.0	2016/17	2019/20
	Canungra STP - Membrane Bioreactor Technology Upgrade	0.7	3.4	2018/19	2019/20
Somerset	Lowood/Fernvale Sewerage Scheme Upgrade – Stage 1	22.8	45.0	2017/18	2019/20
	Kilcoy STP Various Upgrades, Renewals and Improvements	0.5	2.8	2018/19	2019/20
	Toogoolawah STP (ST046) Compliance Project	0.2	4.2	2018/19	2021/22
	Lowood Catchment Upgrade (Eagle Rise Development) Stage 1	0.1	2.6	2016/17	2018/19

## PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES



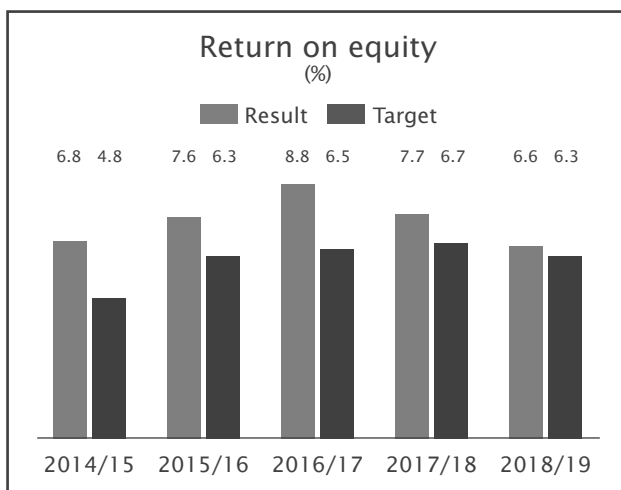
### STATUS: ACHIEVED

Our brand index score is a measure of our overall brand health based on customers' perceptions of performance against our key brand drivers: value, transparency, customer focus and reliability.



### STATUS: ACHIEVED

Our customer experience score is a measure of our customers' satisfaction following a recent interaction with us. Interactions can include a call to the Contact Centre, engaging with workers in the field or using our website.



### STATUS: ACHIEVED

Return on equity measures profitability by comparing the profit generated against the investment by our five shareholding councils. It provides insights into how we are using equity to grow our business and provide value for our shareholders.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### Demonstrating our commitment to customer centricity SO6, SO8

Our customers are the reason we exist; we are dedicated to understanding them and listening and responding to their evolving needs and expectations. This year, we were proud to introduce our first enterprise Customer Strategy, the purpose of which is to help us build long-term, meaningful customer relationships based on trust, value and respect. Ultimately, it will propel us on our journey to become a truly customer-centric organisation.

The delivery of our five-year strategy will be guided by two roadmaps:

- The Customer Relationship Roadmap (strategic), which is about our long-term strategic customer relationships, based on building trust and creating value.
- The Customer Experience Roadmap (tactical), which aims to improve the interactions our customers have with us on a daily basis.

Over the coming years, we plan to deliver a number of initiatives. For example, we will:

- develop a Channel of Choice Strategy to enable our residential customers to transact via their preferred channels,
- further segment our core customer groups to better understand specific needs and expectations,
- launch an enterprise-wide Customer Culture Program to help every staff member understand their customer impact, and
- continue to deliver significant digital and process improvements across our critical customer journeys, such as onboarding, bill payment and high consumption.

By 2024, we aim to see evidence of increased use of actionable customer insights across the business, an uplift in our 'Perception of customer service' score, and for all employees to have at least one customer-related KPI in their performance plans.

### Designing our services based on customer insights SO6, SO8

Demonstrating our commitment to building a proactive, customer-centric culture, we continued to embrace customer-based design, which focuses on the needs and expectations of our customers at each stage of the design process.

This year, we applied customer-based design practises to assist in our billing review. After engaging with over 1,000 customers, four key themes emerged around what they need and expect from Queensland Urban Utilities:

- Choice – Customers expect to be able to make a choice in the way they receive and pay their bills, as well as how they receive notifications and communicate with us.
- Effort – Customers need us to make it easy for them to manage and pay their bills.
- Trust – Customers trust we will do the right thing and, in particular, provide accurate and important information when they need to know it.
- Valued/cared for – Customers want us to consider their specific expectations and needs.

These themes are now being applied to the design of all billing-related initiatives to ensure the fundamental needs of our customers are incorporated. For example, in the design of our overdue bill notification SMS, applying 'Choice' was important as not all customers favour digital communication and some would still prefer paper-based reminders. 'Effort' was also applied in the design process and the outcome was to ensure the SMS contained a link to a pre-populated payment page so the transaction could be made easily.

Customer-based design forms part of our Customer Experience Roadmap, which aims to improve the interactions our customers have with us on a daily basis.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### **Educating to protect our sewerage network and customers' plumbing SO6, SO7, SO8**

Following the success of our 'Don't Flush That' campaign, we continued to stimulate customer interest with the launch of our 'What's a No.3?' sewerage awareness campaign.

Launched in September 2018, the campaign highlights the importance of keeping our sewerage network healthy to reduce the costs associated with clearing blockages. The messaging encourages customers to only flush no. 1's and no. 2's and to confine no. 3's to the rubbish bin. The term 'no. 3' refers to anything that could block our customers' private plumbing or our sewerage network, including wet wipes, cotton tips, cigarette butts and sanitary items.

The colourful campaign educates our customers about appropriate flushing habits in a fun and relatable way and has been delivered through a mix of print, online and bathroom advertising, including the following vehicles:

- **2018 Ekka exhibit** – This vibrant, interactive display was designed as an open house floorplan, featuring three high-water-use areas: the toilet, shower and kitchen. Over 4,500 visitors directly interacted with the household components, while thousands more viewed the messaging on display.
- **Quarterly Billing/Pipeline magazine** – One in five people saw the campaign messages on their water bill and newsletter during the quarter one billing cycle.
- **Bathroom and shopping centre advertising** – This effective vehicle achieved an estimated reach of 12.1 million shoppers and tertiary students over a two-month period.

The digital element of the campaign was also well received, with more than 3,600 website page visits. Supported by social media tactics, including targeted video content and images, we reached an audience of 153,038 and achieved a 16.3% engagement rate. This is considerably higher than the average industry engagement rate of 1.7%.

This campaign, which will continue to be rolled out in 2019/20, demonstrates our ongoing commitment to customer education.

### **Empowering students to take positive action SO5, SO6, SO10, SO12**

At Queensland Urban Utilities, we are empowering young people to become community-focused global citizens by creating real world experiences that enhance their learning outcomes.

Launched in 2016/17, our dedicated Education Program aims to:

- Inform students about the role of water and sewerage services in enabling community wellbeing and protecting the environment.
- Challenge young people to develop innovative solutions to address industry and environmental issues.

The program focuses on five key areas:

#### **Tangalooma EcoMarines**

For the sixth consecutive year, we joined forces with Tangalooma EcoMarines to encourage students to become conservation leaders and take action to combat water pollution.

This year, we supported a number of their challenges and events to help reduce plastics and litter in our waterways, including Corporate Clean-Up Day and Clean-Up Australia Day. We also continued to run our Turn to Tap bag tag challenge in primary schools, where children designed their own bag tag to act as a reminder to pack a reusable water bottle for school.



**Water Warriors**

The Water Warriors – a trio of superhero entertainers – continued to encourage young people to appreciate the value of water and sewerage services with their fun and engaging stage show.

During their 20-minute performance, Enviro, Lucy Loo and Drip Drop shared the importance of carrying a reusable water bottle, using water wisely and only flushing the three P's: pee, poo and paper.

This year, Water Warriors performed 50 shows at a variety of locations, including primary school assemblies, the EKKA and at Brisbane City Council's Environment Centres as part of its Bush Neighbours Program.

The free show continued to receive outstanding feedback from teachers and students, with 100% of teachers saying they would recommend the show.

**Facility tours and events**

This year, we hosted four school tours of our Innovation Precinct and Oxley Creek Resource Recovery Centre. These tours gave students the opportunity to meet experts in the water industry and view some Australian-first wastewater innovations. Feedback so far has been very positive with 100% of students recommending our tours to other students.

Our Education team also had a presence at a number of educational and community events, including the World Science Festival and school fetes, where they promoted our key marketing messages.

**Pathways and people**

As part of our Pathways Program, which forms part of our overall Education Program, we provide unique real-world experiences for young people through work experience and internships across the organisation. In addition to these opportunities, this year we offered paid summer vacation placements for six chemical engineering undergraduates, and five engineering graduates continued into their second year of our two-year Graduate Program, with the next intake set to commence in 2019/20.

**School Water Conservation Program**

This year, in response to the drought conditions threatening our region (see page 50), we launched our first School Water Conservation Program with 15 selected high-water-consumption schools.

The aim of the 12-month trial is to improve water conservation behaviours in schools through use of consumption data. The program equips each school with a smart meter, which provides real-time data that staff and students can access via an online portal. The availability of this data will help schools to understand their water use, identify faults or leaks and reduce water waste, the ultimate outcome being increased awareness of the value of water and more efficient water use behaviours.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### Preparing for drought conditions SO5, SO10

The hot and dry summer of 2018/19 saw South East Queensland record its highest level of water consumption since the Millennium Drought, with usage peaking at 239 litres per person per day in January 2019. This is a significant increase on the average consumption of 170 litres per person per day in 2009, when the Millennium Drought broke.

Despite moderate rain fall throughout the summer, dam levels continued to fall. In March 2019, the combined levels of key bulk water storages fell to 70%, which activated the drought readiness phase of Seqwater's Drought Response Plan. During this phase, Queensland Urban Utilities, Seqwater and other SEQ water utilities are required to work with the community to prepare them for the possibility of drought.

While the most noticeable activity during this phase is a general increase in water efficiency messaging, several more targeted activities also commenced, including:

- active engagement with peak industry bodies to ensure a consistency of messaging and to keep them informed on the drought cycle,
- engagement with our largest industrial and commercial customers via the Key Commercial Accounts team to investigate water conservation opportunities,
- a refresh of the 'Water Efficiency' section of our website to include more user-friendly information for customers, and
- the launch of our School Water Conservation Program (see page 49).

Should the drought response phase be triggered when combined dam levels reach 60%, Seqwater will be responsible for setting levels of service, drought triggers and demand management, while Queensland Urban Utilities and other SEQ water utilities will continue to work with the community to encourage voluntary water conservation and provide resources for customers to encourage compliance with the requirements of each stage of the drought response.

### Promoting water efficiency SO5, SO10

Australia is one of the driest continents in the world, so it's vital that we use our precious water resources wisely.

Mindful of this, we continued to provide the community with water sustainability messaging across a range of customer channels. For example, we:

- shared seasonal water sustainability tips and messages via our website, social media, In the Pipeline customer newsletter and customer accounts,
- ran school-based education programs, such as the Tangalooma EcoMarines and Water Warriors (see page 49), and
- had an active community event presence, offering education and engagement at large events like Brisbane City Councils' Green Heart Fairs.

### Introducing Simpler Billing for Lockyer Valley and Somerset customers SO6, SO8

This year marked a major milestone for our Billing Program with the successful introduction of the 'Simpler Billing' initiative in our Somerset and Lockyer Valley service regions. Launched in the April-June 2019 quarter, the change involved the establishment of a new, simpler meter reading and billing schedule, and changing water and sewerage service charges from advance to arrears.

On the whole, customers were satisfied with the changes, which saw their bills arrive days after their water meter was read, rather than weeks. Many said the improvements have made it easier to manage their household budgets and simpler to track their water usage, allowing potential leaks to be detected sooner.

We were also pleased to see continued growth of our paperless billing figures. As at 30 June 2019, over 143,000 households (23% of our customer base) had opted to receive their bill via email or BpayView, increasing customer convenience and security and reducing our carbon footprint and cost to serve.

**Revising our products and services to reflect developer requirements SO6, SO8, SO12, SO13**

As one of our most critical customer segments, it is vital that we maintain strong relationships with and meet the evolving needs of our developer customers. In March 2019, we introduced new developer products, services and fees, and updated existing ones to ensure:

- we are providing a greater range of more tailored services to satisfy varying developer customer requirements,
- our fees reflect the cost of providing specialist services, and
- we are able to sustainably deliver high-quality customer services that provide value for money.

Prior to implementing the changes, we conducted a major Development Product and Service Review, which involved extensive analysis of customer survey results, trend data and market comparisons; reviews of contract commitments and statutory/policy obligations; and focus group testing with three different customer segments.

In February 2019, we hosted an industry forum to introduce the proposed service changes and issued change communications to our shareholder councils, industry bodies, almost 5,000 developer customers and over 170 endorsed consultants and certifiers.

This was the first time we had conducted a Development Product and Service Review since becoming a development assessment authority in 2014. As a result of the review, we have:

- Commenced a transition to standardised prices across our service area.
- Moved to four-year application approval validity, instead of two years.
- Introduced high-quality, low-cost large water meters with greater flow detection.
- Began offering standard connection assessment of sewer reuse applications for one and two-lot residential developments, reducing costs and assessment times for customers from 20 days down to five days.
- Introduced new and updated forms for conversion applications, extension requests, internal reviews, amended decisions and works requests.
- Commenced offering Scaled Service Advice Notice (SAN) functions depending on the type/size of development and reduced base fees.

To date, these development product and service changes have been well received by the industry.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### **Becoming a digitally enabled organisation SO3, SO4, SO6, SO7**

This year, we continued boldly on our digital transformation journey, with a particular focus on building an innovative and collaborative culture that's conducive to rapid change. In support of this cultural shift, we held our first Digital Vision Day, which brought together over 100 employees from across the business to discuss our digital priorities and the opportunities that lay ahead. We also established a dedicated Digital Enablement Team to provide oversight, leadership and support at an enterprise level, ensuring all digital efforts align with our strategic intent and are delivered collaboratively.

The team was proud to deliver Queensland Urban Utilities' first Digital Strategy, which supports our commitment to digital enablement by focusing on three key themes: easy to deal with; digitally enabled workforce; and predictive and proactive. By enabling digital across all functions, the strategy aims to deliver mutually beneficial outcomes for our customers, employees, shareholders and other stakeholders.

Guided by our strategy, we delivered a number of digital initiatives in 2018/19, including the following.

- We launched our Digital Grid Services solution, which allows key data from various sources to be centralised in real time and made available to every employee. This will revolutionise the management of our water network and improve our ability to work proactively.
- We streamlined our customer e-forms, and made improvements to MyAccount, making it easier for customers to access their most requested tasks via their channel of choice.
- We delivered an organisation-wide business intelligence platform, giving us valuable insights into data and processes through visualisation.

Illustrating our commitment to digital enablement, we were proud to be named a Finalist in Digital Utilities of the Year (Water) category at the 2019 Digital Utility awards. This award recognises water utilities that showcase the best use and implementation of digital technologies, tools and processes across their organisations.

### **Investing in our core information systems SO6, SO7, SO8**

Investing in effective information and communication technology (ICT) systems is vital to the success and growth of an organisation, which is why we are on a journey to transform our core ICT systems.

These systems include our Customer Relationship Management solution, Enterprise Asset Management Solution and SCADA monitoring and control system.

#### **▪ Customer Relationship Management**

In 2018/19, we completed all three phases of our new Customer Relationship Management (CRM) solution – a world-class platform that provides a central location to efficiently share, store, access and manage customer information in real time.

By having a comprehensive view of our customers, including their preferences and past exchanges with us, we are able to personalise each interaction and make faster and more informed decisions. The solution also enables the Contact Centre and Customer Advocacy teams to interact and send instructions to customers via SMS.

The project involved migrating approximately 670,000 billing accounts and some 1.3 million customer records to the CRM. Around 200 employees across the business have been trained to use the CRM, with anecdotal feedback indicating ease of use and streamlined customer interactions.

The project successfully completed all of its deliverables and has now concluded.

### ■ Enterprise Asset Management Solution

This year, we continued to design and implement our Enterprise Asset Management Solution (EAMS) – an organisation-wide solution that will manage our assets, supply chain, mobile workforce and financial transactions.

The implementation of EAMS will enable contemporary management of our assets to ensure the best outcomes for customers and shareholders. It will also streamline our network management and maintenance processes and provide reliable asset and operations data, which will deliver significant operational value. This transformation will empower our people to continuously improve the way we plan and make decisions about our assets, as well as enable our mobile workforce to more efficiently manage our assets.

A major program milestone was achieved earlier this year with the completion of our solution design. This design brings together the new technological solution and improved business processes. The solution build is well-progressed with extensive testing scheduled for early 2019/20.

As the solution will touch business units across the organisation, a full suite of organisational change activities is currently being delivered. EAMS is scheduled for implementation in the first half of the 2020 calendar year.

### ■ SCADA

This year, we progressed the upgrade of SCADA (Supervisory Control and Data Acquisition) – one of our most critical operational technology systems. The project will rationalise our multiple legacy systems into one consolidated platform, which will improve system response and service reliability. This involves migrating 1,200 water distribution and sewage collection network sites onto a new 'ClearSCADA Platform', as well as updating our infrastructure to enable the platform implementation.

In 2018/19, we entered the procurement stage for the SCADA platform and infrastructure solution via an Early Contractor Involvement (ECI) approach. This involved engaging potential partners to leverage innovations and options that the market has to offer and provide high level design visibility for a complex solution in a multi-vendor environment. Procurement will be completed by the end of 2019, with staged delivery to occur in 2020 and 2021.

A complementary part of the SCADA Program is the implementation of an Enterprise Historian solution, which will allow us to consolidate all of our SCADA operational data into a single repository for analytics and asset optimisation. We are currently in the delivery phase, with a number of sites sending real-time operational data to the new repository. All SCADA sites will be connected in the second half of 2019.

At the conclusion of these projects, we will be able to:

- maintain centralised monitoring with control and visibility over the entire water and sewerage network,
- have visibility of operational data across the entire system of treatment plants and networks rather than individual sites,
- be more data driven to enable more effective planning, and
- prioritise planned over responsive maintenance to reduce costs and improve efficiencies.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### **Transforming our rural sewage treatment process SO5, SO7, SO8, SO9, SO10, SO11**

In January 2019, we launched a major research project that has the potential to transform the way we treat sewage in rural areas.

The project, titled *Transforming wastewater treatment in regional Australia with robust technology for multiple benefits*, will benefit from a \$1.4 million Cooperative Research Centre Projects (CRC-P) grant, which will bring the project value up to \$5.3 million.

In collaboration with six other organisations, researchers will address the issues that are inherent in lagoon-based sewage treatment plants (STPs), the majority of which are located in regional or rural areas due to smaller population sizes. While they are inexpensive to construct and operate, lagoon STPs are generally inefficient at removing nutrients, and are known to emit odours and large volumes of greenhouse gases (mainly methane). They are also prone to potentially toxic cyanobacterial blooms, resulting in poor effluent water quality, and have significant evaporation losses, limiting the water reuse potential.

The aim of the project is to transform underperforming lagoon STPs into self-contained environmental assets that will deliver benefits to regional communities.

The three-year project will be piloted at our Innovation Precinct in Luggage Point as well as locations in Helidon (Lockyer Valley) and Humpty Doo (Darwin). It will integrate the following technologies:

1. A high-rate anaerobic treatment unit will convert the organic carbon in wastewater to biogas, which can be harnessed for beneficial reuse. Capturing the methane gas for reuse or converting to CO<sub>2</sub> by burning (flaring) will significantly reduce greenhouse gases associated with lagoon-based STPs, thereby reducing our carbon footprint.
2. The existing lagoon will be turned into a high-rate algal-based system, which naturally removes nitrogen and phosphorous. The algae system will also enhance pathogen destruction and eliminate cyanobacterial blooms, meaning the treated water will be suitable for irrigation, and of benefit to local farmers and landowners.
3. An Internet of Things system will allow for remote monitoring and process control of the system's operation.

This work continues to build on the positive research outcomes of our initial microalgae-based wastewater treatment project. Ongoing pilot, full-scale and laboratory studies will continue in parallel, to help us understand fundamental concepts to support process optimisation. Ultimately, we hope to see this work commercialised and used for the social, economic and environmental benefit of the broader community, both locally and internationally.

**Supporting economic and population growth across our region SO5, SO6, SO7, SO8, SO12**

As stipulated in our *2023 Corporate Plan*, one of our core capabilities is to provide infrastructure that is consistent with the needs of our geographical area. Our commitment to this capability is evidenced by our \$268.6M investment in infrastructure projects this year, examples of which include, but are not limited to, the following:

- Completed construction on the 7-kilometre-long sewer pipe that will connect the Ferny Gully Sewage Pump Station to the new Lowood Sewage Treatment Plant. This major milestone is part of our \$45 million Lowood-Fernvale Sewer Upgrade, which, once completed, will double the capacity of the existing network to cater for growth and development in the Somerset region. Construction is now underway on the new treatment plant's state-of-the-art membrane tank, which will purify the wastewater to the highest standards to protect the environment.
- Completed a \$1.8 million upgrade to the sewerage network in Carseldine, which involved micro-tunnelling under a main road to construct the new sewer main. By using this innovative technology, we were able to avoid digging up the road, thereby minimising impacts on the community and environment.
- Commissioned the construction of a purpose-built depot in Bundamba. The new site features enhanced facilities and additional space, allowing our Ipswich-based operational employees to serve customers and the community more efficiently and effectively.
- Finished installing 4.25 kilometres of sewer pipe as part of our \$55 million Bulimba Creek Sewer Upgrade Project. Once fully completed, the project is expected to accommodate population growth for at least another 50 years.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### Employing springer spaniels to detect water leaks SO6, SO7

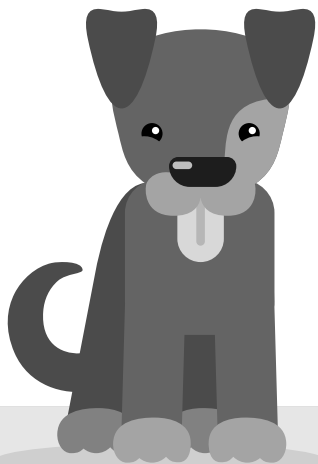
In a Queensland first, we are working with trained scent-detector dogs to identify water leaks in our network.

Following eight months of rigorous training, springer spaniels Halo and Danny are now proficient at detecting the chlorine in potable water and have proven to be effective at sensing hidden leaks in water meters, hydrants and valves across our service territory. In addition, they have identified concealed leaks on private property, resulting in significant savings for affected customers.

On her first official assignment, Halo was tasked with detecting an underground leak in a new housing estate, which was causing land degradation. Our repair crew excavated where Halo had indicated and confirmed the location of the leak, allowing them to repair it immediately without disturbing any other ground.

We are committed to exploring new and innovative approaches of detecting hidden leaks – the spaniels being just one method alongside technology already in use such as listening devices and sensors.

To date, the dogs have detected 11 leaks, equating to an 80% success rate. In 2019/20, we expect to continue working with the dogs and their handlers in an effort to identify and repair hidden leaks in a timely manner.





**Trialling new technologies to inspect our assets SO7, SO12**

In May 2018, we became the first Australian water utility to be invited to join WaterStart – a Nevada-based company that brings global leaders together to accelerate water technology, research and expertise.

Soon after, in August 2018, we were pleased to host the Governor of Nevada, Brian Sandoval, at our Innovation Precinct to finalise our partnership with WaterStart.

This year, as a result of the partnership, we progressed three technology trials focused on assessing our asset integrity. These trials are jointly funded by Queensland Urban Utilities and the Department of Natural Resources, Mines and Energy.

Two of the trials are testing the ability of a remote operated vehicle to obtain detailed imagery of the internal surfaces of our assets – one trial focusing on a water reservoir and the other on pipework running under the Brisbane River.

The third trial is exploring efficiencies in how we review our CCTV footage. Currently, we conduct regular inspections of our sewer mains via CCTV. The subsequent review of footage and condition assessment is undertaken manually, which is resource intensive. This trial will enable an assessment of a machine learning algorithm and its potential to automatically identify and code defects in compliance with industry codes.

These innovative approaches will allow us to continue improving the integrity of our assets and ensure continuous and reliable service to our customers.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### Reducing our energy costs and carbon footprint SO8, SO11

As one of the largest energy consumers in South East Queensland, it is our ambition to effectively and efficiently reduce our energy costs and carbon footprint.

In 2016/17, we introduced our first Energy Strategy and associated Implementation Roadmap. Since then, we have realised a number of achievements, including the following:

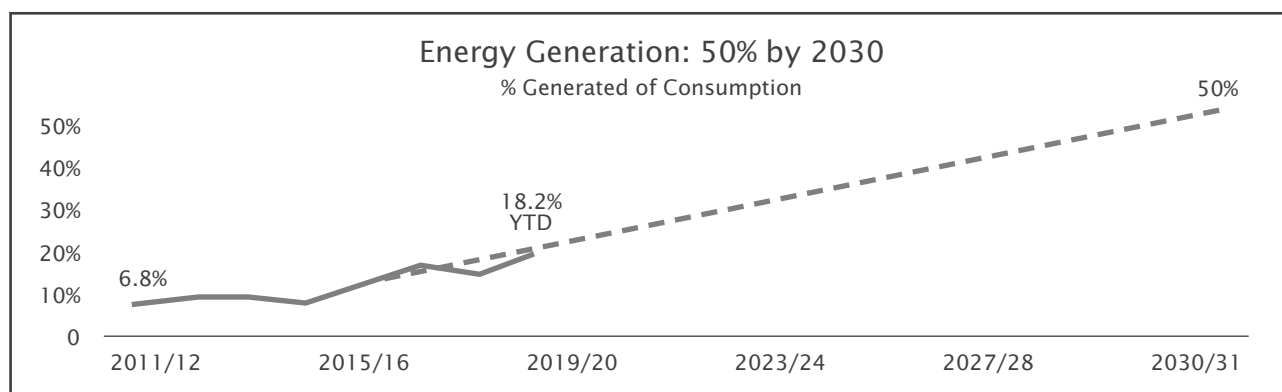
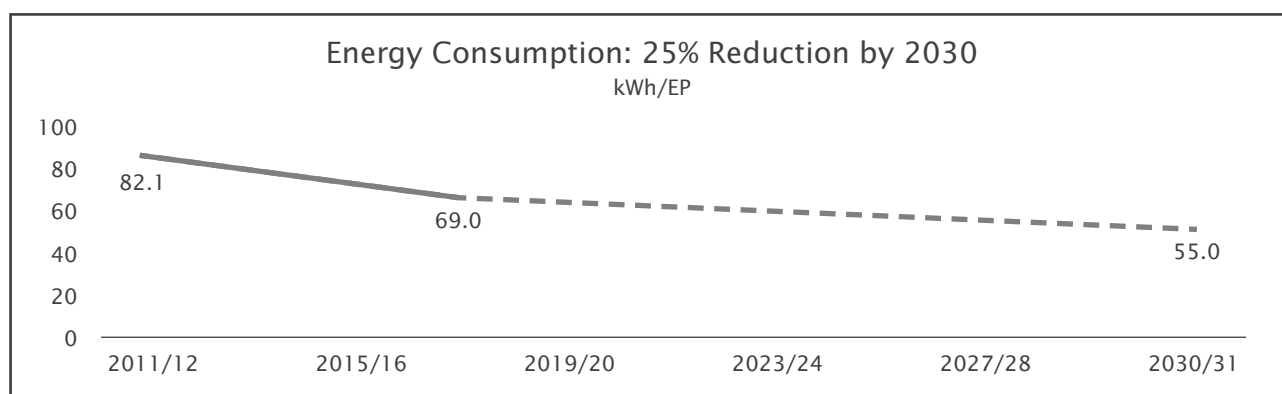
- Achieved a 50% increase in cogeneration output between 2015 and 2018.
- Undertook a detailed feasibility study of 8.8 MW of onsite Large Scale Solar, and are continuing to assess cost-effective alternatives.
- Made significant progress with improving the aeration efficiency at our Resource Recovery Centres (Luggage Point and Oxley Creek), delivering savings of >\$200k p.a.
- Began co-digesting selected liquid wastes, boosting biogas production and enhancing commercial customer outcomes.

Just this year, we generated:

- 17,500 MWh from cogeneration (34% increase on 2017/18), offsetting around \$1.92 million of electricity costs.
- 500 MWh from solar (43% increase in 2017/18), offsetting around \$80,000 of electricity costs.

As illustrated in the below graphs, we are on track to achieve our 2030 strategic targets:

1. 25% Energy Consumption Reduction (kWh/EP)
2. 50% Electricity Generation of Consumption (%)



## CASE STUDY

### Adopting an industry-leading approach to project management SO7, SO8, SO12

This year, we continued to move towards full implementation of our industry-leading Program Management Approach (PMA), the objective of which is to deliver efficiencies and drive down capital costs.

The PMA operating model is built around three areas of capability:

- **Leading:** providing new capabilities such as a customer-centred focus, strategic direction and supply chain integration.
- **Core Business Operations:** enhancing the “engine room” of the business through building capabilities in planning, solutions development, intelligent business hubs, capital delivery and service delivery.
- **Enablers:** building the capabilities that will assist staff to perform their roles effectively, with enhanced systems, analytics and insights, innovation and improvement.

The awarding of two major contracts to John Holland and Fulton Hogan – worth approximately \$400 million over five years – to renew and upgrade metropolitan and regional sewerage facilities in South East Queensland was the latest step towards the full implementation.

The journey towards the new operating model began in 2017 when we engaged industry leading program advisory company Kellogg Brown and Root (KBR).

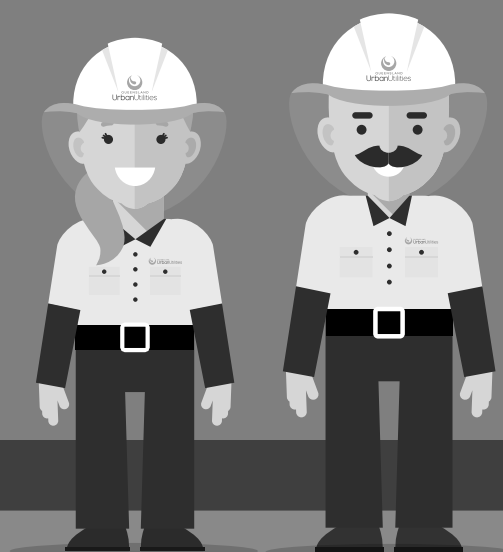
Queensland Urban Utilities General Manager of Infrastructure Delivery Michael Kahler said, “Ultimately, we see the PMA operating model as providing a new generation of industry leading performance in the water industry in Australia.

“Since 2017, we have successfully changed from a responsive only project management model, to one that creates shared value for us, our customers and our stakeholders.

“We’re currently delivering around \$168 million of capital projects under the PMA approach, and we have already achieved efficiencies in certain areas of up to 15 per cent.

“We’re very excited that John Holland and Fulton Hogan are joining us as we continue the roll out of sewage facility renewals over the next five years and we look forward to working with the industry to future-proof the sewerage network for the benefit of our customers and communities.”

The package of work includes the renewal and upgrade of existing sewage treatment facilities across Queensland Urban Utilities’ service area. John Holland’s contract is for the Regional Treatment Plants Program, while Fulton Hogan’s contract is for the Metro Treatment Plants program.





## STRATEGIC GOAL 3: ENVIRONMENTAL LEADERSHIP

**While we successfully deliver our water and sewerage services against a strict compliance framework, we are committed to further reducing our impact on waterways and the broader landscape by working in harmony with environmental processes. Bolstered by our vast experience and innovative culture, we are exploring alternative servicing solutions that will help us improve the health of our waterways and bays, deliver a more secure long-term water supply and build liveable communities that are resilient to the effects of our changing climate.**

### PERFORMANCE SUMMARY

- Developed a nature based solution to address wet weather overflows.
- Implemented a product quality management system for our recycled water.
- Delivered 6,900ML of recycled water to help conserve potable water.
- Reduced the volume of nutrients we discharged into waterways.

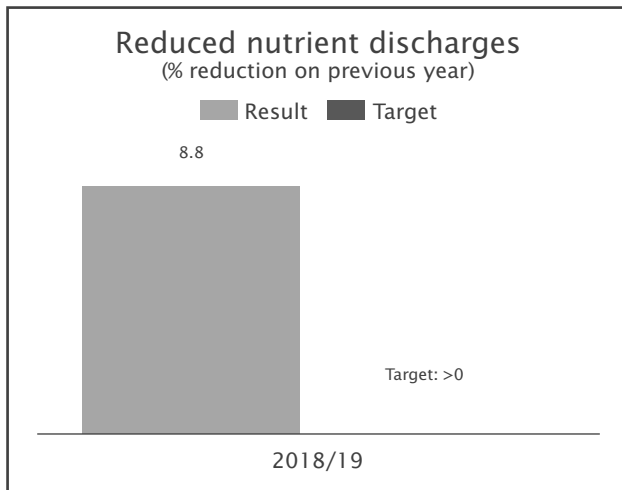
### OUR FOCUS FOR 2019/20

- Work towards zero discharge in the western catchment to reduce the impact on our rivers.
- Improve community acceptance of indirect potable reuse across the region.
- Reduce our impact on local creeks and reshape our investment by implementing a new sewerage standard for wet weather flows.

# 10%

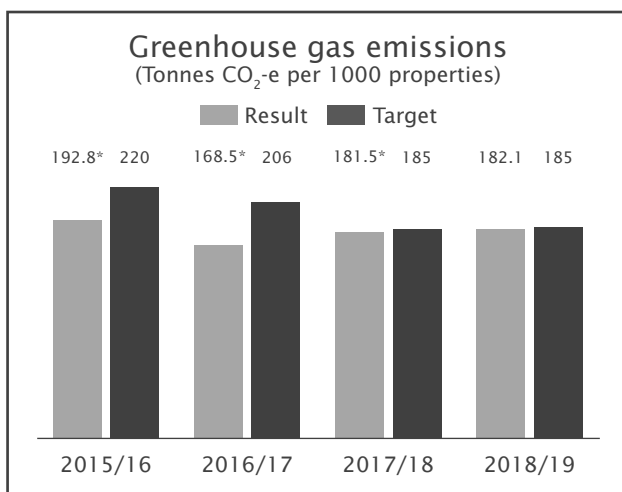
**REDUCTION IN  
GREENHOUSE GAS  
EMISSIONS**

## PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES



### STATUS: ACHIEVED

Reducing nutrient discharges focuses on how we can minimise our impact on the environment by reducing the nutrients we discharge to our waterways as a result of how we collect and treat our communities' waste. These initiatives and opportunities improve the overall quality of those waterways, providing benefits for our communities and economy.



### STATUS: ACHIEVED

This measures the total net emissions of carbon dioxide and other gases into the environment as a result of our operations. This predominantly relates to electricity consumption and the treatment of sewage. We then divide that total figure by the number of properties we serve.

\* During 2018/19, management decided to amend internal greenhouse gas emissions reporting to align with the regulated reporting to the Clean Energy Regulator under the *National Greenhouse and Energy Reporting Act 2007* (NGER). Traditionally, internal reporting was based primarily on operational activities, however this approach could not replicate the rigour and coverage of the NGER reporting framework. As NGER reporting does not align with annual reporting timeframes, it has not been used in the past, however management feels it is a more accurate representation of our performance. Whilst 2018/19 figures are still being finalised, management do not expect any material change to the result.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### **Exploring alternative servicing solutions that deliver multiple community benefits SO6, SO7, SO9, SO10, SO12**

As the custodian of our region's sewerage network, we are committed to providing services that are sustainable, affordable and reliable, now and into the future. To achieve this, it is vital that our planning efforts address the existing and emerging challenges of population growth, climate variability and changing community aspirations.

This is why we are transitioning from the traditional engineered approach to service delivery to a 'whole of catchment' approach that works in harmony with the environment. Our work on the Cannery Creek project exemplifies this.

The Cannery Creek site was chosen as there was work to be done to address the existing issue of occasional wet weather overflows in the area. These would occur during periods of extremely heavy rain, when the volume of water entering the network would exceed its capacity. Rather than taking a traditional approach of building larger, more expensive pipes, we are proposing to adopt a nature-based solution in the form of a constructed wetland that will naturally treat the overflow water before it enters the creek.

This approach will achieve the same public health outcomes as the engineered solution but at a significantly lower cost. It will also be better for the environment and provide a place the community can enjoy.

In 2019/20, we will commence community consultation on the project, where community members, along with our planners and engineers and external experts, will work together to shape the design of future works.

### **Improving the quality and performance of our recycled water system SO5, SO8, SO10, SO13**

Queensland Urban Utilities supplies recycled water from 14 sewage treatment plants to 27 customers across South East Queensland. In order to manage the risk associated with providing recycled water, our Treatment and Production team have developed and implemented a Hazard Analysis and Critical Control Point (HACCP) product quality management system for recycled water.

A HACCP system sets up process control points and critical stages throughout the recycled water production and distribution process. Adhering to this system ensures that product quality is always safe and fit for purpose.

To date, we have implemented the system for nine of our 14 recycled water schemes and are on track to implement the remaining five by September 2019.

The HACCP system puts power in the hands of the operators to make decisions around the management of product quality and improve performance of the recycled water system. This year, we saw recycled water volumes from our treatment plants increase by 20% and managed to recycle 60% of effluent in drinking water catchments. One of the reasons for this increase is that the HACCP is ensuring that quality water is available for customers more often.

This year we also delivered 1,800 ML of highly purified recycled water to the Western Corridor Recycled Water Scheme and sold 553 ML of water to Brisbane Airport Corporation for the construction of the new parallel runway (see page 63).

**Providing fit-for-purpose recycled water to customers SO5, SO8, SO9, SO10, SO13**

Recycled water plays an important role in the water cycle by providing a climate-resistant water source for our customers and communities. In 2018/19, we delivered 6.9 billion litres of recycled water, both for our own use to maximise water efficiency (for example, throughout the sewage treatment process) and for customers to use for various purposes, including:

- sports field irrigation,
- golf club irrigation,
- agricultural uses – pasture/animal fodder irrigation, food crop irrigation and stock water,
- industrial uses,
- power station use, and
- dust suppression on construction sites.

Using recycled water for these purposes helps to conserve potable water; reduces the nutrient loads being released into waterways; improves the quality of public assets, like sporting field surfaces; and supports agriculture where environmental sources of water are insufficient.

Since 2017, one of our largest recycled water projects has been our supply to the Brisbane Airport Corporation for the construction of its new runway. In 2018/19, we supplied 553 million litres for this project. We produce recycled water using ultra filtration and reverse osmosis, producing a water quality suited for the airport's construction project that also supports the customer's water efficiencies during construction.

We have also implemented a Hazard Analysis and Critical Control Points (HACCP) operational program, which helps ensure recycled water products are fit-for-purpose (see page 62).

In 2019/20, we will continue to focus on developing new recycled water schemes that provide our customers with a valuable water source and support us in meeting our environmental leadership goals.





## STRATEGIC GOAL 4: SOCIAL & ECONOMIC VALUE

**The provision of quality water and sewerage services is fundamental to the health and wellbeing of our communities. Similar to our Environmental Leadership strategic goal, we are committed to exploring opportunities and solutions *beyond* our core services to further contribute to the prosperity of our region. We will primarily focus on how we work with key customers to increase economic value for industry and communities, with government and communities to build social value through more connected and liveable communities, and with government and industry to implement an environmentally responsible approach to waste management.**

### PERFORMANCE SUMMARY

- Began constructing our first Social Value Framework.
- Organised and hosted the region's first Hardship and Vulnerable Customer Forum.
- Began preparing our first Reconciliation Action Plan.
- Delivered a number of initiatives to raise funds for and support various causes.

### OUR FOCUS FOR 2019/20

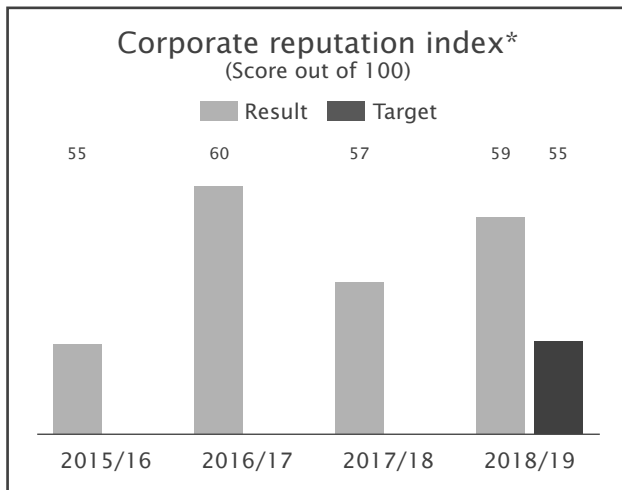
- Develop a baseline of the human, social, financial and natural impact we create.
- Identify, prioritise and deliver opportunities that create social value.
- Deliver initiatives from our 'Reflect' Reconciliation Action Plan.

**\$17k**

**RAISED FOR  
DROUGHT ANGELS**



## PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES



### STATUS: ACHIEVED

The Corporate Reputation Index is a measure of our reputation in the community. The key elements of the measure are trust, favourability and satisfaction with overall service.

\*No historical targets available as not previously a strategic success measure.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

### Constructing our first Social Value Framework SO6, SO12

Forward-looking organisations are increasingly demonstrating and measuring their contribution towards the creation of social value outcomes within the communities they serve.

This year, we began constructing our first Social Value Framework to help us identify, measure and guide our current and future activities that deliver social, economic and environmental benefits. Such activities include how we manage our impact on land and waterways, support customers in hardship and support initiatives that enhance the social wellbeing and prosperity of the communities in which we serve.

To better understand our current state and desired future state, we consulted widely with our stakeholders, including our shareholders, employees and our Customer and Community Reference Group. Through this process, we gained a shared understanding of the challenges each party is facing, and how we can better work together and focus resources on creating the value that really matters. Key issues raised included the desire for urban greening, integrated planning, and supporting those in need.

In the coming year, we will be measuring and quantifying our impacts to develop our baseline of what our impact is and where we should best direct our resources. This will support decision making throughout the organisation and guide the delivery of initiatives in our Social Value Program.

### Assisting our financially vulnerable customers SO6, SO12

We care about our customers and are committed to supporting those who are most vulnerable. One of the ways we show our support is through our Hardship Program, which helps us identify and manage customers who are experiencing financial difficulty and, as such, are unable to pay their water and sewerage accounts.

In an effort to gain a deeper understanding of hardship and explore effective ways to assist those in need, we organised the region's first Hardship and Vulnerable Customer Forum. Hosted in September 2018, the forum was attended by over 30 industry professionals who received presentations from the Energy and Water Ombudsman, Uniting Kildonan and Yarra Valley Water, who is a leader in hardship management.

The group also heard from five of our vulnerable customers who bravely shared their ordeals of financial hardship. While confronting and emotional, the real-life stories gave the group a valuable insight into the range of issues that can affect a customer's ability to meet their financial commitments. Based on the overwhelming success of this forum, a second event was held in June 2019, attracting over 40 attendees.

This year also saw us become a foundation member of the Thriving Communities Partnership (TCP) Queensland Chapter. The goal of this cross-sector collaboration is for everybody to have fair access to the essential services they need to thrive in contemporary Australia, including utilities, telecommunications and transport.

Further, we continued to offer our home visit initiative, which provides compassionate face-to-face contact with some of our most vulnerable customers. The majority of individuals we visited were appreciative of and responsive to the personal interaction, and in most cases, positive outcomes were delivered.

On account of these initiatives, we have increased our known hardship customers by 54% over the past 12 months.

**Commencing our reconciliation journey SO1, SO12**

Queensland Urban Utilities is committed to enhancing the liveability of our communities and partnering to create shared value for our stakeholders. This extends to better understanding and providing opportunities for Aboriginal and Torres Strait Islander communities within our service area.

This year, we were proud to begin our reconciliation journey under the guidance of Uncle Bill Buchanan. Uncle Bill, a respected Indigenous elder, is a descendant of the Kooma/Gwamu First Nation Peoples of South West Queensland, and is a Board Member of Reconciliation Queensland.

The initial step in the reconciliation journey is to develop a Reconciliation Action Plan (RAP), specifically a 'Reflect' RAP, which is the first in a series of four successive RAPs. Committing to a Reflect RAP will allow us to develop relationships with Aboriginal and Torres Strait Islander stakeholders, decide on our vision for reconciliation and explore our sphere of influence, all before committing to specific actions or initiatives.

To help deliver this important piece of work, we established a RAP Working Group, which is sponsored by our CEO, Louise Dudley. To date, the group has developed the RAP within the context of our core business and in line with our overarching strategic, operational and groups plans. They have also established a collaborative and consultative process for engaging staff across the organisation to encourage idea-sharing for the RAP and volunteers to assist with the implementation of RAP deliverables.

In early 2019/20, we expect to have our RAP presented to Reconciliation Australia for endorsement, prior to it being launched in October 2019. The focus for the year will be to deliver the agreed actions set out in the Reflect RAP for 2019/20. We also anticipate preparation of the second RAP in the series, known as the 'Innovate' RAP.

**Progressing our trade waste initiatives SO6, SO7, SO9, SO10, SO12**

Our Trade Waste team is responsible for managing commercial wastewater discharges to the sewerage system in a way that enables growth but also protects our workers, the system and the receiving environment from any negative impacts.

In 2018/19, the team progressed or delivered a number of projects and initiatives, including the following:

- As a leading participant in Standards Australia Committee WS-041 and WSAA Working Group 10 (Flushability), we made significant progress towards the development of Australian Standard for Product Flushability. Such a standard will help us to protect the sewerage system from avoidable costs associated with blockages, pump faults and landfill disposal caused by non-sewerable products (including many non-woven wet wipe products).
- Produced an Australian-first utilities-focused PFAS Source Management Plan to protect the environment and our downstream products (recycled water and biosolids) from contamination with this emerging chemical of concern. Likely to be the subject of continuous development, the document reflects our significant contribution to the water sector's maturing understanding of this nationally important subject.
- Continued to manage the rollout of an electronic waste tracking system, known as WasteID. Electronic waste tracking greatly improves the efficiency of reporting waste transfers and receipts, and enables easier identification of non-compliant trade waste pre-treatment devices. Now eight months into this two-year project, we have electronic coverage of our three regional council areas and the Ipswich metropolitan area.
- Represented Australian water utilities at a federal court case brought by the ACCC against makers of allegedly improperly labelled flushable wipes. This was the culmination of two years of cooperation between Queensland Urban Utilities, other WSAA members and the ACCC, during which the Trade Waste team provided a detailed utility perspective on the effect of "flushable" products on our sewerage system. Unfortunately, the court ruled against the ACCC, which has resulted in the lodgement of an appeal.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

In 2019/20, the Trade Waste team will be focusing on:

- Completion of the Australian Standard for Flushability, in cooperation with WSAA and Standards Australia.
- Completion of the rollout of the WasteID electronic waste tracking system.
- Development of an Australian Standard for passive grease arrestors (an extremely common but as yet poorly codified device used in conjunction with food service businesses).
- Activities that support commercial tariff reform.
- Participation in numerous research projects aimed at the removal and potential destruction of PFAS contaminants in trade waste discharges.
- Improved assessment and reporting of the effect that trade waste practices have on the efficiency of sewerage operations.

### **Turning waste into valuable resources SO8, SO12, SO13**

At Queensland Urban Utilities, we recognise the value in a range of by-products recovered from the sewage treatment process, including recycled water, energy, nutrients and biosolids. To guide us in the capture, recovery and reuse of these by-products – at the right cost and with the right partners – we have a commercial strategy in place, which is helping us to deliver environmentally sustainable outcomes that are customer, community and commercially focused. In 2018/19, two of our focus areas included co-digestion and biosolids management.

#### **▪ Co-digestion**

A number of our industrial partners generate high-strength organic waste that cannot be disposed of into our sewerage system due to its potential to seriously damage our pipes, pumps and treatment processes. The alternative waste disposal methods available to these commercial organisations attract a significant cost, have a sizable impact on their carbon footprint, and may not deliver ideal environmental outcomes.

Recognising this as a mutually beneficial opportunity, we undertook optimisation works at our Oxley Creek and Luggage Point Resource Recovery Centres (in 2017 and 2018, respectively) that increased our digester capacities and improved our operational capabilities. This allowed us to be able to receive and process high-strength liquid organic waste from commercial customers under individual service agreements, which led to us establishing contracts with two of our commercial customers.

These contracts were officially secured in 2018/19 and we are currently importing the liquids into our Luggage Point facility.

By processing this additional high-strength liquid organic waste, we are able to generate greater volumes of biogas, which is then converted into electricity to reuse on site.

#### **▪ Biosolids management**

Biosolids are the residual solids obtained as part of the anaerobic digestion (AD) of sewage sludge. Currently, the biosolids from our AD plants are dewatered and beneficially re-used as a soil conditioner via application to cropping land by a third-party contractor.

In the event that legislation restricts land application, likely due to contaminants of concern, alternative disposal pathways will be required that still fulfil our environmental leadership goals.

In response to internal and external drivers, and building on the existing operational efficiency gains, we have identified an alternative commercial option called Pelleton for biosolids management.

Pelleton is a unique and innovative drying technology that converts biosolids into pellets for dual use as either a fertiliser or an energy source. Pelleton has the potential to offer a viable alternative to our current biosolids management approach, both in terms of cost and strategic benefits, including its ability to:

- Enable Waste to Resource and codigestion initiatives with its diverse end uses, either as a slow-release fertiliser or saleable dry fuel, with the same calorific value as low-rank coal.
- Buffer Queensland Urban Utilities against potential legislative changes associated with restrictions on land application.
- Integrate multiple feed stocks, aligning with our codigestion initiatives.

We are currently undertaking a trial of the Pelleton technology at our Luggage Point Resource Recovery Centre, to better understand the commercial and operational issues prior to full-scale commercial deployment.

#### **Providing support to those in need SO6, SO12**

As a socially conscious organisation, we are pleased to give back to our community and to assist those most in need. This year, we delivered a number of initiatives to raise funds or generate support for various causes, including, but not limited to, the following:

**Drought Angels** – We hosted various fundraising initiatives, including a trivia night and market stalls, to raise vital funds for Drought Angels – a charity that provides personalised, heartfelt and discreet assistance to farmers doing it tough. Staff fundraising generated \$8,500, which was matched by the organisation.

**Livestock feed** – In collaboration with Ipswich City Council, we were proud to donate 80 bales of vetiver grass to drought-stricken farmers in the Western Downs agricultural community. The vetiver grass was sourced from land at our Toogoolawah and Boonah Sewage Treatment Plants and was used to feed up to 180 head of cattle.

**WaterAid** – For the ninth consecutive year, we proudly supported WaterAid – an international organisation dedicated to improving access to clean water and safe sanitation and hygiene in some of the world's poorest communities. For example, we hosted the fifth annual Queensland WaterAid event to launch the 2019 gala ball and, for the fourth consecutive year, participated in the 'Water Innovators' program – a worldwide competition where teams solve real-life water- or sanitation-related issues and fundraise at least \$10,000 for WaterAid.

## CHAPTER 4: CORPORATE GOVERNANCE

**We are committed to good governance and have a framework in place that provides a sound basis for decision-making, to define mechanisms for accountability, and to support our strategic direction.**



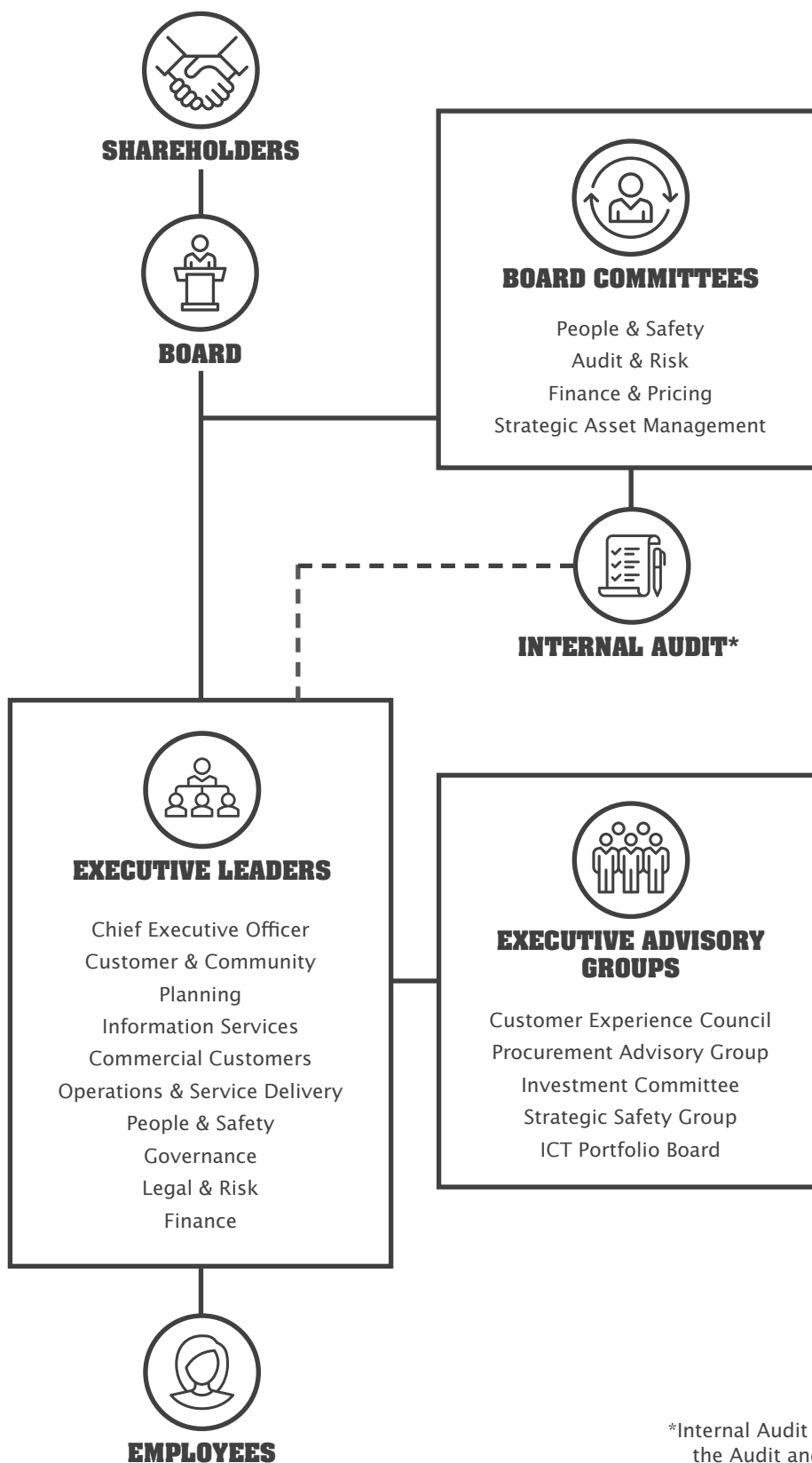
At Queensland Urban Utilities, we foster a culture that values ethical behaviour, integrity and respect.

Our corporate governance framework and processes ensure accountability and transparency, and promote quality leadership, effective people management, and efficient and ethical use of our resources. Our governance structure on the opposite page incorporates our shareholders, Board, Board committees, Executive Leadership Team, and executive advisory groups. This chapter will explore each of these components in detail.

It will also discuss our strategic planning approach, our approach to infrastructure planning, delivery and maintenance, and the assurance programs we have in place.

Our reporting approach has been guided by the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations*.

## OUR GOVERNANCE STRUCTURE



\*Internal Audit reports directly to the Audit and Risk Committee.

## OUR SHAREHOLDERS

Our shareholders are the councils of Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset. In accordance with the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, Queensland Urban Utilities formed an agreement (the "Participation Agreement") with its participating local governments (our shareholders) when it formed in July 2010.

The Participation Agreement outlines the responsibilities and obligations of Queensland Urban Utilities and its participating local governments. It includes, but is not limited to: the participation rights of each shareholder; decision making and dispute resolution; the role, composition, appointment, remuneration and powers of the Board; Board meetings; corporate (strategic) planning; reporting; and profit distribution.

Our Participation Agreement is available on our website.

## OUR BOARD

### Role of the Board

The Queensland Urban Utilities Board comprises eight independent, non-executive members, including the Chairman. The appointments were made in accordance with the provisions of the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

The Board's role includes deciding the strategies and the operational, administrative and financial policies to be followed. The Board also ensures that we perform our functions and exercise our powers in a proper, effective and efficient manner, and that we comply with planning and reporting requirements.

The Board's role and responsibilities are set out in the Board Charter, and include, but are not limited to:

- Deciding on our direction, strategies and financial objectives, and ensuring appropriate resources are available.
- Establishing and maintaining our corporate strategies and monitoring their implementation.
- Establishing and monitoring a framework to assess compliance with legislation and government policy.
- Establishing and monitoring a framework to ensure compliance with control and accountability systems, regulatory requirements and ethical standards.

- Establishing and monitoring a framework to ensure that appropriate risk management systems are in place and are operating effectively.
- Informing and approving our business plans and capital investment plans.
- Determining tariffs and pricing.
- Establishing and monitoring a framework to ensure the preparation of accurate financial reports and statements.
- Approving the terms and conditions of major contractual relationships.
- Appointing the Chief Executive Officer and Executive Leadership Team.
- Monitoring performance of and setting remuneration of the Chief Executive Officer.
- Reporting to shareholders on the performance and state of the business.

To discharge its obligations and responsibilities, the Board operates to an authorities and delegation instrument, which describes the powers vested in and reserved by the Board.

Outside of these reserved powers, the Chief Executive Officer has the authority to manage and oversee the day-to-day operations and activities of Queensland Urban Utilities.

In accordance with the provisions set out in the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, the Chief Executive Officer can sub-delegate some of her powers to employees through an instrument of sub-delegation.

### Conflict of interest

The Board is acutely aware of its members' obligations to avoid conflicts of interest between their duties to Queensland Urban Utilities and their personal interests.

A Conflicts of Interest policy has been in place for the duration of the reporting period.

The policy sets out the obligation of Board members to declare any material interests relevant to the activities of Queensland Urban Utilities, and to ensure that conflict arising from any material interest is noted and managed in accordance with the policy.



# OUR BOARD MEMBERS

**Our Board comprises eight independent, non-executive members who are responsible for setting and overseeing our strategic direction.**



**GEOFF HARLEY**  
(Chairman)

**RFD, LLB, FAICD**

Geoff was appointed the Chairman of the Queensland Urban Utilities Board in October 2012.

He has practised commercial law for more than 40 years and has held numerous senior management positions, including Managing Partner and Partner in Charge of the Brisbane office of Clayton Utz. He was previously Chairman of Translink Transit Authority and CS Energy Limited, and was Deputy Chairman and Acting Chairman of Queensland Rail.

Geoff is currently a consultant for Clayton Utz and recently retired as Chairman of BDO.

Geoff completed his term on the Queensland Urban Utilities Board on 30 June, 2019.



**JOHN COTTER**  
(Deputy Chairman)

**BRTP, M (Applied Finance), GAICD, FAIM**

John is the CEO of Initiative Capital, a private venture capital firm in alternative infrastructure assets with over \$200m of assets under development. As the founder and CEO of the Flinders Group, now part of the global firm, Arcadis, John has led project teams across Australia through concept, business case and delivery phases of complex infrastructure projects.

He serves on the boards of Phosphate International and the Brisbane Powerhouse, and is councillor of the Royal National Agricultural and Industrial Association of Queensland (RNA).



**KATHY HIRSCHFELD AM**

**B.E. (Chem), HonFIEAust, FTSE, FICHEM, FAICD**

Kathy was appointed to the Queensland Urban Utilities Board on 1 January, 2019.

She is an experienced Non-Executive Director of listed and government companies, spanning a variety of industries, including manufacturing, utilities and oil and gas. Her expertise encompasses engineering, business management, safety and risk, mergers and acquisitions, logistics and organisational culture.

Kathy is currently Chair of Powerlink Queensland and a Non-Executive Director of Central Petroleum Ltd and Tellus Holdings Ltd. She is a Senate member of The University of Queensland and was President of UN Women National Committee Australia until May 2019.

**Our Board members continued over page...**

## OUR BOARD MEMBERS (CONTINUED)



### **BRUCE LESLIE**

**DEng, MEngSc**

Bruce was appointed to the Queensland Urban Utilities Board on 1 July 2018.

Bruce has worked as a consulting mechanical engineer for over 30 years. After five years with BMT WBM, he founded Leslie Consulting in 1989 and grew and managed it until its acquisition by CQMS Razer in 2016. After two years as General Manager of Engineering for CQMS Razer, he is again working as an independent consulting engineer.

In 2019, Bruce was awarded a Doctorate in Engineering from the University of Queensland.



### **KERIAN MCNAMARA**

**Solicitor, Notary Public**

Kerian was appointed to the Queensland Urban Utilities Board in September 2016.

He has an extensive background in the legal profession and is also a Notary Public. Kerian was actively involved in the recovery group of the Lockyer Valley and Grantham following the January 2011 floods.

Kerian is currently Chairman of Lights on the Hill Foundation Ltd.

Kerian resigned from the Queensland Urban Utilities Board in December 2018.



### **BRONWYN MORRIS AM**

**B.Com, FCA, FAICD,**

Bronwyn was appointed to the Queensland Urban Utilities Board in July 2017.

She is a professional non-executive director with extensive experience in the ASX-listed, public, private, government and not-for-profit sectors spanning a range of industries including infrastructure, energy and financial services.

Bronwyn currently serves as President and Chair of RACQ, Chair of RACQ Insurance and serves on the boards of RACQ Bank, Collins Foods Limited and Menzies Health Institute Queensland.

Bronwyn is a Chartered Accountant and former partner of KPMG.

As at 30 June 2019, Bronwyn was incoming Board Chair.



**LEN SCANLAN**

**BBus (Acc), BA (Gov't/Asian Studies/Public Admin), MPub Ad, FAICD, FIIA (Aust)**

Len was appointed to the Queensland Urban Utilities Board in June 2010.

Len was Auditor-General of Queensland from 1997 until 2004. During this time, he was also the Chief Executive Officer of the Queensland Audit Office. Len has since pursued a successful career as an independent consultant.

Len is Chair of Ganes Ltd, and is currently appointed to a number of public sector audit committees. He is also a member of the Electoral Commission of NSW and an Adjunct Professor at The University of Queensland.

Len completed his term on the Queensland Urban Utilities Board on 30 June, 2019.



**JULIE-ANNE SCHAFER**

**LLB (Hons), FAICD, ANZIIF**

Julie-Anne was appointed to the Queensland Urban Utilities Board on 1 July 2018.

She has extensive directorship experience across a range of highly regulated sectors, including finance, infrastructure, health, energy and transport.

Julie-Anne is currently the Chair of the National Insurance Injury Scheme (Queensland), a Non-Executive Director for CS Energy, AvSuper and CCI Limited and President of the National Competition Council.

Prior to being a professional director, Julie-Anne was a legal partner specialising in commercial and insurance matters for 25 years.



**GRAHAM THOMSEN**

**MPhil (Engineering), RPEQ, CPEng, MAICD**

Graham was appointed to the Queensland Urban Utilities Board in September 2016.

He has practiced civil engineering with a specialty in water management for over 40 years. As a professional adviser, Graham has worked with State and Local Government bodies in all aspects of strategic planning, governance and management of water and wastewater systems.

Graham is currently the chairman of Verterra Ecological Engineers.

- Board members commencing 1 July 2019: Mark Gray and Phillip Strachan.
- Complete biographies are available on our website.

## OUR BOARD COMMITTEES

Our Board comprises eight independent, non-executive members who are responsible for setting and overseeing our strategic direction.

The Board has four sub-committees to assist in the execution of its duties. Each committee operates to a charter, which sets out its roles and responsibilities, composition, structure, membership requirements, and the manner in which it is to operate.

A summary of attendance of Board members at committee meetings is set out in the table on page 77.

### Audit and Risk Committee

In 2018/19, the Audit and Risk Committee included Len Scanlan (Chair), Geoff Harley, Kieran McNamara (until 4 December 2018), John Cotter, Julie-Anne Schafer and Kathy Hirschfeld (from 1 January 2019). The executive sponsor was Mark Letica.

The role of the Audit and Risk Committee is to provide advice to the Board on the suitability of our accountability and control framework.

As per its charter, the committee's responsibilities include, but are not limited to:

- Reviewing our risk assessment and management framework.
- Evaluating our procedures to ensure we comply with laws and regulation.
- Reviewing our business contingency planning framework.
- Reviewing and endorsing our internal audit program.
- Reviewing internal audit reports.
- Overseeing the adequacy of our accounting internal control system.
- Reviewing external audit reports.
- Reviewing continuous assurance reports.
- Reviewing our insurance program.

The Audit and Risk Committee has observed the terms of its charter and has had due regard for the Queensland Treasury's Audit Committee Guidelines.

### Finance and Pricing Committee

In 2018/19, the Finance and Pricing Committee included Bronwyn Morris (Chair), Geoff Harley, Bruce Leslie, Len Scanlan and Graham Thomsen. The executive sponsor was Ruth Coulson.

The role of the Finance and Pricing Committee is to provide advice to the Board on the suitability of our capital, finance and pricing approaches, requirements and recommendations.

As per its charter, the committee's responsibilities include, but are not limited to:

- Reviewing the short- and long-term funding arrangements, debt profile and capital structures.
- Working with rating agencies, including the Queensland Treasury Commission, on credit ratings.
- Establishing and managing Queensland Urban Utilities' pricing strategy, pricing principles and framework.
- Reviewing long-term regulatory framework development and Queensland Competition Authority reviews.
- Reviewing the annual budgeting process, including assumptions for operating and capital expenditure.
- Reviewing revenue strategies.
- Reviewing the Participation Return policy.

### People and Safety Committee

In 2018/19, the People and Safety Committee included John Cotter (Chair), Geoff Harley, Julie-Anne Schafer, Kieran McNamara (until 4 December 2018) and Kathy Hirschfeld (from 1 January 2019). The executive sponsor was Glenn Smith.

The role of the People and Safety Committee is to provide advice to the Board to ensure we have people who are safe, adaptable, capable, and are committed to achieving our vision and living our values.

As per its charter, the committee's responsibilities include, but are not limited to:

- Promoting a culture of safe and accountable behaviour.
- Assessing and monitoring safety compliance and assurance.
- Reviewing and recommending employee performance KPIs.
- Establishing appropriate human resource strategies and policies.
- Embedding a culture that supports the successful delivery of our strategic objectives.
- Reviewing and recommending industrial agreements.
- Recommending to the Board the appointment or termination of the Chief Executive Officer.

- Recommending to the Board final and preferred candidates or terminations for Executive Leadership roles reporting to the Chief Executive Officer.
- Reviewing the performance results of the Chief Executive Officer and her direct reports and recommend remuneration and financial incentive outcomes to the Board.
- Reviewing and recommending major organisational structure changes proposed by the Chief Executive Officer, including major changes to the accountabilities of positions reporting directly to the Chief Executive Officer.

### Strategic Asset Management Committee

In 2018/19, the Strategic Asset Management Committee included Graham Thomsen (Chair), Geoff Harley, Bronwyn Morris, Bruce Leslie and John Cotter. The executive sponsor was Paul Belz.

The role of the Strategic Asset Management Committee is to provide advice to the Board on our asset management strategies, policies and systems.

The scope of the committee includes all material capital investments (water, sewerage and ICT activities).

As per its charter, the committee's responsibilities include, but are not limited to:

- Understanding the performance of systems and associated project, network and infrastructure risks, and ensuring that critical project, network and infrastructure risks are mitigated.
- Reviewing the capital delivery program, focusing on major projects and significant variance to the program delivery.
- Reviewing long-term strategic asset management planning with a five-to-10 year view.
- Reviewing and ensuring compliance with relevant statutory and environmental responsibilities, and customer service standards.
- Reviewing our five-year plan on an annual basis to ensure it is still relevant and economical.
- Reviewing the ICT Strategy and Roadmap.
- Keeping abreast of domestic and international innovation, including any new products and strategies that may benefit our operations.

Member	Ordinary Board		Audit & Risk Committee		Finance & Pricing Committee		People & Safety Committee		Strategic Asset Management Committee	
Meetings held/attended	H	A	H	A	H	A	H	A	H	A
Geoff Harley	11	11	4	4	4	4	4	3	5	3
John Cotter	11	11	4	4			4	4	5	4
Kathy Hirschfeld (Commenced 1 January 2019)	6	5	2	1			3	3		
Bruce Leslie	11	10			4	4			5	5
Kerian McNamara (Resigned December 2018)	5	5	2	1			1	1		
Bronwyn Morris	11	9			4	4			5	5
Len Scanlan	11	11	4	4	4	4				
Julie-Anne Schafer	11	9	4	4			4	4		
Graham Thomsen	11	11			4	4			5	5

Board member meeting attendance.

## OUR EXECUTIVE LEADERSHIP TEAM

**Our Executive Leadership Team is responsible for the deployment of strategy and the day-to-day service delivery and operations of Queensland Urban Utilities.**



**LOUISE DUDLEY**  
Chief Executive Officer

**BCom, CA, GAICD**

Louise was appointed Chief Executive Officer of Queensland Urban Utilities on 1 July 2012. Louise previously held the role of Chief Financial Officer.

During her time as Executive Manager Water Retail at Brisbane City Council, Louise played an integral role in the creation of Queensland Urban Utilities, which involved transitioning five local authority water businesses into a single entity.

Prior to joining Brisbane City Council, Louise spent 17 years with leading accounting and advisory firm KPMG, and in a senior role with PresCare.



**PAUL BELZ**  
Executive Leader Planning

**MBA, BEng, GAICD, RPEQ**

Paul is responsible for servicing strategies, infrastructure planning, capital inauguration, asset management, and environmental leadership and water quality strategy across Queensland Urban Utilities' geographic area.

Paul has more than 30 years' experience in the water and sewerage industry across a wide spectrum of disciplines. His main areas of expertise are in planning, asset management, and operations.



**RUTH COULSON**  
Chief Financial Officer

**B.Com, CA, GAICD**

Ruth is responsible for Queensland Urban Utilities' financial activities and regulation, shared services and strategic procurement.

Ruth has a background in finance, operations, capital management, and major transformation and change initiatives to optimise strategic, financial, commercial and operational outcomes.

Ruth previously held senior leadership roles at Aurizon Limited. She has worked in both Australia and internationally in listed businesses with a strong focus on sound financial reporting, long-term financial strategy, risk and governance and external reporting obligations.

**IAN HALL**

**Executive Leader Commercial Customers**

**BEng (First Class Honours), GAICD, MIEEE**

Ian is an experienced company executive, having held senior positions with a number of multi-national organisations including Telstra, Boeing, Verizon, and MCI.

Ian joined Queensland Urban Utilities in 2014, at which time he led the establishment of the Commercial Customer Group. He is accountable for Queensland Urban Utilities' commercial and developer customer relationships, the performance of its NATA-accredited SAS Laboratory division, trade waste and the development of new products and services.

**SUSAN HEATH**

**Chief Information Officer**

**BA, GDipLib&InfSc, MIT**

Susan is responsible for managing all aspects of Queensland Urban Utilities' information, communication and technology (ICT) environment. She oversees the organisation's ICT strategy, as well as the investment, business engagement, innovation and delivery of the existing ICT function. Susan's extensive experience in ICT spans the state and local government, health, aviation and commercial sectors.

Prior to joining Queensland Urban Utilities in September 2016, Susan led IT Strategy and Architecture for Brisbane Airport Corporation.

**MARK LETICA**

**Executive Leader Governance**

**BCom, GAICD**

Mark is responsible for Queensland Urban Utilities' strategic planning, performance management, corporate reporting and publications functions. He is also responsible for internal audit and assurance, corporate property, innovation and research and development functions.

In addition, Mark leads the corporate stakeholder relationship management team, which includes shareholder relations.

**Our Executive Leadership Team continued over page...**

## OUR EXECUTIVE LEADERSHIP TEAM (CONTINUED)



### **TRACEY MOORE**

**General Counsel and Board Secretary**

**BA LLB (Hons), MA (Hons),  
GAICD**

Tracey is responsible for the provision of the legal, insurance and risk management functions at Queensland Urban Utilities. She is also the Board Secretariat, and oversees the development, implementation and management of the organisation's land access and tenure services.

Tracey has significant experience in infrastructure delivery, regulatory compliance, and procurement in both the public and private sectors. Tracey is also an experienced probity advisor.



### **RICHARD PETTERSON**

**Executive Leader Operations and Service Delivery**

**BE (Civil), Grad Cert Eng Man,  
GAICD**

Richard is responsible for the leadership and strategic direction of Queensland Urban Utilities' operations and service delivery, which includes infrastructure delivery, network management, infrastructure maintenance and reliability, treatment, environment, and service delivery for our customers.

Richard has significant experience in engineering and the water industry. His career has included senior roles in both the private and public sectors across a broad range of industry functions.



### **JUSTIN POULUS**

**Executive Leader Customer and Community**

**BComm**

Justin is responsible for leading and managing Queensland Urban Utilities' retail business. This includes management of customer service, marketing and communications, and media.

Justin previously held senior management roles at Energex and various marketing agencies. Justin launched his career as a journalist in the mid-1980s and holds a degree in professional writing (journalism) from the University of Canberra.





**GLENN SMITH**

**Executive Leader People and Safety**

**ADip Bus, MAHRI**

Glenn is responsible for the People and Safety Group's program of work, which supports our people, safety, wellbeing, culture, training, communication and leadership priorities.

Glenn's extensive experience in human resources and industrial relations spans both corporate and operational functions across a range of industries. Glenn was previously Vice President of Human Resources and External Affairs at Pacific Aluminium (Rio Tinto).

**Complete biographies are available on our website.**



## OUR EXECUTIVE ADVISORY GROUPS

During 2018/19, we had five advisory groups assisting the Executive Leadership Team to fulfil its responsibilities.

Each group operated under a charter, which sets out its roles and responsibilities, composition, structure, membership requirements, and the manner in which it is to operate.

### **Customer Experience Council**

The Customer Experience Council provides a forum for executive leaders to review customer analytics, survey feedback and trends, and discuss and prioritise strategic customer experience opportunities and challenges.

### **Procurement Advisory Group**

The Procurement Advisory Group provides governance for the procurement process as well as the application of procurement policy. The group reviews submissions and provides advice on high risk and/or high value procurement activities and forward plans at each stage of the procurement process.

### **Investment Committee**

The purpose of the Investment Committee is to review the five-year Capital Investment Plan (CIP), review progress of delivery of the capital program, review Infrastructure Master Plans and Asset Management Plans, approve the entry of new major (\$5 million+) or significant projects into the CIP, review the feasibility of major projects, and review close-out reports.

### **Strategic Safety Group**

The purpose of the Strategic Safety Group (SSG) is to maintain a strategic approach to our responsibilities under the *Work Health and Safety Act 2011*. The SSG is also the final decision point for any safety issues that cannot be resolved by our line safety committees, are of a strategic nature or are beyond the authority of the committees to resolve.

### **ICT Portfolio Board**

The ICT Portfolio Board oversees the planning, prioritisation and delivery of the Board-approved information and communications technology vision and roadmap. The ICT Portfolio Board reviews program and project progress for the current year, oversees the governance of the portfolio, and provides input into the prioritisation and funding of the future years of the portfolio.

## OUR PLAN FOR THE FUTURE

### Our strategic planning process

Utilising an approach endorsed by the Australian Institute of Company Directors, our strategic planning process starts with a scan of the trends impacting our operating environment (political, economic, social, technology, environmental, legal and industry). The results are used to determine and assess key trends and drivers that could influence our future direction.

We enhance our strategic planning approach by forecasting our future through the eyes of our shareholders and key stakeholders, including customers and employees. Through this process, we identified the following opportunities and challenges that have informed our strategic focus.

Opportunities	
Customer relationships	Building stronger relationships with customers to better understand their needs, build value in our products and services and create opportunities to deliver value to our communities.
Alternative customer options	Continuing to explore, develop and deliver alternative solutions that provide value for our customers and communities.
Industry leadership, global best practice	Using our vast experience, innovative culture and emerging partnerships to play a leading role in influencing legislation and developing best practice and innovative solutions.
Digital integration, data as an asset	Making better use of the data we have now, and the data we can collect in the future, to improve decision making and how we deliver our services.
Employee value	Continuing to support our employees' growth and development, and providing them with meaningful and challenging work where they feel they are making a difference.
Challenges	
External disruption	Anticipating and keeping ahead of emerging external disruptions to the water industry that impact the value our products and services provide.
Increased competition	Continuing to provide long-term essential services that are valued by our customers and communities in an environment of increasing short-term, targeted offers.
Effective operating model	With changes in customers' expectations and exponential increases in technology and digital opportunities, we need to maintain an operating model that enables us to continue to increase the value we provide.
Long-term sustainability of services	With increasing insights of the impact of urbanisation and significant uplift in long-term capital investment, we are refining our planning of future services to ensure they meet community requirements and are sustainable and affordable.
Public scrutiny	Due to the increase in royal commissions or similar, increased public focus on businesses that provide essential or monopolised services around their corporate governance and consideration of social and environmental challenges.

## OUR PLAN FOR THE FUTURE (CONTINUED)

In collaboration with our Board and managers across the business, we have set a revised strategic direction for 2024, which is documented in our shareholder-approved five-year Statement of Strategic Intent.

We have retained our purpose, *Enrich quality of life*, as it still resonates with our future ambitions, however, we have updated our vision to encapsulate the social, economic and environmental value we provide to customers, communities and shareholders. Our new vision is: *We play a valued role in enhancing the liveability of our communities*.

We have also developed new strategic goals underpinned by objectives, measures and targets. Supporting the achievement of these objectives are key projects, known as strategic initiatives.

All of these elements, along with our values, team plans and individual work plans, make up our strategic planning framework (below).



## Our 2024 strategic intent

As at 1 July 2019, we will transition to a five-year Statement of Strategic Intent, meaning we will no longer be required to review and update our strategy every 12 months. Rather, we will retain the same strategic intent for the stipulated five-year period, and only make revisions in the event of significant business or industry changes.

This will bring us in line with the majority of our shareholders whose corporate plans are managed in a similar manner.

We will continue to produce an annual Operational Plan, which sets out how we will action our strategic intent.

A summary of our 2024 strategic direction, as per our 2024 Statement of Strategic Intent, can be seen below.

Strategic goals	Strategic objectives
<b>Constructive Culture</b> We inspire, create and sustain a constructive culture to deliver high performance.	<ul style="list-style-type: none"> <li>▪ Embrace our leadership philosophy and create a work environment that delivers high performance.</li> <li>▪ Enhance the efficient delivery of work through an improved employee experience.</li> </ul>
<b>Foundational Success</b> We know our business, we know our customers and we deliver value for both.	<ul style="list-style-type: none"> <li>▪ Shape the way future services are provided to ensure we meet community requirements at the lowest sustainable cost.</li> <li>▪ Deliver products and services that our customers prefer.</li> <li>▪ Deliver sustainable customer services through optimised planning and active risk management.</li> <li>▪ Become a truly customer-centric business that delivers an effortless customer experience.</li> <li>▪ Harness technologies to improve the customer and employee experience and the use of digital systems that provide proactive and real time monitoring of performance.</li> <li>▪ Maintain affordable and transparent pricing for our customers.</li> </ul>
<b>Environmental Leadership</b> We protect and enhance our environment for current and future generations through excellence in water cycle management.	<ul style="list-style-type: none"> <li>▪ Reduce our environmental footprint.</li> <li>▪ Reshape the water cycle by reusing and recycling to maximise the value of water.</li> <li>▪ Partner locally to improve environmental liveability, sustainability and resilience in our communities.</li> </ul>
<b>Social &amp; Economic Value</b> We advance the wellbeing and prosperity of society by leveraging our unique capabilities.	<ul style="list-style-type: none"> <li>▪ Create societal value through our essential products and services.</li> <li>▪ Enhance community liveability by providing recycled water, practising resource recovery and protecting the community from emerging contaminants.</li> <li>▪ Enhance community prosperity and wellbeing by supporting vulnerable customers, minority groups and local business, and by creating employment and education opportunities.</li> </ul>

## OUR PLAN FOR THE FUTURE (CONTINUED)

### Our strategic risks

The below table outlines the strategic risks that may prevent us from achieving our strategic objectives.

Strategic goal	Strategic risk
<b>Constructive Culture</b>	<ul style="list-style-type: none"> <li>▪ Death or serious injury in the workplace.</li> <li>▪ Major disengagement amongst our employees.</li> <li>▪ Inappropriate, unethical or unlawful behaviour on the part of our management or employees.</li> </ul>
<b>Foundational Success</b>	<ul style="list-style-type: none"> <li>▪ Major unauthorised access or disruption to our systems and information (includes IT and OT environments).</li> <li>▪ We do not deliver quality products (including recycled water, biosolids and effluent).</li> <li>▪ Major changes in our regulatory environment that adversely impacts on the achievement of our strategic objectives.</li> <li>▪ Major unauthorised access to our infrastructure, due to breach of security.</li> <li>▪ We become financially unsustainable.</li> <li>▪ We are not a valued and trusted customer-centric organisation in the community.</li> <li>▪ Failure of a critical infrastructure asset.</li> <li>▪ Loss of revenue streams from developers or large commercial customers.</li> <li>▪ Serious loss of shareholder trust or support.</li> <li>▪ Regulator deems capital expenditure not prudent and efficient.</li> <li>▪ Changing climate impacts on our ability to deliver sustainable and effective services (e.g. flood, drought, bushfires or rising sea levels).</li> </ul>
<b>Environmental Leadership</b>	<ul style="list-style-type: none"> <li>▪ Major release of pollutants to the environment, outside of licence conditions.</li> </ul>
<b>Social &amp; Economic Value</b>	<ul style="list-style-type: none"> <li>▪ Expansionary activities do not add value to our shareholders, customers or society.</li> <li>▪ Missed opportunities to partner with businesses or shareholders to achieve common goals.</li> </ul>

## Planning for future services

We plan to deliver the services required by the community now and into the future to play our part in protecting and enhancing quality of life. We plan our services in partnership with the other service providers in the region to deliver on the community's liveability requirements.

Our approach is to partner with our key stakeholders to optimise the way services are provided. We adopt a strategic role to influence prudent and efficient delivery of services using capital and non-capital solutions with traditional and non-traditional approaches. We plan to ensure services are available at the right time and right place, to minimise the cost of services to our customers.

We align our services with State Government's *South East Queensland Regional Plan 2009–2031*, the purpose of which is to manage regional growth and change in the most sustainable way and to protect and enhance quality of life.

At a local level, we work with our five shareholders, Economic Development Queensland and other State Government authorities. We contribute to their plans and use an understanding of their plans to provide us with the type, size, location, and timing of future development and growth.

We engage directly with our customers to understand their needs and strive to co-design our servicing solutions through regular consultation and engagement.

In our planning, we also consider the *South East Queensland Water Security Program* developed by the bulk water service provider, Seqwater. This program identifies the level of service objectives for water supply security and the future investments in bulk water infrastructure.

Our *Water Netserv Plan* provides an overview of our infrastructure planning and development for the next 20 years. It supports and reflects the land-use planning undertaken by the State Government and our five shareholders, and promotes greater transparency in our operations. Our *Water Netserv Plan* is a living document that is updated as our planning for the future changes.

We manage our services by using:

- Contemporary approaches in whole-of-lifecycle asset management.
- Efficient and effective capital investment through strategic procurement and 'just-in-time' delivery.
- Benchmarking against national and international peers.

## OUR CONTROLS AND ASSURANCE

### Risk Management

Our Enterprise Risk Management Framework was developed and implemented in accordance with the *ISO 31000:2009 Risk Management – Principles and Guidelines*.

Our Board-approved Risk Appetite Statement is a central component of our Enterprise Risk Management Framework. Its purpose is to articulate, from the Board's perspective, how much risk is acceptable in pursuing our strategic direction.

The Risk Appetite Statement guides management in making decisions that balance risk and opportunity, and is a key driver in establishing an organisational culture that is risk aware.

Our risks are managed at the strategic, group and operational levels, which are aligned to our risk appetite and tolerance levels.

Our strategic risks have the potential to materially impact the achievement of our purpose and vision, and are considered in our strategic planning process (see page 86).

The Enterprise Risk Management Framework also facilitates risk-based planning and decision making and improves organisational resilience.

Supporting our Enterprise Risk Management Framework is our Corporate Compliance Management System, which was developed and implemented in accordance with *ISO 19600 Compliance Management Systems – Guidelines*.

### External Scrutiny

The Queensland Audit Office (QAO) is our external auditor under the terms of the *Financial Accountability Act 2009*. The QAO is responsible for auditing our financial statements and expressing an opinion on the financial report, based on the audit (see page 161).

The Queensland Competition Authority (QCA) is responsible for regulating our water and sewerage services to ensure the costs we incur in delivering those services are prudent and efficient. This process is designed to ensure that monopoly providers of essential utility services are not charging prices in excess of efficient costs.

Prior to 30 June 2015, the QCA applied a specific price monitoring regime and found no evidence of an exercise of market power. This regime has expired, but the QCA still retains general investigatory powers into our pricing practices to protect customers. We continue to set prices and adhere to service quality standards. Since 1 July 2015, we have not been subject to investigation under the general investigatory powers of QCA.

Besides the report on financial statements, no other government body issued any other external scrutiny reports regarding our operations during the reporting period.



### Internal Audit

Internal audit is an independent function within Queensland Urban Utilities' Office of the Chief Executive Officer, which assists the Chief Executive Officer in the discharge of her responsibilities under the *Financial Accountability Act 2009*, and provides an independent review of internal system controls.

In 2018/19, KPMG provided internal audit services for Queensland Urban Utilities. These services were performed in accordance with an approved Internal Audit Charter. The services were also performed in accordance with the Board-approved Internal Audit Plan. This plan has regard for Queensland Urban Utilities' strategic risk profile, previous audits, industry insights, Queensland Audit Office key focus areas and engagement with the Audit and Risk Committee and Executive Leadership Team.

The internal audit function was conducted independently of management, and authorised auditors and the deployment of the program had due regard to Queensland Treasury's Audit Committee Guidelines.

In 2018/19, Internal Audit undertook 10 audits. The audits were separated into strategic risk-based reviews, core business process reviews, and information technology reviews.

### Continuous Assurance

Queensland Urban Utilities continued its data analytics-based continuous assurance program during 2018/19, supported by KPMG.

The program provides the Board, Audit and Risk Committee, and management with assurance that processes and control systems are working effectively under outsourced and internal service delivery models. It considers processes and controls that mitigate strategic risks relating to customers, finance, procurement, environment, ICT, people and security.

### Fraud Control

Queensland Urban Utilities has a Fraud and Corruption Control Plan, which is reviewed annually.

The plan documents how we will implement the recommendations by the Queensland Audit Office.

These attributes include:

- implementing fraud awareness training,
- carrying out fraud risk assessments, and
- developing fraud reporting and investigations systems, including our UrbanDisclosure hotline for reporting potential fraud and corruption matters.



## ACCOUNTABILITY AND TRANSPARENCY

### Reporting on performance

Transparent, accurate and timely reporting is a key component of our governance structure that enables us to remain on track to achieve our purpose and vision, continue providing services that meet customer expectations, and continue to manage operational risks and priorities.

Progress against our strategic objectives, our strategic risks we manage to ensure we can achieve our strategic objectives, and the delivery of our customer service standards (see page 42) reported to our Executive Leadership Team, Board and all employees on a monthly basis. They also form the basis of reporting to shareholders, and this Annual Report.

In addition, we also report the status of our strategic initiatives to our Executive Leadership Team and all employees on a monthly basis and to our Board and shareholders on a quarterly basis.

Our key operational measures, which predominately act as lead indicators to the management of our strategic risks, are reported to our Executive Leadership Team and all employees on a monthly basis.

We also support and comply with various industry and regulatory reporting requirements, including the National Performance Reporting annual industry benchmarking, which provide regulators and customers with transparency and comparability around our performance, services and costs. These include, but are not limited to, our *Drinking Water Quality Management Annual Report* and *Annual Performance Plan*, both of which are on our website.

We continually seek to improve our performance reporting to ensure it is transparent and provides our shareholders, Board, executives, managers, customers, and all employees with a clear understanding of how we are performing and where we need to focus our efforts.

### Information systems and record keeping

Queensland Urban Utilities endeavours to comply with the *Public Records Act 2002*, *Records Governance Policy 2018* *Records Governance Policy Implementation Guideline 2018* and *Information Standard 18 (security)*. Policies are in place for recordkeeping, email management, retention and disposal of records, managing information on shared network drives and information security.

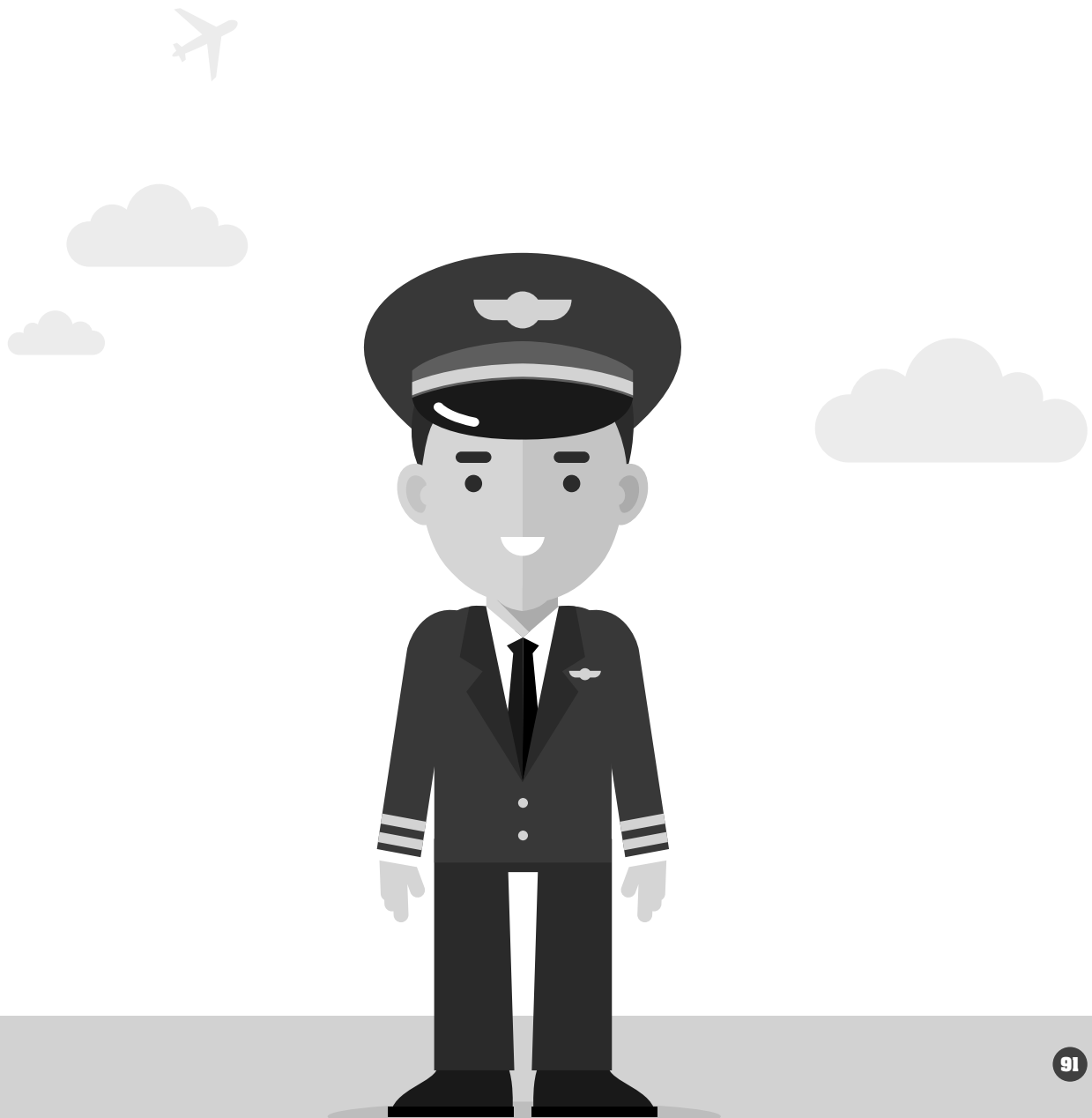
Records Management is responsible for providing a compliant recordkeeping framework to the agency. Increasing numbers of records are being received, captured and managed electronically. Recordkeeping considerations are being formally addressed in both the development and decommissioning of business systems. We are planning new digitisation and disposal techniques for temporary low-risk records, reducing our reliance on physical storage, shrinking our physical footprint, and improving instant access to information.

In 2018/19, we made the following improvements to record keeping and approved business systems:

- Upgraded the business-approved electronic document and records management system (EDRMS) to allow for improved security and audit function, better functionality and a number of user-friendly features, including mobile access and Microsoft Outlook integration. The EDRMS aligns with our future vision of being more connected, more informed and more efficient.
- Undertook an external compliance review of the newly implemented Records Governance Policy.
- Developed and communicated a Records Management Information awareness session.

## **OTHER DISCLOSURES**

In accordance with State Government disclosure obligations, disclosures for overseas travel and consultancies for Queensland Urban Utilities can be found on the Queensland Government's Open Data website ([data.qld.gov.au](http://data.qld.gov.au)).



## CHAPTER 5: FINANCIAL PERFORMANCE

**We are focused on maintaining a strong financial position to ensure we can meet our customer and shareholder expectations now and into the future.**

### Chief Financial Officer's summary

#### Financial performance at a glance

- Operating profit before tax and capital revenues: \$130 million, up 5.0% on 2017/18.
- Profit after tax: \$226.7million, down 10.7% on 2017/18.
- Total revenue: \$1,377.7 million, up 2.2% on 2017/18.
- Operating cost base: \$1,052.5 million, up 6.8% on 2017/18.
- Capital expenditure (including developer donated assets): \$411 million.
- Gearing consistent at 37%.

#### Financial performance for the year ended 30 June 2019

For the year ended 30 June 2019, Queensland Urban Utilities reported an operating profit before tax and capital revenues of \$130 million, which was a 5% improvement on our 2017/18 result. Our net profit after tax of \$227 million was a \$27 million reduction on 2017/18. This was largely due to a decrease in developer contributions (capital revenues), which totalled \$195 million (18% unfavourable to 2017/18).

Capital revenues from developers comprise both donated assets and cash used to build water and wastewater infrastructure. This revenue provides funding towards our investment in infrastructure, enabling us to keep our prices lower.

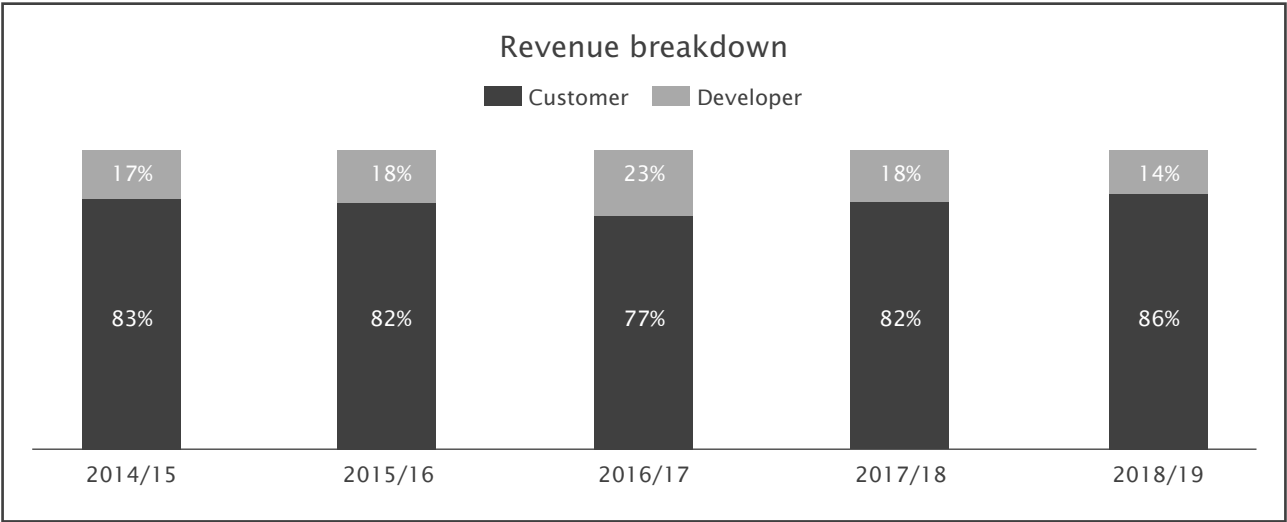
Our five-year financial performance summary is detailed below:

\$m	2014/15	2015/16	2016/17	2017/18	2018/19
Revenue	996	1,037	1,069	1,109	1,183
Operating expenses	(820)	(935)	(965)	(985)	(1,053)
<b>Operating profit before tax and capital revenues</b>	<b>76</b>	<b>103</b>	<b>104</b>	<b>124</b>	<b>130</b>
Capital Revenues	197	232	313	239	195
<b>Profit before tax</b>	<b>273</b>	<b>335</b>	<b>417</b>	<b>363</b>	<b>325</b>
Taxation expense	(85)	(103)	(125)	(110)	(99)
<b>Profit after tax</b>	<b>188</b>	<b>232</b>	<b>291</b>	<b>253</b>	<b>227</b>

We return the majority of our profit as a dividend or income tax payment to our shareholding councils. The total return to our shareholding councils for 2018/19 was \$245 million, which was a decrease of \$19 million against 2017/18. These funds will be invested back into our shared communities.

Revenue summary

Queensland Urban Utilities' gross revenue for the year ended 30 June 2019 was \$1,378 million and had two main sources: customers and developers.



Customer revenue was generated through \$698 million in water utility charges and \$455 million in wastewater utility charges, with the remainder from our professional services, such as SAS Laboratories and developer services. For 2018/19, customer revenue represented 86% of total revenue compared to 82% for 2017/18.

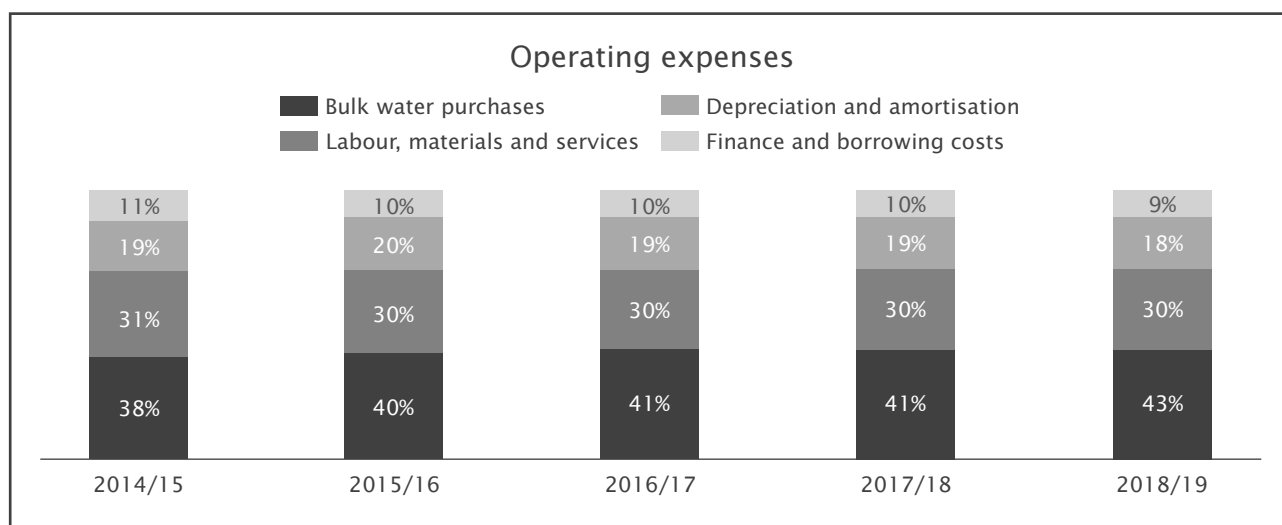
Customer revenue increased by \$73 million (7%) on 2017/18, which was proportional to property growth, water usage and an average price increase of 2.0%. Around 10,000 properties were added to the customer base in 2018/19.

Developer revenue decreased by \$44 million (18%) on 2017/18. The higher 2017/18 result was a reflection of both the level of construction activity and the economic environment at the time, and the 2018/19 result indicates a return to the level of developer contributions from 2014/15.

### Operating expense summary

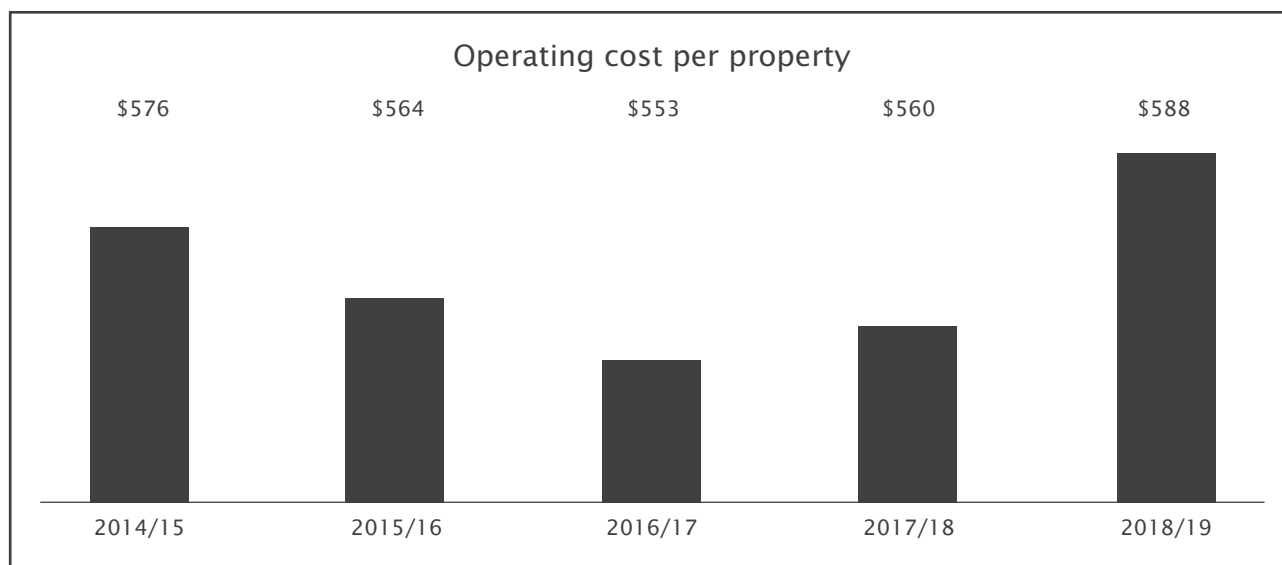
The overall increase in total operating expenses was \$67.3 million. Of this, \$47.7 million was attributed to increases in bulk water charges, while the remaining \$19.6 million was associated with the delivery of our services to customers. Bulk water charges were impacted by an average 3.5% price increase imposed by the State Government, with these costs passed directly through to customers. Bulk water accounted for 43% of our operating cost base.

The increase in the cost of service delivery to customers was impacted by a \$4.6 million increase in depreciation, which represents the consumption of the useful life of our assets. Our infrastructure assets' useful lives range from 10 to 110 years. As the size of our asset base grows, so too does our depreciation expense. In 2018/19, an additional \$3.1 million was incurred for maintenance of our infrastructure assets.



### Operating cost per property

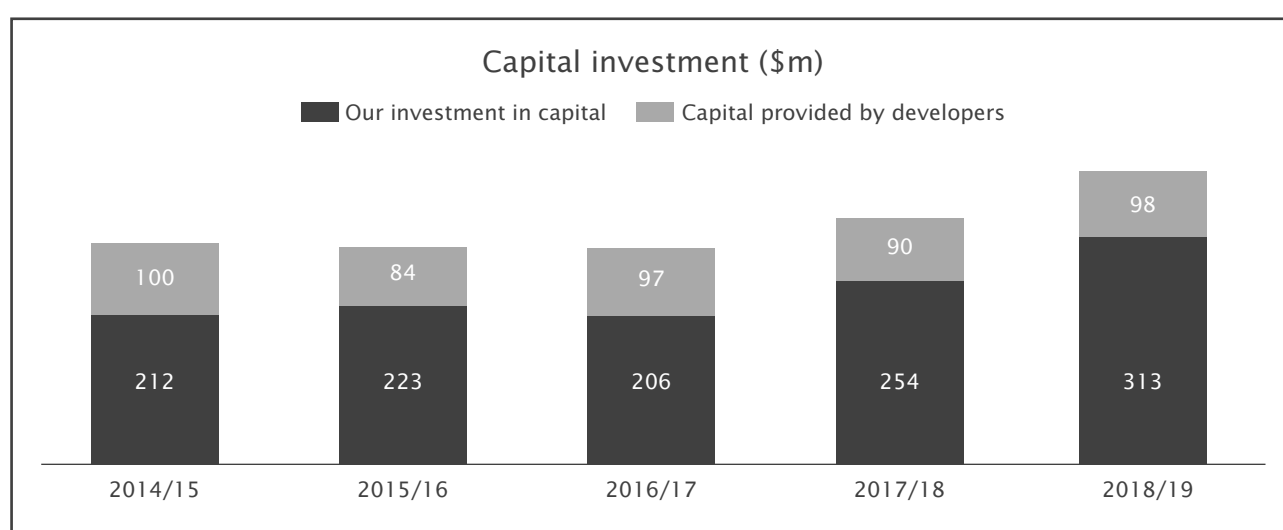
There was a 5% increase in our operating cost per property from 2017/18 to 2018/19. This increase was primarily driven through a higher investment in maintaining our infrastructure assets to ensure customer service requirements are met and an increase in the operating cost of our investment program, including information technology.



### Capital expenditure

It is important that we continue to invest in infrastructure and systems to ensure we can meet the evolving needs of our customers and enhance our growing communities. Construction and delivery of these assets is achieved through our own Capital Investment Program or by developers providing infrastructure (for example pipes and associated fittings) as they develop new communities.

\$m	2014/15	2015/16	2016/17	2017/18	2018/19
Our investment in capital	212	223	206	254	313
Capital provided by developers	100	84	97	90	98
<b>Total investment</b>	<b>312</b>	<b>307</b>	<b>303</b>	<b>345</b>	<b>411</b>



### Key performance measures

Our financial performance and financial sustainability is presented through the following industry accepted ratios.

Key performance measures	Unit	2014/15	2015/16	2016/17	2017/18	2018/19
Return on assets	%	6.8%	7.6%	8.8%	7.8%	6.9%
Return on equity	%	6.2%	7.4%	8.9%	7.6%	6.6%
EBITDA interest cover	times	3.40x	4.14x	4.00x	4.25x	4.52x
Funds from operations to net debt	%	9%	11%	10%	11%	12%
Net debt to fixed assets	%	37%	37%	35%	36%	37%

The return on assets is an indicator of how profitable our business is relative to our total assets. Return on equity measures profitability by comparing the profit generated against the investment by our five shareholding councils.

Our EBITDA (Earnings before income tax, depreciation and amortisation) interest cover demonstrates our ability to meet our interest expenses. The funds from operations to net debt is a measure of our ability to manage our debt obligations. Net debt to fixed assets is a measure of the extent to which our assets are financed by debt.

The combination of the key performance measures outlined above give an indication of our financial sustainability.

## Guide to our Financial Statements

### Introduction

The Financial Statements are prepared in accordance with the requirements of the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009*, the *Financial Reporting Requirements for Queensland Government agencies* (as applicable to statutory bodies), the exemptions under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, *Australian Accounting Standards* and interpretations.

This guide has been prepared to assist readers understand and analyse the Financial Report.

### What is included in the Financial Report?

The Financial Statements report on how Queensland Urban Utilities performed financially during the 2018/19 financial year and the overall financial position at the end of the financial year (30 June 2019).

The Financial Statements include:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements.

The Financial Statements are prepared by management, reviewed by the Audit and Risk Committee who make a recommendation to the Queensland Urban Utilities Board for approval, and audited by the Auditor-General of Queensland.

### Statement of Comprehensive Income

The Statement of Comprehensive Income itemises income earned and expenditure incurred in delivering Queensland Urban Utilities' services during the year, as well as other comprehensive income (including the actuarial gain or loss on the defined benefit superannuation scheme) to give the total comprehensive result for the year.

The operating expenses do not include capital purchases for the renewal or upgrade of our assets. However, it does include depreciation and amortisation, which is a provision for the value of assets 'used up or consumed' during the year.

The statement is prepared on an accruals basis and includes both cash and non-cash items. All income and expenses for the year are reflected in the statement, even though some revenue may not yet be received (such as interest on investments) and some expenses may not yet be paid (where the goods and services are received but the suppliers' invoices are not yet paid).

The key figure to assess financial performance for the year is the profit for the year, which is calculated by deducting the total operating expenses (including income tax) for the year from total operating revenue. It is important to note however, that the profit for the year is not necessarily a 'cash' surplus due to the recognition of non-cash items as explained above.

Queensland Urban Utilities is a for-profit statutory body and generates an annual profit in order to ensure future financial sustainability. The profit not only ensures ongoing services and infrastructure to customers and communities but also provides a return to our five shareholding councils.

### Statement of Financial Position

The Statement of Financial Position is also known as a Balance Sheet and is a snapshot of our financial position as at 30 June. It outlines what we control as assets (such as cash and property), what we owe as liabilities (such as amounts owed to creditors) and the equity or net worth at the end of the year.

The assets and liabilities are separated into current and non-current sections. 'Current' generally means those assets that will be received, or liabilities that will be paid, within the next 12 months. 'Non-current' refers to those assets and liabilities that are held for a longer term.

The net current assets or working capital is an important measure of our ability to meet our debts as and when they fall due.

The equity section of the Statement of Financial Position shows the contributed equity from the establishment of Queensland Urban Utilities on 1 July 2010, the total of the retained earnings (profits) that have accumulated and the amount by which the assets have been revalued since establishment. The total of the equity section represents our net financial worth.



### Statement of Changes in Equity

The Statement of Changes in Equity summarises the change in our net financial worth during the financial year. Net worth can change as a result of a profit or loss as recorded in the Statement of Comprehensive Income or a change in the net value of non-current assets resulting from a revaluation or an impairment of those assets.

### Statement of Cash Flows

The Statement of Cash Flows shows all cash amounts received and all cash payments made during the year that make up the change in our bank balance during the financial year.

The cash flows are separated into three different types of activities:

- Operating activities are those cash receipts and payments arising from delivery of our services. The net cash provided by operating activities is an important result in the statement, as it shows our ability to generate a cash surplus, which can then be used to fund the purchase, construction or renewal of long-term assets, such as property and infrastructure and to repay borrowings. This should be a positive amount.
- Investing activities are those cash receipts and payments arising from the purchase, renewal, upgrade, expansion and sale of our non-current assets.
- Financing activities are those cash receipts and payments arising from the raising and repayment of borrowings and payments of a participation return (dividend and income tax equivalent amounts) paid to our five shareholding councils.

### Notes to the Financial Statements

The notes to the Financial Statements provide greater detail to support the figures used in the four main statements and should be read in conjunction with the statements to obtain a clearer picture of our finances. The notes give the details behind the summary line items contained in the statements, showing what makes up each of the accumulated amounts.

The notes also provide information on the accounting policies and assumptions used to prepare the financial statements, advise the reader about any changes to the *Australian Accounting Standards*, policy, or legislation, which may affect the way the statements are prepared and disclose other information that cannot be incorporated into the statements and provide analysis if there has been a significant change from the previous year's comparative figures.

### Certification of Statements

The certification of the financial statements is made by the Board Chairperson, the Chief Executive Officer and the Chief Financial Officer. Collectively, these persons are responsible for the financial management of Queensland Urban Utilities. The certification must state whether, in their opinion, the statements have met all the statutory and professional reporting requirements and present a true and fair view of the financial performance and financial position of Queensland Urban Utilities as at the end of the financial year.

The certification must be based on an appropriate system of internal controls and effective risk management processes.

### Independent Auditor's Report

The Independent Auditor's Report is the external and independent opinion of the Queensland Auditor-General and provides the reader with an independent view about Queensland Urban Utilities' compliance with the statutory and professional requirements, as well as the fairness aspects of the statements.

Central SEQ Distributor-Retailer Authority

# CONTENTS

For the year ended 30 June 2019

---

Statement of Comprehensive Income	99	14. Contributed equity	136
Statement of Financial Position	100	15. Loans and borrowings	138
Statement of Changes in Equity	101	16. Fair value measurement	139
Statement of Cash Flows	102	17. Financial instruments	141
1. Basis of financial statement preparation	103	18. Capital management	147
2. Revenue	107	19. Leases	148
3. Expenses	112	20. Commitments	149
4. Income tax equivalent	114	21. Contingencies	149
5. Cash and cash equivalents	117	22. Funds held in trust	150
6. Trade and other receivables	118	23. Key executive management personnel and remuneration	151
7. Other assets	119	24. Related parties	155
8. Property, plant and equipment	120	25. Financial sustainability	158
9. Intangible assets	127	26. Subsequent events	158
10. Superannuation	128	27. New and revised accounting standards	158
11. Trade and other payables	132	Certificate of the Central SEQ Distributor-Retailer Authority	160
12. Employee benefits	133	Independent Auditor's Report	161
13. Other liabilities	135		

Central SEQ Distributor-Retailer Authority

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>Revenue</b>			
Utility charges	2.1	1,153,676	1,076,045
Contributions	2.2	195,160	239,293
Other revenue	2.3	28,823	32,984
<b>Total operating revenue</b>		<b>1,377,659</b>	<b>1,348,322</b>
<b>Expenses</b>			
Bulk water purchases	3.1	(455,123)	(407,441)
Depreciation and amortisation	8.2, 9	(187,839)	(183,252)
Supplies and services	3.2	(185,372)	(188,612)
Employee expenses	3.3	(116,874)	(103,981)
Finance and borrowing costs	3.4	(96,820)	(96,112)
Impairment of receivables	6	2,158	1,792
Other expenses	3.5	(12,638)	(7,593)
<b>Total operating expenses</b>		<b>(1,052,508)</b>	<b>(985,199)</b>
<b>Profit before income tax equivalent</b>		<b>325,151</b>	<b>363,123</b>
Income tax equivalent	4.1	(98,596)	(109,842)
<b>Profit for the year</b>		<b>226,555</b>	<b>253,281</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Defined benefit plan actuarial gain	10.3	168	533
<b>Total other comprehensive income</b>		<b>168</b>	<b>533</b>
<b>Total comprehensive income for the year</b>		<b>226,723</b>	<b>253,814</b>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Central SEQ Distributor-Retailer Authority

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5	5,593	116,968
Trade and other receivables	6	54,129	49,791
Other current assets	7	180,541	166,212
<b>Total current assets</b>		240,263	332,971
<b>Non-current assets</b>			
Property, plant and equipment	8	5,708,210	5,523,088
Intangible assets	9	74,753	41,906
Defined benefit plan	10.3	4,456	4,216
Other assets	7	87	93
<b>Total non-current assets</b>		5,787,506	5,569,303
<b>Total assets</b>		6,027,769	5,902,274
<b>Current liabilities</b>			
Trade and other payables	11	66,021	54,183
Loans and borrowings	15	39,400	-
Employee benefits	12	30,510	29,339
Other liabilities	13	110,217	102,930
Income tax payable		438	14,268
Participation returns	14.1	76,500	100,985
<b>Total current liabilities</b>		323,086	301,705
<b>Non-current liabilities</b>			
Loans and borrowings	15	2,064,895	2,064,895
Trade and other payables	11	5,346	7,250
Employee benefits	12	3,259	3,113
Other liabilities	13	40	-
Deferred tax liabilities	4.2	191,454	173,079
<b>Total non-current liabilities</b>		2,264,994	2,248,337
<b>Total liabilities</b>		2,588,080	2,550,042
<b>Net assets</b>		3,439,689	3,352,232
<b>Equity</b>			
Contributed equity	14.2	2,538,793	2,538,793
Retained earnings		746,873	659,416
Asset revaluation surplus		154,023	154,023
<b>Total equity</b>		3,439,689	3,352,232

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Central SEQ Distributor-Retailer Authority

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2019

	Notes	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation surplus \$'000	Total \$'000
<b>Balance as at 1 July 2017</b>		2,538,793	571,403	154,023	3,264,219
<b>Distributions to Participants</b>					
Participation return to Participants	14.1	-	(165,801)	-	(165,801)
<b>Total distributions to Participants</b>		-	(165,801)	-	(165,801)
Profit for the year		-	253,281	-	253,281
<i>Other comprehensive income:</i>					
Defined benefit plan actuarial gain	10.3	-	533	-	533
<b>Total comprehensive income for the year</b>		-	253,814	-	253,814
<b>Balance as at 30 June 2018</b>		2,538,793	659,416	154,023	3,352,232
<b>Balance as at 1 July 2018</b>		2,538,793	659,416	154,023	3,352,232
Adjustment on initial application of AASB 9, net of tax	1.7	-	(230)	-	(230)
Adjustment on initial application of AASB 15, net of tax	1.7	-	13,964	-	13,964
<b>Adjusted balance at 1 July 2018</b>		2,538,793	673,150	154,023	3,365,966
<b>Distributions to Participants</b>					
Participation returns to Participants	14.1	-	(153,000)	-	(153,000)
<b>Total distributions to Participants</b>		-	(153,000)	-	(153,000)
Profit for the year		-	226,555	-	226,555
<i>Other comprehensive income:</i>					
Defined benefit plan actuarial gain	10.3	-	168	-	168
<b>Total comprehensive income for the year</b>		-	226,723	-	226,723
<b>Balance as at 30 June 2019</b>		2,538,793	746,873	154,023	3,439,689

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Central SEQ Distributor-Retailer Authority

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		1,161,351	1,095,841
Developer cash contributions received		118,296	153,947
Interest received		2,677	4,508
GST input tax credits from Australian Taxation Office (ATO)		47,213	41,305
		1,329,537	1,295,601
Payments to employees		(142,077)	(130,213)
Payments to suppliers		(657,926)	(578,719)
Finance and borrowing costs paid		(94,091)	(94,608)
Income tax paid		(100,010)	(109,033)
GST remitted to ATO		(1,078)	(1,222)
		(995,182)	(913,795)
<b>Net cash provided by operating activities</b>	5.1	334,355	381,806
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant and equipment		870	1,538
Payments for property, plant and equipment		(308,515)	(255,997)
<b>Net cash outflow from investing activities</b>		(307,645)	(254,459)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	15	39,400	-
Payment of participation returns	14.1	(177,485)	(188,266)
<b>Net cash outflow from financing activities</b>		(138,085)	(188,266)
Net decrease in cash and cash equivalents		(111,375)	(60,919)
Cash and cash equivalents at the beginning of the financial year		116,968	177,887
<b>Cash and cash equivalents at the end of the financial year</b>		5,593	116,968

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 1. Basis of financial statement preparation

#### 1.1 Authority information

The Central SEQ Distributor-Retailer Authority (the Authority) was established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* (the Act) and is a Statutory Body under the *Financial Accountability Act 2009* and the *Statutory Bodies Financial Arrangements Act 1982* (SBFA).

Under the Act, governance arrangements for the Authority were established in a Participation Agreement, which became operative from 25 June 2010. The Participants are Brisbane City, Ipswich City, Lockyer Valley Regional, Scenic Rim Regional and Somerset Regional Councils (refer to Note 14).

The assets, liabilities, instruments and employees of the five Participating Councils' water distribution and sewerage operations were transferred to the Authority as a result of the Act. The value of the net assets transferred from the Councils to the Authority has been calculated using a Regulatory Asset Base (RAB) valuation approved by the Queensland Government to represent the market value of the business.

In return for the net assets transferred to the Authority, each Council participates in the Authority based on its share of the RAB, comprising debt and participation rights as agreed by the Participating Councils and the Authority in the ratio of 40 to 60. The value of participation rights (60% of the RAB) has been brought to account as contributed equity in accordance with the advice provided by Queensland Treasury.

The Act states that the Queensland Urban Utilities expires at the end of 99 years from when it was established on 3 November 2009 and the Participants become the successor in law of the assets and liabilities in accordance with their participation rights at the expiry date.

The primary functions of the Authority for its geographic area are set out in Section 11(1) of the Act.

The Authority trades as Queensland Urban Utilities (QUU) and is a "for profit" entity.

The registered office is Level 2, 15 Green Square Close, Fortitude Valley, Brisbane, QLD 4006.

#### 1.2 Compliance with prescribed requirements

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019 and have been prepared in accordance with:

- Australian Accounting Standards (AASBs) and Interpretations;
- the *Financial Accountability Act 2009*;
- the *Financial and Performance Management Standard 2009*;
- the Financial Reporting Requirements for Queensland Government agencies (as applicable to statutory bodies); and
- the exemptions under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

#### 1.3 Authorisation of financial statements for issue

The financial statements were authorised for issue by the Board on 19 August 2019. Board members have the power to amend and reissue the Financial Statements.

#### 1.4 Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

Note 2.2 – Contributions – donated assets measured at fair value.

Note 7 – Other assets – renewable energy certificates measured at fair value.

Note 8 – Property, plant and equipment – land, buildings and network assets measured at fair value.

Note 10 – Superannuation – defined benefit assets measured at fair value.

Note 12 – Employee benefits – provision for long service leave not expected to be settled within 12 months measured at present value.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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### **I. Basis of financial statement preparation (continued)**

#### **1.5 Accounting estimates and assumptions**

The preparation of financial statements requires the use of accounting estimates, which by definition, may differ to actual results. Management also exercised judgement in applying the Authority's accounting policies. Significant estimates and judgement are included in the following notes:

Note 2.1 – Utility charges – unbilled water consumption based on historical information.

Note 2.2 – Contributions – fair value of donated assets based on unit rates.

Note 6 – Trade and other receivables – provision for impairment based on expected credit loss.

Note 8 – Property, plant and equipment – fair value based on discounted cash flows, depreciation rates.

Note 9 – Intangible assets – amortisation rates.

Note 10 – Superannuation – fair value of fund assets based on actuarial assessment.

Note 12 – Employee benefits – present value of provision for long service leave based on actuarial assessment.

Note 21 – Contingencies – maximum exposure of contingent assets and liabilities.

Such estimates and underlying assumptions are reviewed on an ongoing basis and changes to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

#### **1.6 Presentation**

##### ***Currency and rounding***

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000, unless disclosure of the full amount is specifically required.

##### ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the profit or loss.

##### ***Comparatives***

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period, except for the initial application of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* where the cumulative impact of applying AASB 9 and AASB 15 were adjusted in the opening retained earnings at 1 July 2018.



Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**I. Basis of financial statement preparation (continued)****1.7 Changes in significant accounting policies**

The Authority initially applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The effect of initially applying these standards is mainly attributed to the following:

- Provision for impairment of receivables based on expected credit loss.
- Earlier recognition of revenue from developer donated assets.

The Authority has applied the simplified transition method and has recognised the cumulative impact in retained earnings at 1 July 2018. The comparative information presented has not been restated.

The following table summarises the impact, net of tax, of transition to AASB 9 and AASB 15 on retained earnings at 1 July 2018.

	Notes	Impact of adopting AASB 9 and AASB 15 at 1 July 2018 \$'000
Retained earnings at 1 July 2018		659,416
Adjustment on initial application of AASB 9, net of tax	6	(230)
Adjustment on initial application of AASB 15, net of tax		13,964
Adjusted retained earnings at 1 July 2018		673,150

**AASB 9 Financial Instruments**

AASB 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The adoption of AASB 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Notes 6 and 17.

The effect of initially applying AASB 9 in the Authority's financial statements includes:

- Amendments to AASB 101 *Presentation of Financial Statements* which require impairment of financial assets to be presented as a separate line in the Statement of Comprehensive Income. This has been applied by the Authority based on materiality considerations.
- Amendments to AASB 7 *Financial Instruments: Disclosures* related to credit risk exposure (refer to Note 17.2).
- No change in classification of financial assets and liabilities (refer to Notes 6 and 11).
- Change from the 'incurred loss' model to an 'expected credit loss' model. Credit losses are recognised earlier (refer to Notes 6 and 17.2).

**AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### I. Basis of financial statement preparation (continued)

#### 1.7 Changes in significant accounting policies (continued)

The following tables summarise the impact of adopting AASB 15 on the Authority's Statement of Financial Position as at 30 June 2019 and its Statement of Comprehensive Income for the year then ended for each of the line items affected. There was no material impact on the Authority's statement of cash flows for the year ended 30 June 2019.

Impact on the Statement of Financial Position	Notes	2019 \$'000	Adjustments \$'000	Amounts without adoption of AASB 15 \$'000
<b>Assets</b>				
Property, plant and equipment	8	5,708,210	(3,891)	5,704,319
<b>Total assets</b>		5,708,210	(3,891)	5,704,319
<b>Equity</b>				
Retained earnings		746,873	(3,891)	742,982
<b>Total equity</b>		746,873	(3,891)	742,982

Impact on the Statement of Comprehensive Income	Notes	2019 \$'000	Adjustments \$'000	Amounts without adoption of AASB 15 \$'000
<b>Revenue</b>				
Developer contributions - donated assets	2.2	77,882	16,059	93,941
<b>Net profit</b>		77,882	16,059	93,941
<b>Total comprehensive income</b>		77,882	16,059	93,941

Under AASB 118, revenue from developer non-cash contributions (donated assets), such as water and sewerage infrastructure, was recognised as revenue when the Authority obtained control of the assets and became liable for its ongoing maintenance.

In adopting AASB 15, revenue from developer donated assets is recognised when the Authority obtains control of the assets, that is, upon issue of the connection certificate. Therefore, the revenue and corresponding asset is recognised sooner under AASB 15 than under AASB 118.

AASB 15 did not have a significant impact on the Authority's accounting policies with respect to other revenue streams. For additional information about the Authority's accounting policies relating to revenue recognition, see Note 2.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 1. Basis of financial statement preparation (continued)

#### 1.8 Taxation

##### *Goods and Services Tax (GST)*

Revenue, expenses, assets and liabilities are recognised net of the amount of GST. Except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are presented with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

##### *Other taxes*

The Authority pays payroll tax to the Queensland Government Office of State Revenue on its activities and pays fringe benefits tax to the ATO in accordance with the relevant legislation.

Refer to Note 4 for the income tax equivalent accounting policies and disclosures.

#### 1.9 Going concern

The financial statements have been prepared on a going concern basis in accordance with AASB 101 *Presentation of Financial Statements*.

### 2. Revenue

The effect of initially applying AASB 15 on the Authority's revenue from contracts with customers is described in Note 1.7. Due to the simplified transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

The Authority generates revenue primarily from utility charges and developer contributions. Other sources of revenue include fees and charges, and interest income.

Revenue is measured based on the consideration specified in a contract with a customer. The Authority recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related recognition policies.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**2. Revenue (continued)**

Revenue Stream	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15 from 1 July 2018	Revenue recognition under AASB 118 before 1 July 2018
Utility charges <ul style="list-style-type: none"> <li>▪ Water access charges</li> <li>▪ Water volumetric charges</li> <li>▪ Wastewater charges</li> <li>▪ Recycled water</li> </ul>	Customers obtain control when: <ul style="list-style-type: none"> <li>▪ water and wastewater services access is provided.</li> <li>▪ water and recycled water is consumed.</li> <li>▪ Invoices are billed on a monthly or quarterly basis over time. Invoices are usually payable within 30 days.</li> </ul>	Revenue is recognised over time when: <ul style="list-style-type: none"> <li>▪ water and wastewater access is provided to customers.</li> <li>▪ when water is supplied to customers.</li> </ul>	Revenue was recognised over time when: <ul style="list-style-type: none"> <li>▪ water and wastewater access was provided to customers.</li> <li>▪ when water was supplied to customers.</li> </ul>
Developer contributions - cash	<p>The Authority provides existing and future capacity in the network to developers or land owners. No further work is required to be entitled to the infrastructure charges.</p> <p>The itemised breakdown of the charges is issued upon developers' request. The payment is required to be paid before a connection certificate is issued, hence, the cash contributions are recognised as revenue upon receipt of the payment or upon acceptance of a payment arrangement with the developer.</p>	Revenue is recognised at a point in time, when the Authority obtains the right to receive cash that is at the time the connection certificate is issued to developers.	Revenue was recognised at a point in time, when the Authority has obtained the right to receive cash that is at the time the connection certificate was issued to developers.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**2. Revenue (continued)**

Revenue Stream	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15 from 1 July 2018	Revenue recognition under AASB 118 before 1 July 2018
Developer contributions – donated assets	<p>The Authority receives constructed assets from developers as contributions. No further performance obligation to the developer is required.</p> <p>The asset is recognised at fair value based on the cost to the developer if available or an indexed unit rate.</p>	Revenue is recognised at a point in time when the Authority obtains control of the assets, that is, upon issue of the connection certificate.	Revenue was recognised at a point in time when the Authority obtained control of the assets, and the Authority became liable for its ongoing maintenance.
Other revenue <ul style="list-style-type: none"> <li>▪ Professional fees</li> <li>▪ Property connection fees</li> <li>▪ Other fees and charges</li> </ul>	Customers obtain control when the Authority provides professional and other services to residential and commercial customers.	Revenue is recognised at a point in time upon delivery of the service.	Revenue was recognised at a point in time upon delivery of the service.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**2. Revenue (continued)**

<b>2.1 Utility charges</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Water access charges	146,031	136,393
Water volumetric charges	544,871	498,087
Wastewater charges	455,263	434,947
Recycled water	7,511	6,618
	<b>1,153,676</b>	<b>1,076,045</b>

Utility charges are recognised on an accrual basis based on water consumption and fixed service charges billed in the period to which they relate. The Authority issues the utility account statements either on a monthly or quarterly basis. An estimation of unbilled water consumption is recorded as revenue based on customers' historical usage for the period between the date of the last available meter reading and the end of the reporting period. Outstanding fixed access charges are recorded as revenue while fixed access charges billed in advance are recognised as unearned revenue.

<b>2.2 Contributions</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Developer contributions – cash	117,278	148,896
Developer contributions – donated assets	77,882	90,397
	<b>195,160</b>	<b>239,293</b>

The Authority finances part of its water supply and sewerage capital works infrastructure program through non-refundable contributions from developers. These developer contributions may be in the form of cash and/or non-cash (donated assets).

**Cash contributions**

Developer cash contributions for specific assets are recognised as a liability until the asset is constructed. Developer cash contributions, for which no performance obligation is required, are recorded as revenue when the Authority obtains the right to receive the cash contribution and the amount of revenue can be reliably measured, that is, at the time the connection certificate is issued to developers.

**Donated assets**

Developer donated assets were previously recognised under AASB 118 when the asset is 'off maintenance', that is, when the Authority becomes liable for its ongoing maintenance. In applying AASB 15, developer non-cash contributions, such as water and sewerage infrastructure, are recognised as revenue and as non-current assets at their fair value when the Authority obtains control of the assets, that is, when the asset is 'on maintenance' upon issue of the connection certificate to developers. The fair value of the developer donated assets is based on the cost to the developer if available or calculated based on unit rates.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**2. Revenue (continued)**

<b>2.3 Other revenue</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Professional fees	9,403	7,989
Property connection fees	6,425	7,285
Other fees and charges	6,421	7,037
Interest income	2,505	4,331
Insurance recovery	82	3,292
Grants and subsidies	235	-
Other revenue	3,752	3,050
	<b>28,823</b>	<b>32,984</b>

***Fees and charges***

Revenue from professional fees, property connection fees and other fees and charges is recognised upon the delivery of services to customers. Payment received prior to service delivery is unearned.

***Interest Income***

Interest income is recognised based on the interest earned from cash and term deposits, and overdue receivable accounts.

***Grants and subsidies***

The Authority received a grant of \$124,111 from the Department of Industry, Innovation and Science (DIIS) and its partners as part of the Cooperative Research Centres Projects (CRC-P) Program. The purpose of the Grant is to support short term industry-led collaborations to develop important new technologies, products and services that deliver tangible outcomes. The Authority must ensure that the grant is spent only on eligible Commonwealth funded activities as defined in the CRC-P. The initial payment was made on execution of the grant agreement based on forecast eligible expenditure and allowable in-kind contributions. Subsequent payments will be paid quarterly in arrears, based on actual eligible expenditure and allowable in-kind contributions. Payments are subject to satisfactory progress on the project, compliance by the Authority with its obligations under the agreement and availability of program funds. The Authority expects to fully comply with its obligations under the CRC-P grant agreement. Revenue is recognised in accordance with the project milestones under the grant agreement.

The Authority received funds of \$110,465 as a member of WaterStart for deployment of technologies that align with innovation priorities. Revenue is recognised in accordance with the membership agreement.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**3. Expenses****3.1 Bulk water purchases**

Bulk water is purchased from Seqwater. The price for bulk water is currently set by the Queensland Government through the Department of Natural Resources, Mines and Energy. Bulk water purchases are recognised as expenses in the period the water is consumed.

<b>3.2 Supplies and services</b>	<b>Notes</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Materials and services		169,231	171,986
Consultancies and legal fees		2,965	2,934
Board fees	24.1	520	515
Other supplies and consumables		12,656	13,177
		<b>185,372</b>	<b>188,612</b>

Consultants are classified according to the Queensland Government Procurement guidance definition.

<b>3.3 Employee expenses</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Salaries and wages	107,235	96,551
Employer superannuation contribution	12,552	11,232
Annual leave expenses	9,112	8,111
Long service leave expenses	2,369	2,751
Payroll tax	6,221	5,365
Other employee related expenses	2,096	1,639
Employee related expenses	<b>139,585</b>	<b>125,649</b>
Less: capitalised costs	(22,711)	(21,668)
	<b>116,874</b>	<b>103,981</b>
The number of employees as at 30 June including both full- time and part-time employees measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:	<b>1,076 FTE</b>	<b>986 FTE</b>



Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**3. Expenses (continued)*****Superannuation***

The Authority contributes to Local Government Investment Australia Superannuation (LGIAsuper) for employees under both the defined benefit scheme and the accumulation superannuation scheme. The Authority has no liability to or interest in LGIAsuper other than the payment of the statutory contribution. Any amount by which either scheme is over or under funded would only affect future benefits of employees and is not an asset or liability of the Authority. Accordingly, there is no recognition in the financial statements of any over or under funding of LGIAsuper (refer to Note 10). Contributions are expensed when incurred.

<b>3.4 Finance and borrowing costs</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Queensland Treasury Corporation (QTC) finance costs	92,031	92,474
Interest on Participants' debt	2,031	2,092
Bank charges	2,758	1,546
	<b>96,820</b>	<b>96,112</b>

Finance and borrowing costs include bank charges and interest on bank overdrafts and borrowings and are expensed in the period in which they are incurred. Finance and borrowing costs that are not paid in the period in which they are due are accrued as interest payable.

<b>3.5 Other expenses</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Loss on disposal of assets	4,249	1,931
Insurance	3,876	2,821
Land taxes	3,735	2,017
Audit fees (internal and external)	744	680
Other	34	144
	<b>12,638</b>	<b>7,593</b>

***Audit fees***

Total external audit fees paid to the Queensland Audit Office relating to the 2019 financial statements are estimated to be \$271,977 (2018: \$276,750). There are no non-audit services included in this amount.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**4. Income tax equivalent**

The Authority is exempt from Federal Government income taxation but is subject to the Local Government Tax Equivalents Regime (LGTER). Under the LGTER, the Authority pays an income tax equivalent to its Participating Councils in accordance with the requirements of its Participation Agreement.

**4.1 Income tax expense**

Income tax expense comprises current and deferred income tax and is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Current tax expense	86,180	93,443
Deferred tax expense	12,416	16,399
	<b>98,596</b>	<b>109,842</b>
<i>Reconciliation of income tax expense to prima-facie tax payable:</i>		
Profit before income tax equivalent	325,151	363,123
Income tax equivalent expense at 30% (2018: 30%)	97,545	108,937
Non-deductible expenditure	13	7
Permanent difference – depreciation on acquired assets	1,056	910
Permanent difference – accrued leave provisions	(18)	(12)
<b>Total income tax expense</b>	<b>98,596</b>	<b>109,842</b>

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**4. Income tax equivalent (continued)**

<b>4.2 Deferred tax assets and liabilities</b>	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2019 \$'000</b>	<b>2018 \$'000</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Provisions	11,849	12,219	-	-	11,849	12,219
Accrued expenses	160	153	-	-	160	153
Plant and equipment	72,274	46,536	(79,952)	(65,765)	(7,678)	(19,229)
Expenses capitalised for tax	44	48	-	-	44	48
Carry forward capital losses	93	93	-	-	93	93
Contributed assets	-	-	(196,802)	(167,662)	(196,802)	(167,662)
Other	2,245	2,612	4,593	(1,084)	6,838	1,528
<i>Amounts recognised directly in equity:</i>						
Defined benefit plan	-	-	(72)	(229)	(72)	(229)
AASB 9 adjustment to provision for impairment of receivables	-	-	99	-	99	-
AASB 15 adjustment to contributed assets	-	-	(5,985)	-	(5,985)	-
<b>Tax asset/(liability)</b>	<b>86,665</b>	<b>61,661</b>	<b>(278,119)</b>	<b>(234,740)</b>	<b>(191,454)</b>	<b>(173,079)</b>
Set-off of deferred tax	(86,665)	(61,661)	86,665	61,661	-	-
<b>Net deferred tax asset/(liability)</b>	<b>-</b>	<b>-</b>	<b>(191,454)</b>	<b>(173,079)</b>	<b>(191,454)</b>	<b>(173,079)</b>
<b>Movements in deferred tax assets and liabilities</b>						
Balance at 1 July	61,661	39,508	(234,740)	(195,959)	(173,079)	(156,451)
Adjustment on initial application of AASB 9	99	-	-	-	99	-
Adjustment on initial application of AASB 15	-	-	(5,985)	-	(5,985)	-
Adjusted balance at 1 July	61,760	39,508	(240,725)	(195,959)	(178,965)	(156,451)
Current year's income tax equivalent expense	24,905	22,153	(37,394)	(38,781)	(12,489)	(16,628)
<b>Balance at 30 June</b>	<b>86,665</b>	<b>61,661</b>	<b>(278,119)</b>	<b>(234,740)</b>	<b>(191,454)</b>	<b>(173,079)</b>

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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### 4. Income tax equivalent (continued)

#### 4.2 Deferred tax assets and liabilities (continued)

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. A deferred tax liability is recognised for income taxes payable in future periods in respect of taxable temporary differences. A net deferred tax asset or liability is presented in the Statement of Financial Position.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**5. Cash and cash equivalents**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Cash at bank and on hand	5,593	116,968
Cash and cash equivalents in the Statement of Cash Flows	5,593	116,968

Cash and cash equivalents include cash at bank, cash on hand and short term deposits with maturities of three months or less.

<b>5.1 Reconciliation of profit after income tax to net cash from operating activities</b>	<b>Notes</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b><i>Cash flows from operating activities</i></b>			
Profit for the year		226,555	253,281
<i>Adjustments for:</i>			
Depreciation and amortisation	8.2, 9	187,839	183,252
Loss on disposal of assets	3.5	4,249	1,931
Donated assets	2.2	(77,882)	(90,397)
Impairment of receivables	6	(2,158)	(1,792)
<b><i>Change in assets and liabilities</i></b>			
Increase in trade and other receivables		(2,180)	(1,758)
Increase in other assets		(14,323)	(380)
Increase in trade and other payables		9,933	33,994
Increase (decrease) in employee benefits		1,317	(947)
Decrease in other liabilities		(11,084)	(11,775)
Increase in deferred tax		12,089	16,397
Net cash inflow from operating activities		334,355	381,806
<b>5.2 Funding facilities</b>	<b>Notes</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Working capital facility QTC		200,000	100,000
Overdraft facility – Commonwealth Bank		5,000	5,000
Total facility		205,000	105,000
Amount of facility undrawn		165,000	105,000

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 6. Trade and other receivables

	2019 \$'000	2018 \$'000
<b>Current</b>		
Trade and other receivables	62,404	60,046
Provision for impairment	(8,275)	(10,255)
<b>Total</b>	<b>54,129</b>	<b>49,791</b>

Trade and other receivables are recognised at the amounts due at the time of invoicing, sale or service delivery. Settlement of these amounts is required within 30 days from invoice date, therefore, classified as current. Due to the short term nature of the current receivables, their carrying amount approximates fair value. Interest of 11% is charged on trade receivables that are overdue.

	2019 \$'000	2018 \$'000
<b>Movements in the provision for impairment</b>		
Balance at beginning of the year	(10,255)	(12,061)
AASB 9 transition adjustment	(329)	-
Adjusted balance at the beginning of the year	(10,584)	(12,061)
Amounts written off during the year	151	14
Decrease in provision	2,158	1,792
Balance at the end of the year	(8,275)	(10,255)

Collectability of receivables is reviewed and assessed periodically for the impairment provision. All known bad debts are written off periodically and/or as at 30 June. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

The provision for impairment of receivables was previously estimated based on an 'incurred loss' model under AASB 139 *Financial Instruments: Recognition and Measurement*. In applying AASB 9 (refer to Note 1.7), the provision for impairment of receivables is now estimated based on the 'expected credit loss' (ECL) model. The ECL is calculated using a provision matrix, which incorporates both historical and forward-looking information to determine the accounts' default rates by category.

The gross carrying amount of a financial asset is written off when the Authority has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Authority individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Refer to Note 17 for the Authority's credit risk exposure and risk management strategy.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**7. Other assets**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Current</b>		
Accrued utility charges	172,462	156,469
Accrued developer contributions	315	1,333
Inventories held for use	3,725	3,770
Renewable energy certificates	-	649
Lease receivables	7	64
Other	4,032	3,927
	<b>180,541</b>	<b>166,212</b>
<b>Non-current</b>		
Lease receivables	87	93
	<b>87</b>	<b>93</b>
<b>Total</b>	<b>180,628</b>	<b>166,305</b>

**Accrued utility charges**

Accrued utility charges are recognised for fixed access charges and unbilled water consumption based on customers' historical usage for the period between the date of the last available meter reading and the end of the reporting period.

**Inventory**

Inventories such as materials and supplies are held for use in the rendering of services. The amount of inventories recognised as an expense during the period is \$4.0M (2018: \$2.9M).

Water that resides in the Authority's infrastructure assets at the reporting date is not recognised as inventory as any value that would be attributed to that water is not considered to be material.

**Renewable energy certificates**

Renewable energy certificates (RECs) in 2018 consisted of 8,295 large-scale generation certificates (LGCs) issued by the Clean Energy Regulator to the Authority for the renewable energy power station accreditation of the cogeneration engine at Oxley Sewerage Treatment Plant under the *Renewable Energy (Electricity) Regulations 2001*. The RECs are held by the Authority for the purpose of trading and are measured at fair value.

**Lease receivables**

Lease receivables are recognised based on the unamortised lease incentive and rent accrued for the sub-lease of an office building (refer to Note 19). Lease receivables are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. All other lease receivables are classified as non-current.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**8. Property, plant and equipment**

<b>8.1 Balances as at 30 June</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Land:		
At fair value	65,584	59,628
Buildings:		
At fair value	22,405	22,606
Less: Accumulated depreciation	(10,675)	(9,574)
	11,730	13,032
Plant and equipment:		
At cost	10,136	9,450
Less: Accumulated depreciation	(4,995)	(4,226)
	5,141	5,224
Fleet:		
At cost	31,161	30,017
Less: Accumulated depreciation	(13,320)	(11,222)
	17,841	18,795
Water supply network:		
At fair value	2,592,197	2,419,568
Less: Accumulated depreciation	(445,508)	(386,886)
	2,146,689	2,032,682
Sewerage network:		
At fair value	3,942,212	3,769,315
Less: Accumulated depreciation	(938,637)	(826,229)
	3,003,575	2,943,086
Assets under construction:		
At cost	457,650	450,641
Total	5,708,210	5,523,088

The Authority has water supply network and sewerage network assets with written down values of zero that are still being used in the provision of services. The original cost of these assets is \$18.81M (2018: \$12.26M) for water supply network and \$86.38M (2018: \$48.23M) for sewerage network assets. The Authority does not intend to retire these assets in the next 12 months.



Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**8. Property, plant and equipment (continued)****8.2 Reconciliation of carrying amount**

	Land (level 3)	Buildings (level 3)	Plant and equipment	Fleet	Water supply network (level 3)	Sewerage network (level 3)	Assets under construction	Total
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	59,628	13,032	5,224	18,795	2,032,682	2,943,086	450,641	5,523,088
Additions at cost	5,956	744	944	3,481	-	-	260,824	271,949
Donated assets	-	-	-	-	57,459	40,373	-	97,832
Disposals	-	-	(31)	(661)	(2,230)	(1,508)	-	(4,430)
Revaluation	-	-	-	-	-	-	-	-
Assets under construction capitalised	-	-	-	-	118,261	135,554	(253,815)	-
Depreciation for the year	-	(2,046)	(996)	(3,774)	(59,483)	(113,930)	-	(180,229)
<b>Carrying amount at 30 June</b>	<b>65,584</b>	<b>11,730</b>	<b>5,141</b>	<b>17,841</b>	<b>2,146,689</b>	<b>3,003,575</b>	<b>457,650</b>	<b>5,708,210</b>
Carrying amount at cost	63,012	10,993	5,141	17,841	2,065,196	2,881,845	457,650	5,501,678

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**8. Property, plant and equipment (continued)****8.2 Reconciliation of carrying amount (continued)**

	Land (level 3)	Buildings (level 3)	Plant and equipment	Fleet	Water supply network (level 3)	Sewerage network (level 3)	Assets under construction	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	57,804	14,744	4,895	16,176	1,990,397	2,946,150	351,832	5,381,998
Additions at cost	1,824	370	1,319	7,129	-	-	218,527	229,170
Donated assets	-	-	-	-	53,626	36,771	-	90,397
Disposals	-	(61)	(41)	(1,017)	(1,599)	(750)	-	(3,468)
Revaluation	-	-	-	-	-	-	-	-
Assets under construction capitalised	-	-	-	-	45,745	73,974	(119,719)	-
Depreciation for the year	-	(2,021)	(949)	(3,493)	(55,487)	(113,059)	-	(175,009)
<b>Carrying amount at 30 June</b>	<b>59,628</b>	<b>13,032</b>	<b>5,224</b>	<b>18,795</b>	<b>2,032,682</b>	<b>2,943,086</b>	<b>450,641</b>	<b>5,523,088</b>
Carrying amount at cost	57,056	12,295	5,224	18,795	1,951,189	2,821,356	450,641	5,316,553

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**8. Property, plant and equipment (continued)****8.3 Recognition and acquisition*****Recognition thresholds***

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Items of property, plant and equipment with a total value in excess of the following thresholds are recognised in the year of acquisition:

<b>Asset Type</b>	<b>Threshold Amount (\$)</b>
Land	1
Buildings	5,000
Plant and equipment	5,000
Fleet	5,000
Infrastructure (water supply and sewerage network assets)	1

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

All network assets are capitalised. Network assets are defined as the accumulation of individual items or components operating together in the provision of a particular service. Interconnected infrastructure assets are treated as network assets. Items with a lesser value than the recognition threshold are expensed during the year.

Assets donated by developers are initially recorded at fair value when the Authority obtains control of the assets, that is, upon issue of the connection certificate to developers.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

***Cost of acquisition***

Acquisitions of property, plant and equipment are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including engineering design fees and all other establishment costs.

Costs incurred subsequent to the initial asset capitalisation are added to the carrying amount of the existing asset only when it improves the condition of the asset beyond its original standard useful life and any of following criteria is met:

- the asset performs an additional function;
- the asset provides increased capacity;
- the asset has a significant increase in its remaining useful life; or
- statutory enhancements performed to comply with a law or rule.

If it is probable there will be no enhancement of economic benefits, the additional costs are expensed in the financial year in which they are incurred.

Contractual commitments for the acquisition of property, plant and equipment are disclosed in Note 20.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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### 8. Property, plant and equipment (continued)

#### 8.4 Assets under construction

Property, plant and equipment under construction at year end is valued at cost, including the cost of materials, direct labour and an appropriate proportion of overheads excluding administration costs. Assets under construction are assessed regularly for capitalisation and where costs cannot be capitalised, these are expensed. Assets under construction are not depreciated until they are completed and commissioned ready for use.

#### 8.5 Measurement at cost

Plant and equipment and fleet assets are measured at cost less accumulated depreciation.

#### 8.6 Measurement at fair value

Land, buildings and infrastructure assets are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses, where applicable.

Assets within each class of property, plant and equipment carried at fair value are subject to ongoing review and revaluation, as necessary, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimated remaining useful life. Revaluation adjustments are recognised in equity.

A fair valuation of the Authority was undertaken as at 30 June 2019 using a discounted cash flow methodology, which determined the fair value to be \$5.8B (2018: \$5.6B). This review did not result in a material impact on the values of the property, plant and equipment classes.

The Authority's review of its fair value methodology was based on AASB 13 *Fair Value Measurement* (refer to Note 16). The fair values reported in these financial statements are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs. The inputs involved are not based on observable market data. Therefore, these assets have been categorised as level 3 in the fair value hierarchy and there have been no transfers between levels in the current and prior year.

#### 8.7 Key valuations assumptions used

##### *Valuation techniques and process used to determine level 3 fair values*

Estimates of fair value are prepared by management and presented to the Audit and Risk Committee (ARC), which recommends their adoption to the Board. An independent review of management's estimates is provided to the Board to assist in their adoption of the fair values.

Fair value has been determined using the discounted cash flow valuation methodology. These valuations are based on the projected cash flows using the revenue price paths and, capital and operating expenditure growth rates. Modelling has been performed for three (2018: three) scenarios and an average determined. Scenarios include the terminal value inputs below for a revenue price path based on maximum allowable revenue.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 8. Property, plant and equipment (continued)

#### 8.7 Key valuations assumptions used (continued)

##### *Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements:

Unobservable inputs	Basis	Range of inputs	Relationship between unobservable inputs and fair value
Revenue price path	Maximum allowable revenue (MAR) <sup>1</sup>	FY20 to FY39 (2018: FY19 to FY38)	The higher the annual revenue cash flow, the higher the fair value
Operating expenditure growth rate	Average growth as forecast by management	2% to 2.5% (2018: 2.50%)	The higher the annual growth in operating expenditure, the lower the fair value
Capital expenditure growth rate	Average growth as forecast by management	2% to 2.5% (2018: 2.50%)	The higher the annual growth in capital expenditure, the lower the fair value
Terminal value	Gordon Growth Model; and Regulatory Asset Base (RAB)	(1) Gordon Growth Model (2) RAB (3) RAB x 1.1 \$5.6B to \$5.9B (2018: \$5.4B to \$5.7B)	The higher the terminal value, the higher the fair value
Weighted average cost of capital (WACC)	Developed by management in consultation with independent experts	Post-tax WACC 5.52% (2018: 6.47%)	The higher the WACC, the lower the fair value. WACC is determined by the combination of cost of debt and cost of equity.

<sup>1</sup> Maximum allowable revenue is a function of operational expenditure, capital expenditure and the WACC discount rate, and any increase/decrease in one of these inputs will result in an increase/decrease to revenue. These interrelationships mitigate the effect of changes to these inputs on the fair value measurement.

##### **Price path post 1 July 2019**

Fair value modelling cash flows are estimated using the building block method consistent with the approach used by the Queensland Competition Authority in determining maximum allowable revenue.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 8. Property, plant and equipment (continued)

#### 8.8 Depreciation expense

Land is not depreciated. Other property, plant and equipment classes are depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life. The estimated useful life, residual values and the depreciation method applied to assets are reviewed annually. Details of estimated standard useful lives of assets are set out below:

Asset Type	Useful Life (in years)
Buildings and improvements	15-80
Plant and equipment	3-60
Infrastructure:	
– Water supply network assets	10-110
– Sewerage network assets	10-100

Items or components that form an integral part of a complex infrastructure asset are recognised as a separate asset. These items or components may be replaced during the useful life of the complex asset. Each component is depreciated over its individual useful life or useful life of the complex asset, whichever is shorter.

Property, plant and equipment is depreciated from the date acquired or installed and ready for use or, for internally constructed assets, from the time an asset is completed and commissioned ready for use.

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

#### 8.9 Impairment of non-current assets

Each non-current physical and intangible asset is assessed for indicators of impairment annually. If possible impairment indicators exist, the Authority determines the asset's recoverable amount. When the asset's carrying amount exceeds the asset's recoverable amount, the difference is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

Following assessment of the fair value, the Authority has undertaken an impairment review. Internal indicators of impairment including obsolescence or physical damage, significant changes with an adverse effect and internal reporting concerning economic performance of an asset were considered, together with external sources of information such as changes in technological, market, economic or legal environment, changes in the regulated environment, policy and/or legislative changes and market interest rate changes. There were no internal or external indicators of impairment.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount where the impairment loss is offset against the asset revaluation surplus recorded.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**9. Intangible assets**

	Software		Assets under construction		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Carrying amount at 1 July	16,896	18,846	25,010	6,324	41,906	25,170
Acquisitions at cost	-	-	41,145	24,979	41,145	24,979
Disposals	(688)	-	-	-	(688)	-
Assets under construction capitalised	9,114	6,293	(9,114)	(6,293)	-	-
Amortisation for the year	(7,610)	(8,243)	-	-	(7,610)	(8,243)
<b>Carrying amount at 30 June</b>	<b>17,712</b>	<b>16,896</b>	<b>57,041</b>	<b>25,010</b>	<b>74,753</b>	<b>41,906</b>
Gross carrying amount	38,712	58,158	57,041	25,010	95,753	83,168
Accumulated amortisation	(21,000)	(41,262)	-	-	(21,000)	(41,262)
<b>Carrying amount at cost</b>	<b>17,712</b>	<b>16,896</b>	<b>57,041</b>	<b>25,010</b>	<b>74,753</b>	<b>41,906</b>

The Authority has software assets with written down values of zero that remain in use in the provision of services. The original costs of these assets are \$3.03M (2018: \$20.05M). The Authority does not intend to retire these assets in the next 12 months.

**Acquisition and recognition**

Intangible assets (mainly purchased and internally-generated software) with a value equal to or greater than \$10,000 are recognised as assets in the year of acquisition. Items with a lesser value than the recognition threshold are expensed during the year.

Intangible assets recognised by the Authority have no active market; the assets are recognised at cost less accumulated amortisation and impairment losses. Subsequent costs are capitalised only when it increases the future economic benefits of the intangible asset to which it relates.

Development costs are assessed regularly for capitalisation and where costs cannot be capitalised, these are expensed. Development costs are not amortised until the software is completed and ready for use.

Contractual commitments for the acquisition of intangible assets are disclosed in Note 20.

**Amortisation expense**

Amounts paid for computer software in excess of the recognition threshold are capitalised and then amortised on a straight-line basis over the expected period of benefit (3 – 20 years). The estimated useful life values and the amortisation method applied to assets are reviewed annually.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 10. Superannuation

Refer to Note 3.3 for details of amount of superannuation contributions paid by the Authority to the superannuation funds in respect of this year for the benefit of the employees.

#### 10.1 Local government superannuation scheme – LGIASuper

The Authority contributes to the LGIASuper (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*. The scheme is a regulated complying superannuation fund under the Commonwealth Superannuation Industry (Supervision) (SIS) legislation and for taxation purposes. The SIS Regulation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulation requires an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions.

LGIASuper is responsible for the governance of the scheme. LGIASuper has a legal obligation to act solely in the best interest of the scheme beneficiaries. LGIASuper has the following roles:

- administration of the scheme and payment to the beneficiaries from the scheme assets when required in accordance with the scheme rules;
- management and investment of the scheme assets; and
- compliance with superannuation law and other applicable regulations.

The Scheme has three elements:

- The Accumulation Benefits Fund (ABF) is a defined contribution scheme as defined in AASB 119. The ABF is open to new members. Additional accumulation benefits are also provided within the ABF for most defined benefit members. The Authority has no liability to or interest in the ABF other than the payment of the statutory contributions (refer to Note 3.3);

- The Regional Defined Benefits Fund (Regional DBF), which covers defined benefit fund members working for regional areas, is a defined benefit plan as defined in AASB 119. The Regional DBF is closed to new members. The Authority is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB 119 because the scheme is unable to account to the Authority its proportionate share of the defined benefit obligations, plan assets and costs (refer to Note 10.2); and
- The City Defined Benefits Fund (City DBF), which covers former members of the City Super Defined Benefits Fund, is a defined benefit plan as defined in AASB 119. The City DBF is closed to new members. The Authority engaged an actuary to assess the values and to provide the disclosures in accordance with AASB 119 (refer to Note 10.3).

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that “At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position. Each DBF was also in a satisfactory financial position as at the valuation date.” The net assets of the Regional DBF and City DBF should remain in excess of the corresponding vested benefits up to 1 July 2021. On this basis, the financial position of the each DBF and the scheme as a whole is expected to remain satisfactory up to 1 July 2021.

There have been no changes to the benefits of Regional DBF and City DBF members considered in the valuation over the three years ending 1 July 2018.

The next actuarial investigation and valuation will be conducted no later than 1 July 2021.



Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 10. Superannuation (continued)

#### 10.1 Local government superannuation scheme – LGIASuper (continued)

The most significant risks that may result in LGIASuper increasing the contribution rate, on the advice of the actuary are:

- Investment risk – The risk that investment returns will be lower than assumed and the Authority will need to increase contributions to offset this shortfall.
- Salary growth risk – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk – The risk that legislative changes could be made which increase the cost of providing the defined benefits.

#### 10.2 Regional Defined Benefit Fund

The Authority contributes to the Regional DBF at the rate of 14% for each permanent employee who is a defined benefit member. The rate set by the LGIASuper trust deed is 12%. The actuary report as at 1 July 2018 recommended the following rates:

- 12% of salaries for members contributing at 6% of salary.
- 11% of salaries for members contributing at 5% salary.
- Additional contributions to the ABF for Regional DBF members of 9.5% of the excess of ordinary time earnings over the Regional DBF salary.

Any amount by which the scheme is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not a current asset or liability of the Authority.

There are currently 62 entities (1,972 DBF members) contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 62 entities. The Authority made less than 4% of the total contributions to the plan in the 2018-19 financial year.

	2019 \$'000	2018 \$'000
Superannuation contributions made to Regional Defined Benefits fund	268	295

The Authority expects to make contributions of \$268,000 to the Regional DBF for 2019-20 financial year.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**10. Superannuation (continued)****10.3 City Defined Benefits Fund**

City DBF members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the City DBF is closed to new members. The Authority has 17 (2018: 21) employees funded under this benefit. The Authority has provided a written guarantee to LGIASuper which commits the Authority to fund the defined benefits of employees who are members of City DBF.

The defined benefit assets are invested in the LGIASuper Balanced investment option. The assets are diversified within this investment option and therefore the City DBF has no significant concentration of investment risk. There were no fund amendments affecting the defined benefits payable, nor were there any curtailments or settlements occurring during the year. Actuarial gains and losses are recognised as other comprehensive income in the year in which they occur.

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Net defined benefit asset<sup>1</sup></b>		
Net asset at start of the year	4,216	3,454
Net asset at end of year	4,456	4,216
<b>Fair value of Fund assets<sup>2</sup></b>		
Fair value at beginning of the year	11,430	11,887
Fair value at end of the year	11,866	11,430
<b>Defined benefit obligation<sup>3</sup></b>		
Present value at beginning of the year	7,214	8,433
Present value at end of the year	7,410	7,214

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 10. Superannuation (continued)

#### 10.3 City Defined Benefits Fund (continued)

<sup>1</sup> Movements in the net defined benefit asset were primarily due to current service cost, net interest, returns on Fund assets and actuarial losses/gains and employer contributions. The asset ceiling has no impact on the net defined benefit asset.

<sup>2</sup> Movements in the fair value of Fund assets were primarily due to interest income, returns on fund assets, employer contributions, contributions by plan participants, benefits paid and taxes, premiums and expenses paid.

<sup>3</sup> Movements in the defined benefit obligation were primarily due to current services cost, interest cost, contributions by fund participants, actual losses/gains benefits paid and taxes, premiums and expenses paid. The weighted average duration of the defined benefit obligation is 6 years.

The Authority is not aware of any asset and liability matching strategies adopted by the City DBF. The financing approach adopted at the 1 July 2018 actuarial investigation of the City DBF, in a report dated 29 November 2018, is to ensure sufficient assets are available to meet benefits as and when they fall due while also to target appropriate coverage of vested benefits. In that investigation, it was recommended that the Authority contributes to the City DBF as follows:

- In respect of defined benefit members:
  - 14% of members' salaries (inclusive of the 3% occupational contribution) from 1 July 2018 to 31 December 2018;
  - 0% of members' salaries (inclusive of the 3% occupational contribution) from 1 January 2019 to 31 December 2021; and
  - 14% of salaries (including the occupational account contribution) from 1 January 2022 onwards.
- In respect of accumulation members, 14% of salaries for permanent employees and 9% of salaries for casual employee; and
- 5.88% of salaries for defined benefit members' contributions made via salary sacrifice.

LGIAsuper's actuary reported that the value of the City DBF's assets are sufficient to meet the value of the City DBF's liabilities and recommended that contributors to the City DBF, including the Authority, cease paying contributions to the City DBT from 1 July 2019 for a period of three years, at which point the fund will be reviewed again.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**II. Trade and other payables**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Current</b>		
Trade creditors	55,383	47,993
Infrastructure agreement liabilities	3,759	1,154
Lease payable	2,144	1,791
Other payables	4,735	3,245
	66,021	54,183
<b>Non Current</b>		
Lease payable	5,346	6,917
Infrastructure agreement liabilities	-	333
	5,346	7,250
<b>Total</b>	<b>71,367</b>	<b>61,433</b>

**Trade creditors**

Creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts. Outstanding amounts are unsecured and are generally settled within 30 days. Information about the Authority's exposure to liquidity risks is included in Note 17.3.

**Infrastructure agreement liabilities**

Developer contributions for specific assets under an infrastructure agreement are recognised as liability where the specific asset has not been constructed at reporting date.

**Lease payables**

Lease payables are recognised based on the unamortised lease incentive and deferred rent for the lease of office buildings and warehouses (refer to Note 19). Lease payables are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. All other lease payables are classified as non-current.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**12. Employee benefits**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Current</b>		
Long service leave	15,910	15,148
Annual leave	12,018	11,956
Accrued salaries and wages	2,549	1,917
Time in lieu	33	257
Vested sick leave	-	61
	<b>30,510</b>	<b>29,339</b>
<b>Non-current</b>		
Long service leave	3,259	3,113
	<b>3,259</b>	<b>3,113</b>
<b>Total</b>	<b>33,769</b>	<b>32,452</b>

Employee benefits are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. All other employee benefits are classified as non-current.

***Wages and salaries***

Wages and salaries due but unpaid at reporting date are recognised as a current liability in the Statement of Financial Position at the current salary rates.

***Annual leave***

Accumulated annual leave represents the amount the Authority is required to pay its employees for services provided up to reporting date. The annual leave liability is calculated at nominal amounts based on remuneration rates that would be required to be paid, plus related on-costs if the liability is settled at reporting date. Annual leave is classified as a current liability (employee benefits) in the Statement of Financial Position.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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### 12. Employee benefits (continued)

#### *Time in lieu*

Accumulated leave in lieu represents the amount the Authority is required to pay its employees for services provided up to reporting date in excess of regular working hours, such as statutory holidays worked and overtime. The leave in lieu liability is calculated at nominal amounts based on remuneration rates that would be required to be paid plus related on-costs if the liability is settled at balance date. Leave in lieu is classified as a current liability (employee benefits) in the Statement of Financial Position.

#### *Long service leave*

The provision for long service leave represents the present value of the estimated future cash outflows required to pay employees for services provided up to reporting date and an actuarial estimate of future obligations, taking into account future increases in wage and salary rates, periods of service and experience of employee departure, plus related on-cost. This amount is reported as a current liability (employee benefits) in the Statement of Financial Position.

Where there is no present obligation to pay at reporting date, amounts are discounted using the rates attaching to high quality corporate bonds at reporting date that most closely match the terms of maturity of the related liabilities. This amount is reported as a non-current liability (employee benefits) in the Statement of Financial Position.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**13. Other current liabilities**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Current</b>		
Accrued capital program costs	40,490	35,910
Accrued bulk water purchases	37,555	32,882
Unearned revenue	1,325	903
Other	30,847	33,235
	<b>110,217</b>	<b>102,930</b>
<b>Non-current</b>		
Unearned revenue	40	-
	<b>40</b>	<b>-</b>
<b>Total</b>	<b>110,257</b>	<b>102,930</b>

***Accrued capital program costs***

Cost incurred for capital assets under construction is recognised as liability when not yet paid.

***Accrued bulk water purchases***

Bulk water purchases consumed is recognised as liability when not yet paid.

***Unearned revenue***

Revenue received in advance for services not yet provided is deferred and is recognised in the Statement of Comprehensive Income on delivery of the services. Developer contributions for specific assets are recognised as liability where the specific asset has not been constructed at reporting date.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**14. Contributed equity**

<b>14.1 Participation returns</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
In accordance with the Participation Agreement, the Board declared the final participation rights payment of \$76.5M (2018: \$100.99M) on 20 May 2019. Payment will be made on 30 September 2019.	76,500	100,985
An interim participation return was declared on 17 October 2018 and paid on 31 January 2019.	76,500	64,816
Total participation rights paid/payable	153,000	165,801
Amounts per Participant:		
Brisbane City Council (85.007%)	130,060	140,942
Ipswich City Council (12.222%)	18,700	20,264
Lockyer Valley Regional Council (0.903%)	1,381	1,497
Scenic Rim Regional Council (1.042%)	1,595	1,728
Somerset Regional Council (0.826%)	1,264	1,370
	153,000	165,801
Cash payments to Participants during the financial year.	177,485	188,266

Participation returns are paid to the Participating Councils in accordance with the Participation Agreement. In March 2018 the Board approved the adoption of the new Participation Return Policy effective from 1 July 2018. The first two years' participation returns proposed are the minimum participation return that the Authority will make over these years.



Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**14. Contributed equity (continued)****14.2 Assets and liabilities transferred**

On 1 July 2010 the participating Councils transferred the assets, liabilities, instruments and employees necessary for Queensland Urban Utilities to commence trading under a scheme made in accordance with the Act and gazetted on 29 June 2010.

	<b>1/7/2010 \$'000</b>
Summary of the transferred assets and liabilities is:	
Property, plant and equipment	4,003,528
Capital works in progress	227,794
Cash	9,006
Employee entitlements	(31,424)
QTC debt transferred to Queensland Urban Utilities	(183,092)
	<u>4,025,812</u>
<i>Represented by:</i>	
Contributed equity	2,538,793
Participant's debt	1,487,019
	<u>4,025,812</u>

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**15. Loans and borrowings**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Current</b>		
QTC working capital facility	39,400	-
Total	39,400	-
<b>Non-current</b>		
QTC client specific pool	2,021,679	2,021,679
Participating Councils:		
Lockyer Valley Regional Council	14,736	14,736
Scenic Rim Regional Council	14,676	14,676
Somerset Regional Council	13,804	13,804
	2,064,895	2,064,895
<b>Total</b>	<b>2,104,295</b>	<b>2,064,895</b>

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, then, subsequently held at amortised cost using the effective interest method. The fair value of the client specific pool loans determined by QTC, calculated using discounted cash flow analyses and the effective interest rate, and stated in the financial statements for disclosure purposes only is \$2,176M (2018: \$2,067M).

Borrowings are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the Authority does not have an unconditional right to defer settlement to beyond 12 months after the reporting date. All other borrowings are classified as non-current.

**Queensland Treasury Corporation (QTC)**

(a) General purpose borrowings – the Authority borrows from QTC to fund a range of non-specific capital projects. Repayments are made monthly in accordance with the underlying borrowing rate after adjustment for new borrowings and earlier repayments. At year end, the outstanding QTC loan balance is disclosed at book value.

(b) The Authority has access to a working capital facility with QTC - refer to Note 5.2 for details of the funding facilities.

The weighted average borrowing rate for QTC borrowings as at 30 June 2019 is 4.39% (2018: 4.49%). Interest payments are made monthly in arrears at rates ranging from 1.85% to 4.49% (2018: 2.10% to 4.55%).

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 15. Loans and borrowings (continued)

#### *Participants' loans*

At its inception, the Authority's Participating Councils provided the Authority with separate fixed rate loans ("Participating Local Government Fixed Rate Loan Agreement (Senior Debt)"), which expired on 30 June 2013. Prior to their expiry, these loans were extended for a further 10 years under separate loan agreements ("Participating Local Government Resetting-Rate Loan Agreement (Senior Debt)") until 30 June 2023. These loans are subject to an annually resetting fixed rate. The fixed rate for the year ended 30 June 2019 year was 4.70% (2018: 4.84%), with the loans requiring monthly interest-only payments for 10 years from 1 July 2013. The Queensland Treasurer approved the extension in accordance with the SBFA.

No participating loans were repaid to Participating Councils during the year.

All borrowings are in Australian dollar denominated amounts. No borrowing costs have been capitalised during the current year. There were no defaults or breaches of the loan agreements during the year. No fair value adjustment is made to the carrying amount of the borrowings. No assets have been pledged as security for any liabilities.

### 16. Fair value measurement

#### 16.1 Accounting policies and inputs for fair values

The Authority measures financial instruments and non-financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using or selling the asset in its highest and best use. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

Level 1 – quoted market prices in active markets for identical assets and liabilities;

Level 2 – inputs (other than quoted prices included within Level 1) that are directly or indirectly observable, no assets and liabilities are measured at Level 2; and

Level 3 – inputs for the asset or liability that are substantially derived from unobservable inputs.

The Authority recognises any evident transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers of assets between fair value hierarchy levels during the period. The key valuation assumptions used by the Authority are outlined in Notes 2.2, 7, 8 and 17.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**16. Fair value measurement (continued)****16.2 Categorisation of assets and liabilities measured at fair value**

	Notes	Level 1		Level 3		Total carrying amount	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Financial assets</b>							
Cash and cash equivalents	5	5,593	116,968	-	-	5,593	116,968
<b>Total financial assets</b>		5,593	116,968	-	-	5,593	116,968
<b>Property, plant and equipment</b>							
Land	8	-	-	65,584	59,628	65,584	59,628
Buildings	8	-	-	11,730	13,032	11,730	13,032
Water supply network	8	-	-	2,146,689	2,032,682	2,146,689	2,032,682
Sewerage network	8	-	-	3,003,575	2,943,086	3,003,575	2,943,086
<b>Total property plant and equipment</b>		-	-	5,227,578	5,048,428	5,227,578	5,048,428
<b>Other assets</b>							
Defined benefit plan	10.3	-	-	4,456	4,216	4,456	4,216
Renewable energy certificates	7	-	649	-	-	-	649
<b>Total other assets</b>		-	649	4,456	4,216	4,456	4,865
<b>Other liabilities</b>							
Employee benefits - long service leave	12	-	-	19,169	18,261	19,169	18,261
<b>Total other liabilities</b>		-	-	19,169	18,261	19,169	18,261

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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### **17. Financial instruments**

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Authority becomes a party to the contractual provisions of the financial instrument. No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

The effect of initially applying AASB 9 on the Authority's financial instruments is described in Note 1.7. Due to the transition method chosen, comparative information has not been restated.

#### ***Derivative financial instruments***

The Authority is not a party to any derivative financial instrument and does not enter into transactions for speculative purposes.

#### ***Non-derivative financial instruments***

Non-derivative financial instruments comprise of trade and other receivables, cash and cash equivalents, loans/borrowings, and trade and other payables. Financial assets and liabilities are measured at amortised cost which approximates fair value.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 17. Financial instruments (continued)

#### 17.1 Financial risk management

Exposure to financial risks is managed in accordance with approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Authority. The Authority's activities expose it to a variety of financial risks as follows:

Risk	Definition	Exposure	Measurement Method	Risk Management Strategies
Credit risk	Credit risk exposure refers to the situation where a financial loss may be incurred as a result of another party to a financial instrument failing to discharge their obligation.	The Authority's credit risk is mainly from the receivables due from customers. The Authority is obliged to provide water and wastewater services without regard to customer credit quality. The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment (Note 6). Although, no collateral is held as security relating to the financial assets held by the Authority, a lien may be claimed on the property for utility debts to reduce the Authority's credit risk exposure.	Ageing analysis	The Authority manages credit risk through the use of credit management strategy which outlines credit collection processes such as referral of overdue accounts to debt collection agency, sending reminder letters and mobile text messages to customers, and entering into payment arrangements with customers. A statutory charge may be registered on the property as lien to secure payment for utility debts. The hardship policy and framework is available for customers experiencing financial hardship. Exposure to credit risk is monitored on an ongoing basis.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**17. Financial instruments (continued)****17.1 Financial risk management (continued)**

<b>Risk</b>	<b>Definition</b>	<b>Exposure</b>	<b>Measurement Method</b>	<b>Risk Management Strategies</b>
Liquidity risk	Liquidity risk refers to the situation where the Authority may encounter difficulty in meeting obligations associated with financial liabilities.	The Authority is exposed to liquidity risk in respect of its trade and other payables (Note 11) and interest bearing liabilities (Note 15).	Maturity analysis	Liquidity risk is managed by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.
Market risk - interest rate	Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	The Authority is exposed to interest rate risk through borrowings (Note 3.4) and cash deposited in interest bearing accounts (Note 2.3).	Sensitivity analysis	The Authority manages its portfolio by setting, monitoring and adjusting the terms and duration of its loan portfolio as allowed under its commercial financing contract with QTC. The risk in borrowing is effectively managed through QTC's capacity to issue securities with variable terms allowing an appropriate duration for the Authority while diversifying the interest resetting profile.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**17. Financial instruments (continued)****17.2 Credit risk exposure****Ageing analysis**

The Authority considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Authority in full or the financial asset is more than 90 days past due. Ageing of past due receivables and the amount of impairment is disclosed in the following table:

			More than 30 days past due \$'000	More than 60 days past due \$'000	More than 90 days past due \$'000	Total \$'000
2019	Notes	Current \$'000				
Gross trade and other receivables	6	17,293	9,928	9,550	25,633	62,404
Provision for impairment	6	(96)	(14)	(294)	(7,871)	(8,275)
<b>Total</b>		<b>17,197</b>	<b>9,914</b>	<b>9,256</b>	<b>17,762</b>	<b>54,129</b>

			More than 30 days past due \$'000	More than 60 days past due \$'000	More than 90 days past due \$'000	Total \$'000
2018	Notes	Current \$'000				
Gross trade and other receivables	6	12,102	16,389	8,310	23,245	60,046
Provision for impairment	6	-	-	-	(10,255)	(10,255)
<b>Total</b>		<b>12,102</b>	<b>16,389</b>	<b>8,310</b>	<b>12,990</b>	<b>49,791</b>

The Authority applied the AASB 9 simplified approach which uses a provision matrix to measure the lifetime expected credit losses of receivables from individual residential and commercial customers, which comprise a very large number of small balances. Default rates are calculated based on actual credit loss experience over the past years. These rates are adjusted to reflect historical, current and future economic conditions over the expected lives of the receivables. This resulted in an increase of \$329,234 in the provision for impairment of receivables at 1 July 2018 to reflect the expected credit loss for receivables less than 90 days overdue.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amount as indicated.



Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**17. Financial instruments (continued)****17.3 Liquidity risk*****Maturity analysis***

The following table sets out the liquidity risk of the financial liabilities held by the Authority. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at reporting date.

Financial liabilities	Notes	2019 Payable in			Total
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	\$'000
QTC client specific facility	15	39,400	-	-	39,400
Participant loans	15	-	-	43,216	43,216
QTC client specific pool	15	-	-	2,021,679	2,021,679
Trade and other payables	11	66,021	5,346	-	71,367
		105,421	5,346	2,064,895	2,175,662

Financial liabilities		2018 Payable in			Total
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	\$'000
Participant loans	15	-	-	43,216	43,216
QTC client specific pool	15	-	-	2,021,679	2,021,679
Trade and other payables	11	54,183	7,250	-	61,433
		54,183	7,250	2,064,895	2,126,328

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**17. Financial instruments (continued)****17.4 Market risk - interest rate*****Sensitivity analysis***

The following sensitivity analysis depicts the outcome on net income if interest rates would change by +/- 1% from the year-end rates applicable to the Authority's financial assets and liabilities. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. This is mainly attributable to the Authority's exposure to variable interest rates on its borrowings.

2019		-1%		+1%	
		Profit	Equity	Profit	Equity
	Net carrying amounts				
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	5,593	(56)	(56)	56	56
QTC working capital facility	39,400	(394)	(394)	394	394
QTC client specific pool	2,021,679	20,217	20,217	(20,217)	(20,217)
<b>Overall effect on profit and equity</b>		<b>19,767</b>	<b>19,767</b>	<b>(19,767)</b>	<b>(19,767)</b>

2018		-1%		+1%	
		Profit	Equity	Profit	Equity
	Net carrying amounts				
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	116,968	(1,170)	(1,170)	1,170	1,170
QTC client specific pool	2,021,679	20,217	20,217	(20,217)	(20,217)
<b>Overall effect on profit and equity</b>		<b>19,047</b>	<b>19,047</b>	<b>(19,047)</b>	<b>(19,047)</b>

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 18. Capital management

The Authority's objectives when managing capital are to:

- ensure long term financial sustainability while considering appropriate returns on invested equity and benefits to other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

The Authority manages its capital structure by targeting at a minimum, an A- credit rating. This is achieved by maintaining key credit metrics and supported through the adjustment of participation returns. The Participation Return Policy provides flexibility for the Board to balance long term financial sustainability, shareholder returns and capital expenditure funding requirements.

The Authority monitors capital using the following ratios:

	2019	2018
Funds from operations to net debt <sup>1</sup>	12%	11%
Net debt to fixed assets <sup>2</sup>	37%	35%

<sup>1</sup> The funds from operations to net debt measures the Authority's ability to manage its debt obligations.

<sup>2</sup> Net debt to fixed assets measures the extent to which the Authority's assets are financed by debt.

Under terms of the Authority's borrowing facilities, it is required to comply with the following financial covenants:

- earnings before interest, tax, depreciation and amortisation (EBITDA) (excluding developer contributions and asset revaluation increments or decrements) interest coverage ratio equal to or greater than 2.25 times; and
- a net debt to fixed assets ratio equal to or less than 60 per cent.

The Authority has complied with these throughout the reporting period. As at 30 June 2019, the EBITDA interest coverage ratio was 4.5 times (2018: 4.4 times)

The Authority's capital management activities are disclosed in the following notes:

Note 5.2 - Funding facilities

Note 14.1 - Participation returns

Note 15 - Loans and borrowings

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**19. Leases**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>19.1 Leases as lessee</b>		
Non-cancellable operating lease payables:		
Within one year	8,060	8,416
Between one and five years	19,596	29,352
More than five years	-	-
	<b>27,656</b>	<b>37,768</b>
	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>19.2 Leases as lessor</b>		
Non-cancellable operating lease receivables:		
Within one year	178	396
Between one and five years	966	901
More than five years	691	103
	<b>1,835</b>	<b>1,400</b>

**Operating lease**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and are not recognised in the Authority's Statement of Financial Position. Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed on a straight-line basis over the lease term.

The Authority leases a number of office buildings and warehouses under operating leases. Lease expenses recognised in the Statement of Comprehensive Income during the year was \$7.1M (2018: \$9.5M).

One of the leased properties has been sub-let by the Authority. The lease and sub-lease will expire at the same time. Income from the sub-lease of \$228,376 (2018: \$228,376) was recognised in the Statement of Comprehensive Income.

From 1 July 2019, operating leases will be accounted for under AASB 16 Leases (refer to Note 27) and will be recognised in the Statement of Financial Position.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**20. Commitments**

Commitments contracted for as at 30 June 2019 but not recognised as liabilities are as follows:

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>20.1 Capital</b>		
Within one year	135,582	138,404
Between one and five years	6,219	2,803
More than five years	-	-
	<b>141,801</b>	<b>141,207</b>
<b>20.2 Other</b>		
Within one year	156,472	134,054
Between one and five years	46,167	52,325
More than five years	-	-
	<b>202,639</b>	<b>186,379</b>

**21. Contingencies**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>21.1 Contingent assets</b>		
Reimbursement of costs associated with damage claim, the maximum exposure is:	1,650	-
<b>21.2 Contingent liabilities</b>		
Compensation claims associated with damage and injury, potential liability from infrastructure agreement and infrastructure charges refund, the maximum exposure of which is:	10,417	1,765

The Authority is not able to predict the likely outcome or reliably estimate the probability of payout of the contingent liabilities at reporting date. There are currently no appeals (2018: 1) in the Planning and Environment Court.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

22. Funds held in trust

Funds held in trust include deposits received for standpipe bonds, security deposits to guarantee performance and unclaimed money. The Authority performs only a custodial role in respect of these funds. As such, the balances disclosed below are not recorded in the financial statements and are disclosed here for information purposes only.

	2019 \$'000	2018 \$'000
Standpipe bonds, security deposits and unclaimed money	3,093	2,956

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**23. Key executive management personnel and remuneration**

Key executive management personnel and remuneration disclosures are made in accordance with section 3C of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury.

**23.1 Key executive management personnel**

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Authority during the year. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Contract classification and appointment authority	Dates position held
Chief Executive Officer	Board secretariat, external reporting, governance, insurance, legal counsel, risk and resilience, corporate property, stakeholder engagement, excellence program and strategic planning	Board appointed Band A Contract	Appointed 2 July 2012
Chief Financial Officer	Financial activities and regulation, shared services, billing and collections, and strategic procurement	Board appointed Band A Contract	Appointed 12 February 2018
Executive Leader Operations and Service Delivery	Leadership and strategic direction of operations and services delivery which includes the major projects and capital program, network operations, infrastructure maintenance and reliability and treatment business	Board appointed Band A Contract	Appointed 3 November 2014
Chief Information Officer	Managing all aspects of information, communication and technology (ICT) environment, organisation's ICT strategy, investment, business engagement, innovation, delivery and continued development of the existing ICT function	Board appointed Band A Contract	Appointed 26 September 2016
Executive Leader People and Safety	People and Safety Group's program of work, supporting people, safety, wellbeing, culture, training, communication and leadership priorities	Board appointed Band A Contract	Appointed 22 September 2014
Executive Leader Commercial Customers	Overall business relationship between QUU and its largest water supply and trade waste customers, development of new services aligned to this market segment, development assessment and the delivery of existing services provided by SAS Laboratory	Board appointed Band A Contract	Appointed 1 July 2014
Executive Leader Customer and Community	Leading and managing the retail business, including management of customer services, marketing communications and media management	Board appointed Band A Contract	Appointed 2 September 2013
Executive Leader Planning	Services strategy, infrastructure planning, capital inauguration, demand management, and environmental and water quality strategy	Board appointed Band A Contract	Appointed 1 December 2013

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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### 23. Key executive management personnel and remuneration (continued)

#### 23.2 Remuneration

Remuneration for key executive management personnel is determined by the Board. Remuneration and other terms of employment are specified in individual employment contracts. The contracts provide for the provision of performance-related cash payments.

The Board approved changes to key executive management contracts in April 2019 and removed the at-risk component associated with performance-related payments for relevant personnel with the exception of the Chief Executive Officer. The result is that from 1 July 2019 allowances equating to either 8.25% or 10.95% of base salary will be introduced for relevant personnel with any final performance-related payments relating to the current reporting period paid in October 2019.

The annual review of remuneration of key executive management personnel increased by 2.5% (2018: 2.5%) based on a market review of similar roles.

Remuneration packages for key executive management personnel comprise the following components:

- Short term employee benefits include:
  - salaries, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position;
  - performance payments recognised as an expense during the year; and
  - non-monetary benefits.
- Long term employee benefits include long service leave accrued.
- Post-employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.



Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**23. Key executive management personnel and remuneration (continued)****23.2 Remuneration (continued)**

Total fixed remuneration is calculated on a “total cost” basis as below.

<b>2019</b>						
<b>Position</b>	<b>Short term</b>			<b>Post employment benefits \$'000</b>	<b>Termination benefits \$'000</b>	<b>Total remuneration \$'000</b>
	<b>Monetary benefits \$'000</b>	<b>Non-monetary benefits \$'000</b>	<b>Long term employee benefits \$'000</b>			
Chief Executive Officer	651	3	16	25	-	695
Chief Financial Officer	323	3	8	24	-	358
Executive Leader Operations and Service Delivery	387	3	10	25	-	425
Executive Leader Commercial Customers	317	3	8	25	-	353
Chief Information Officer	331	3	8	24	-	366
Executive Leader People and Safety	302	3	8	25	-	338
Executive Leader Customer and Community	288	3	7	24	-	322
Executive Leader Planning	355	3	9	25	-	392
<b>Total remuneration</b>	<b>2,954</b>	<b>24</b>	<b>74</b>	<b>197</b>	<b>-</b>	<b>3,249</b>

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**23. Key executive management personnel and remuneration (continued)****23.2 Remuneration (continued)**

<b>2018</b>						
<b>Position</b>	<b>Short term</b>			<b>Post employment benefits \$'000</b>	<b>Termination benefits \$'000</b>	<b>Total remuneration \$'000</b>
	<b>Monetary benefits \$'000</b>	<b>Non-monetary benefits \$'000</b>	<b>Long term employee benefits \$'000</b>			
Chief Executive Officer	596	3	15	25	-	639
Chief Financial Officer (appointed 12 February 2018)	114	1	3	11	-	129
Executive Leader Operations and Service Delivery	356	3	9	31	-	399
Executive Leader Commercial Customers	269	3	7	24	-	303
Chief Information Officer	284	3	7	24	-	318
Executive Leader People and Safety	289	3	7	25	-	324
Executive Leader Customer and Community	266	3	7	23	-	299
Executive Leader Planning	335	3	8	25	-	371
Chief Financial Officer (resigned 11 January 2018)	223	2	6	14	-	245
<b>Total remuneration</b>	<b>2,732</b>	<b>24</b>	<b>69</b>	<b>202</b>	<b>-</b>	<b>3,027</b>

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 23. Key executive management personnel and remuneration (continued)

#### 23.3 Performance payments

Performance payments may be paid or payable annually depending upon satisfaction of key criteria and are capped at a range of between 16.43% and 27.38% of total fixed remuneration (base salary plus superannuation). Amounts payable are tied to the achievement of pre-determined organisational and individual performance targets, as agreed by the Board and the Chief Executive Officer. From 1 July 2019, contracts for key executive management will no longer incorporate performance payments with the exception of the Chief Executive Officer, with the cap for the Chief Executive Officer set at 15%.

Performance payments are expected to be paid on or before 30 October.

The aggregate performance payments expected to be paid to all key executive management personnel will not be determined until October 2019. As the determination has not been made at the date of management certification of these financial statements, any performance payment approved will be reported as an expense during the year ending 30 June 2020. The maximum payable under the existing remuneration framework is \$520,982.

The aggregate amount of performance payments made during the financial year with respect to the previous financial year was \$317,344 (2018: \$210,058).

### 24. Related parties

#### 24.1 Board members

##### *Board remuneration*

The Board remuneration is estimated under the Participation Agreement and is with unanimous agreement of the Participants. Reimbursements for reasonable travelling, accommodation and other expenses in connection with the business of the Authority are not included in Board remuneration. To the extent permitted by law, the Authority must indemnify each Board Member against a liability of that person and the legal costs of that person. The Authority has an appropriate insurance coverage for Directors and Officers liability.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**24. Related parties (continued)****24.1 Board members (continued)*****Board remuneration (continued)***

The Board Members who were paid directly or indirectly were:

	Salary and fees*		Superannuation		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Geoff Harley (appointment ended 30 June 2019) <sup>2,3</sup>	106	104	10	10	116	114
Len Scanlan (appointment ended 30 June 2019) <sup>1,3</sup>	65	63	6	6	71	69
John Cotter <sup>1</sup>	65	63	6	6	71	69
Graham Thomsen <sup>1</sup>	65	63	6	6	71	69
Bronwyn Morris <sup>1,2</sup>	65	53	6	5	71	58
Bruce Leslie (appointed 1 July 2018)	53	-	5	-	58	-
Julie-Anne Schafer (appointed 1 July 2018)	53	-	5	-	58	-
Kerian McNamara (resigned 27 November 2018)	22	53	2	5	24	58
Kathy Hirschfeld (appointed 1 January 2019)	26	-	2	-	28	-
Dennis Cavagna (appointment ended 30 June 2018)	-	63	-	6	-	69
Phil Kesby (appointment ended 30 June 2018)	-	53	-	5	-	58
	520	515	48	49	568	564

<sup>1</sup>Additional monthly rate of \$954 (2018: \$934) was paid to Committee Chairpersons.<sup>2</sup>Bronwyn Morris replaced Geoff Harley as Board Chairperson effective 1 July 2019.<sup>3</sup>Mark Gray and Phillip Strachan were appointed from 1 July 2019 to replace the two Board Members who left at 30 June 2019.

\*A CPI increase of 2.1% (2018: 1.9%) was applied during the financial year and monthly rates set at \$8,872 (2018: \$8,689) for the Board Chairperson and \$4,436 (2018: \$4,345) for the Board Members.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 24. Related parties (continued)

#### 24.2 Loans to key management personnel

There are no loans to key management personnel and their related parties during the financial year.

#### 24.3 Other key management personnel transactions

There are no other transactions with key management personnel and their related parties during the financial year, other than on normal commercial terms.

#### 24.4 Board member transactions

There are no transactions with Board members and their related parties for the financial year, other than on normal commercial terms.

#### 24.5 Transactions with Participating Councils

The amount of revenue and expenditure and the amount of receivable or payable to Participating Councils are as follows:

	Brisbane City Council		Ipswich City Council		Lockyer Valley Regional Council		Scenic Rim Regional Council		Somerset Regional Council		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Revenue</b>												
Utility charges	5,372	5,118	3,172	2,692	428	344	287	238	285	293	9,544	8,685
<b>Total revenue</b>	5,372	5,118	3,172	2,692	428	344	287	238	285	293	9,544	8,685
<b>Expenses</b>												
Supplies and services	2,934	4,946	19	50	23	94	13	32	65	117	3,054	5,239
Finance and borrowing costs	-	-	-	-	693	713	690	710	648	669	2,031	2,092
Income tax equivalents	73,259	79,433	10,533	11,421	778	844	898	974	712	771	86,180	93,443
Participation returns	130,060	140,942	18,700	20,264	1,381	1,497	1,595	1,728	1,264	1,370	153,000	165,801
Land tax	3,175	1,715	457	247	34	18	39	21	30	16	3,735	2,017
Stamp duty	88	197	13	28	1	2	1	2	1	2	104	231
<b>Total expenses</b>	209,516	227,233	29,722	32,010	2,910	3,168	3,236	3,467	2,720	2,945	248,104	268,823
<b>Receivables</b>												
Utility charges	287	53	8	1	147	1	6	2	81	-	529	57
Accrued developer contributions	315	1,325	-	-	-	-	-	8	-	-	315	1,333
Other receivables	1,073	1,082	5	4	1	-	7	5,430	2	2	1,088	6,518
<b>Total receivables</b>	1,675	2,460	13	5	148	1	13	5,440	83	2	1,932	7,908
<b>Payables</b>												
Finance and borrowing costs	-	-	-	-	58	59	57	59	54	56	169	174
Income tax equivalents	372	12,128	54	1,744	4	129	5	149	3	118	438	14,268
Participation returns	65,030	85,844	9,350	12,342	691	912	797	1,052	632	835	76,500	100,985
Land tax	3,175	1,715	457	247	34	18	39	21	30	16	3,735	2,017
Stamp duty	88	197	13	28	1	2	1	2	1	2	104	231
Other payables	193	288	6	6	16	24	8	4	39	32	262	354
<b>Total payables</b>	68,858	100,172	9,880	14,367	804	1,144	907	1,287	759	1,059	81,208	118,029
<b>Loans and borrowings</b>												
Participant loans	-	-	-	-	14,736	14,736	14,676	14,676	13,804	13,804	43,216	43,216
<b>Total loans and borrowings</b>	-	-	-	-	14,736	14,736	14,676	14,676	13,804	13,804	43,216	43,216

Amounts owing are unsecured and are expected to be settled in cash. These transactions were carried out under normal commercial terms.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 25. Financial sustainability

In November 2013 the Auditor-General tabled “Results of audit: Water sector entities 2012-13 Report to Parliament 7: 2013-14”. The report recommended that the water sector be encouraged to self-report against the measures of financial sustainability used in the report. These measures are:

- (a) Operating ratio – Operating profit before tax expressed as a proportion of total revenue. This ratio should be positive over the medium to long term in order to remain financially sustainable.
- (b) Capital replenishment ratio – Comparison of the annual net expenditure on non-current assets to annual depreciation. An average above one over time indicates that assets are being built or replaced at or above the rate the asset base is being depreciated.
- (c) Debt to revenue ratio – Assessment of the ability to pay the principal and interest on borrowings when they fall due, from the funds generated through operations.

The results have been disclosed for the current and comparative year as below:

	2019 \$'000	2018 \$'000
Operating ratio	24%	27%
Capital replenishment ratio	x 2.05	x 1.88
Debt to revenue ratio	153%	153%

### 26. Subsequent events

To date, no events have occurred subsequent to balance date that materially impact on these financial statements.

### 27. New and revised accounting standards

AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* are applicable to the Authority for the first time. Details of these standards and their impact on the Authority’s financial statements are disclosed in the following notes:

- Note 1.7 Change in significant accounting policies
- Note 2 Revenue
- Note 6 Trade and other receivables
- Note 17 Financial instruments

A number of other new standards are also effective from 1 July 2018 but do not have any material impact on the Authority’s financial statements as follows:

- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 27. New and revised accounting standards (continued)

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2019. The Authority does not plan to early adopt any standards or interpretations. Of those standards that are not yet effective, AASB 16 *Leases* is expected to have a material impact on the Authority's financial statements in the period of initial application.

AASB 16 will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, a Right-of-Use (ROU) asset (right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Authority reviewed all of its leasing arrangements over the last year in light of AASB 16. The Authority will recognise new assets and liabilities for its operating leases of office buildings and warehouses. The nature of expenses related to these leases will now change because the Authority will recognise a depreciation charge for the ROU assets and interest expense on lease liabilities.

As at the reporting date, the Authority has non-cancellable operating lease commitments of \$27.7M (Note 19). The Authority expects to recognise ROU assets equal to lease liabilities of approximately \$22.1M on 1 July 2019. The ROU assets will be reduced to approximately \$14.3M after adjustments for accrued lease payments and unamortised lease incentives recognised as at 30 June 2019. The Authority expects that net profit after tax will decrease by approximately \$1.2M for FY2020 as a result of adopting AASB 16. Adjusted earnings before income tax, depreciation and amortisation (EBITDA) is expected to increase by approximately \$6.5M as the operating lease payments were included in EBITDA, but the amortisation of the ROU assets and interest on the lease liability are excluded from EBITDA. Operating cash flows will increase by approximately \$8.1M and financing cash flows decrease by approximately \$7.1M as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Authority will treat its sub-lease similar to a finance lease, resulting in recognition of a finance lease receivable of \$0.49M as at 1 July 2019. No significant impact is expected for other leases in which the Authority is a lessor.

The Authority plans to apply AASB 16 initially on 1 July 2019 using the simplified transition approach with the cumulative effect recognised as an adjustment to the opening balance of retained earnings and will not restate comparative amounts. The Authority estimates no impact in the opening balance of retained earnings at 1 July 2019.

The following amended standards and interpretations are not expected to have a significant impact on the Authority's financial statements:

- AASB 2017-6 *Amendments to Australian Accounting Standards –Prepayment Features with Negative Compensation*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- Interpretation 23 *Uncertainty over Income Tax Treatments*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty Over Income Tax Treatments*
- AASB 2018-6 *Amendments to Australian Accounting Standards –Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards –Definition of Material*
- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-5 *Amendments to Australian Accounting Standards -Deferral of AASB 1059*
- *Conceptual Framework for Financial Reporting*

All other Australian accounting standards and interpretations with future commencement dates are either not applicable or have no material impact on the Authority's financial statements.

Central SEQ Distributor-Retailer Authority

## CERTIFICATE OF THE CENTRAL SEQ DISTRIBUTOR-RETAILER AUTHORITY

For the year ended 30 June 2019

These general purpose financial statements have been prepared pursuant to section 62 (1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act, we certify that in our opinion:

- (i) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;
- (ii) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Central SEQ Distributor-Retailer Authority (trading as Queensland Urban Utilities) for the financial year ended 30 June 2019 and of the financial position of the Authority at the end of that year; and
- (iii) we acknowledge responsibility under section 8 and section 15 of the *Financial and Performance Management Standard 2009* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



Bronwyn Morris AM  
BCom, FCA, FAICD  
Board Chairperson



Louise Dudley  
BCom, CA, GAICD  
Chief Executive Officer



Ruth Coulson  
BCom, CA, GAICD  
Chief Financial Officer

Date: 19/8/2019

Date: 19/8/2019

Date: 19/8/2019



# INDEPENDENT AUDITOR'S REPORT



## INDEPENDENT AUDITOR'S REPORT

To the Board of Central SEQ Distributor-Retailer Authority

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of Central SEQ Distributor-Retailer Authority.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2019, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

#### Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other information

Other information comprises the information included in the entity's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT



## Responsibilities of the entity for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

## Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

## INDEPENDENT AUDITOR'S REPORT



I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

A handwritten signature in black ink, appearing to read 'Vaughan Stemmett'.

19 August 2019

Vaughan Stemmett  
as delegate of the Auditor-General

Queensland Audit Office  
Brisbane

## APPENDICES

### Compliance letter to Minister

Office of the Board Chair  
Level 2, 15 Green Square Close  
Fortitude Valley QLD 4006  
GP Box 2765  
Brisbane QLD 4001

12 September 2019

Hon. Dr Anthony Lynham, MP  
Minister for Natural Resources, Mines and Energy

Dear Minister Lynham

#### ***Queensland Urban Utilities 2018/19 Annual Report***

I am pleased to present the *Annual Report 2018/19* for the Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities.

I certify that this annual report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*; and
- the detailed requirements set out in the Annual Report Requirements for Queensland Government Agencies.

A checklist outlining the annual report requirements can be found at page 165 of the document.

Yours sincerely



**BRONWYN MORRIS**

Board Chair  
Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities

## Compliance checklist

Summary of requirement	Basis for requirement	Page
Letter of compliance	▪ A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7 Page 165
Accessibility	▪ Table of contents ▪ Glossary	ARRs – section 9.1 Page 5 Page 166
	▪ Public availability	ARRs – section 9.2
	▪ Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3 Page 4
	▪ Copyright notice	<i>Copyright Act 1968</i> ARRs – section 9.4
	▪ Information licensing	<i>QGEA – Information Licensing</i> ARRs – section 9.5
General information	▪ Introductory Information	ARRs – section 10.1 Page 6-9
	▪ Machinery of Government changes	ARRs – section 10.2, 31 and 32 Not applicable
	▪ Agency role and main functions	ARRs – section 10.2 Page 6-10
	▪ Operating environment	ARRs – section 10.3 Page 6-10
Non-financial performance	▪ Government's objectives for the community	ARRs – section 11.1 Not applicable
	▪ Other whole-of-government plans / specific initiatives	ARRs – section 11.2 Not applicable
	▪ Agency objectives and performance indicators	ARRs – section 11.3 Page 28-69
	▪ Agency service areas, and service standards	ARRs – section 11.4 Page 28-69
Financial performance	▪ Summary of financial performance	ARRs – section 12.1 Page 92-97
Governance – management and structure	▪ Organisational structure	ARRs – section 13.1 Page 71
	▪ Executive management	ARRs – section 13.2 Page 73-81
	▪ Government bodies (statutory bodies and other entities)	ARRs – section 13.3 Not applicable
	▪ <i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4 Page 30
	▪ Queensland public service values	ARRs – section 13.5 Not applicable
Governance – risk management and accountability	▪ Risk management	ARRs – section 14.1 Page 88
	▪ Audit committee	ARRs – section 14.2 Page 76
	▪ Internal audit	ARRs – section 14.3 Page 89
	▪ External scrutiny	ARRs – section 14.4 Page 88
	▪ Information systems and recordkeeping	ARRs – section 14.5 Page 90
Governance – human resources	▪ Strategic workforce planning and performance	ARRs – section 15.1 Page 29-31
	▪ Early retirement, redundancy and retrenchment	<i>Directive No.04/18 Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2 Not applicable
Open Data	▪ Statement advising publication of information	ARRs – section 16 Page 91
	▪ Consultancies	ARRs – section 33.1 <a href="https://data.qld.gov.au">https://data.qld.gov.au</a>
	▪ Overseas travel	ARRs – section 33.2 <a href="https://data.qld.gov.au">https://data.qld.gov.au</a>
	▪ Queensland Language Services Policy	ARRs – section 33.3 <a href="https://data.qld.gov.au">https://data.qld.gov.au</a>
Financial statements	▪ Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1 Page 160
	▪ Independent Auditors Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2 Page 161-163

## APPENDICES (CONTINUED)

### Glossary

#### ADWG

Australian Drinking Water Guidelines

#### Board

The Central SEQ Distributor-Retailer Board

#### Board member

Means a person who is, for the time being, a member of the Board of Queensland Urban Utilities.

#### Central SEQ distributor-retailer

A statutory body supplying water and treating sewage to the service territories of Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset.

#### Executive Leadership Team

Means the Chief Executive Officer, and direct reports.

#### Megalitre (ML)

Measurement of volume equal to one million litres. One megalitre is approximately the volume of a one-metre deep Olympic-sized swimming pool.

#### Participation Agreement

A Participation Agreement under s20 or 23 of the South East Queensland Water (Distribution and Retail Restructuring) Act 2009.

#### Recycled water

Water taken from any waste (effluent) stream and treated to a level suitable for further use, where it is used safely and sustainably for beneficial purposes. This is a general term that can include reclaimed water.

#### Shareholder

Brisbane and Ipswich City Councils and the Lockyer Valley, Scenic Rim and Somerset Regional Councils.

#### Stakeholder

All those who are either affected by or who can affect the activities of an organisation, namely customers, governments, the media, non-government organisations, local residents and employees.

#### Sewage

Material transported in a sewerage system. Sewage is collected from all internal household drains; it contains all the contaminants of grey water and urine, plus high concentrations of faecal material from toilets and wastes from industrial and commercial premises. Sewage can therefore contain a range of infectious enteric pathogens and a range of physical and chemical contaminants.

#### Sewerage

The pipes and channels, including all trunk, pressure and reticulation pipes, via which sewage is transported from its point of origin (e.g. house or business) to a point of treatment and/or disposal.

#### Trade waste

Water-borne waste from a business or manufacturing premises, that is not:

1. a prohibited substance (for example, petrol, pesticide),
2. domestic sewage (human waste),
3. stormwater.

Some trade waste cannot be accepted at sewage treatment plants and must be disposed of through special facilities

## Index to annual report content

### A

Audit 11, 71, 75-77, 79, 88, 89, 96, 97  
Awards 17, 22, 52

### B

Board 11, 24, 71-77, 112, 155, 156  
Brisbane City Council 8, 9, 22, 49, 50, 136

### C

Capital investment 21, 59, 44, 45, 55, 72, 77, 82  
83, 87, 92-95  
Chairman, Geoff Harley 25, 73, 76, 77, 156  
Chief Executive Officer, Louise Dudley 24, 25, 33,  
67, 78, 151, 153  
Code of Conduct 30  
Commercial customers 50, 68, 79, 86  
Conflict of interest 72  
Corporate Plan 4, 12, 16, 27, 55  
Constructive Culture 12, 13, 18, 26, 28-39, 84, 85  
Customers 6, 10-14, 20-23, 26-28, 40, 46-52, 55  
62-69  
Customer and Community Reference Group 11, 66  
Customer Service Standards 25, 42, 43, 77

### D

Developers 10, 11, 21, 51, 86, 92, 93, 95, 102  
106 108-110  
Department of Energy and Water Supply 7, 52, 131  
Diversity 25, 30, 38  
Drinking water 6, 8-11, 14

### E

Energy 15, 58, 68, 69  
Enterprise Agreements 30  
Environmental Leadership 12, 13, 19, 24, 26, 60-63  
Executive Leadership Team 24, 25, 30, 37, 78-82

### F

*Fair Work Act 2009 (Cth)* 30  
Foundational Success 12, 13, 18, 26, 40-59, 85, 86

### G

Government (state or federal) 4, 7, 10, 11, 64, 72

### I

ICT 18, 52, 71  
Innovation 17, 22, 23, 25, 49, 54, 57  
Ipswich City Council 6-10, 45, 69, 72, 136, 166

### L

Lockyer Valley Regional Council 6-10, 40, 45, 50  
54, 72, 103, 136, 138, 166

### O

Organisational structure 71  
Overseas travel 91

### P

Pricing 11, 51, 72, 76, 85, 88, 92-94  
Public health 11, 42, 62  
Purpose *see Strategic direction*

### Q

Queensland Audit Office 88, 89, 113  
Queensland Competition Authority 76, 88, 125

### R

Records management 90  
Recruitment 30, 31, 38  
Regulators 10, 11  
Research and Development 6, 11, 17, 18, 25, 54  
57, 68  
Risk 71, 76, 77, 85, 86, 88

### S

Safety 18, 28, 31, 37, 76  
Scenic Rim Regional Council 6-10, 45, 72, 103  
136, 138, 166  
Seqwater 10, 11, 50, 97, 112  
Sewage overflow 19, 24, 60, 62  
Shareholders 6, 10, 11, 20, 71, 72, 86, 87, 90  
Social and Economic Value 12, 13, 19, 26, 64-69  
85, 86

Somerset Regional Council 6-10, 22, 40, 45, 50  
55, 72, 103, 136, 138, 166  
Strategic direction 12, 13, 24, 26-69, 84, 85

### V

Values 3, 30, 84  
Vision *see Strategic direction*

### W

Water quality 15, 42, 54, 90



For more information visit  
**[urbanutilities.com.au](http://urbanutilities.com.au)**  
or call **13 26 57**

**Queensland Urban Utilities**  
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