



UrbanUtilities

# **ENRICHING QUALITY OF LIFE**

2019/20 ANNUAL REPORT



# OUR STRATEGIC DIRECTION

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## OUR PURPOSE

Enrich quality of life.

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## 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 Urban Utilities' Annual Report for 2019/20.

This report provides an overview of our performance between 1 July 2019 and 30 June 2020 and documents our progress against our shareholder-approved strategic direction.

Our integrated corporate reporting approach sees us 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 June 2020.

The letter of compliance and the compliance checklist can be found on pages 218 and 219.

## READERSHIP

The annual report is intended to provide comprehensive 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 at [urbanutilities.com.au](http://urbanutilities.com.au)

## NOTICE SOMETHING DIFFERENT?

Our name has changed...just slightly.

In late 2019, we began transitioning our name from Queensland Urban Utilities to Urban Utilities.

Our customer research showed that 'Urban Utilities' is how most people spontaneously referred to us when asked to name their water and sewerage provider. In addition, it proved to be our customers' preferred name for us, as it's easier to say and recall.

## 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.

当您需耍口译员时，请致电 13 14 50。

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Khi bạn cần thông ngôn, xin gọi số 13 14 50

통역사가 필요하시면 13 14 50 으로 연락하십시오

Cuando necesite un intérprete llame al 13 14 50

## 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 8am – 5pm (Dependant on COVID-19 restrictions)

### 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.







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# CHAPTER I: ABOUT US

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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 113). 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 610,600 residential properties and 30,500 commercial properties in South East Queensland – that's over 1.5 million customers.

We deliver these services via our \$6.1 billion infrastructure network, the components of which can be seen on page 56.

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 Scientific Analytical Services Laboratory, which is responsible for providing water sampling services and chemical and microbiological analysis to a range of industries. You can find out more at [www.saslaboratory.com.au](http://www.saslaboratory.com.au)





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We are responsible for delivering drinking water, recycled water and sewerage services to over 1.5 million customers.







# 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

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## 1863

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

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## 1866

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

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## 1878

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

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## 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.

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## 1920

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

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## 1922

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

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## 1928

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

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## 1930

Water services were established in the Lockyer Valley, Scenic Rim and Somerset. Sewering commenced in Ipswich CBD.

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## 1959

Construction of Somerset Dam was completed.

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## 1984

Construction of Wivenhoe Dam was completed.

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## 1990

Brisbane City Council introduced its first integrated data and telemetry system to control all of its water and sewerage assets via computer.

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## 2000

South East Queensland endured its worst drought in recorded history.

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## 2010

The water and sewerage business units of five councils were amalgamated and Queensland Urban Utilities was formed.

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## 2014

Distributor-retailers in South East Queensland became responsible for the connection, disconnection and alteration to water and sewerage networks.

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## **NOW AND INTO THE FUTURE**

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



# OUR STAKEHOLDERS

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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 and 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 ENGAGED 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)
- Water Netserv Plan

## DEPT OF NATURAL RESOURCES, MINES & ENERGY + OTHER QLD 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

- Operational meetings
- Regional planning

## 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
- Research partnerships

## 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
- Modern slavery

### How we engaged

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

# OUR STRATEGIC DIRECTION

Our strategic direction outlines where we want to be and how we plan to get there.

## 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.

## OUR STRATEGIC GOALS

Our strategic goals are our “big picture” objectives for the business. They drive our priority setting, resource allocation, capability requirements and budgeting activities.

### CONSTRUCTIVE CULTURE

We inspire, create and sustain a constructive culture to deliver high performance.

### FOUNDATIONAL SUCCESS

We know our business, we know our customers and we deliver value for both.

### ENVIRONMENTAL LEADERSHIP

We protect and enhance our environment for current and future generations through excellence in water cycle management.

### SOCIAL & ECONOMIC VALUE

We advance the wellbeing and prosperity of society by leveraging our unique capabilities.









# A SNAPSHOT OF OUR BUSINESS IN 2019/20

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**1.5 million** customers

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**18,155** new water connections

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**141,094 ML** of drinking water supplied

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**933,000** unique website users

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**123,702 ML** of sewage collected, transported and treated

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**2,721** development applications processed

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**6,007 ML** of recycled water supplied

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**29** sewage treatment plants

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**\$286.3m** invested in infrastructure

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**30,800** followers on social media

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**\$6.1 billion** asset base

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---

**2.2 million** water meter readings

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**9,559 km** of water mains

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**112,000** drinking water quality tests

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**9,750 km** of sewerage mains

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**17,500 MWh** energy generated from waste

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## **CHAPTER 2: YEAR IN REVIEW**

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This year, we achieved a number of impressive milestones, but not without facing some of the biggest challenges since our formation.

This year proved to be one of the most challenging in our 10-year history. While we contended with bushfires, drought conditions and a global pandemic, we remained staunchly committed to delivering reliable water and sewerage services to our customers and communities.

This chapter provides an overview of the unique year that was and includes a snapshot of our performance against our four strategic goals. 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 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 34). An in-depth look at our 2019/20 financial performance can be seen in Chapter 5 (page 134).





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We experienced the lowest recorded supply level within the SEQ Water Grid since the Millennium Drought.





# AWARDS AND RECOGNITION

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## WINNER

### **2020 National CareerTrackers Awards**

Intern Manager of the Year – Jarrod Muir (Commercial Manager Finance) for providing his CareerTrackers intern with exemplary personal and professional development

### **2019 Association of Corporate Counsel Australia Corporate Lawyer Awards**

Corporate Lawyer of the Year – Tracey Moore  
(General Counsel and Board Secretary)

### **2019 AVEVA World Conference Australia Awards**

Excellence in Digital Transformation for our Enterprise Historian initiative

### **2019 IAP2 Australasia Core Values Awards**

Australasia Organisation of the Year

### **2019 Utility of the Future Today**

Named an international honouree for exemplifying water sector innovation  
(Culture/Nutrient reduction and material recovery)

### **2019 Australian Institute of Project Management (Queensland) Awards**

Best Organisational Change Initiative for our Program Management Approach  
Operating Model

### **2019 Institute of Public Works Engineers Australasia (Queensland) Excellence Awards**

Innovation and Sustainability in Water Award for our Kenmore-Jindalee Cross-River  
Water and Sewer project

### **2019 WaterAid Winnovators**

Best Solve – India, based on the feasibility of the team's solution to a real-life  
problem in India

## FINALIST

### **2020 Digital Utilities Awards**

Digital Utility of the Year (Water)  
Best Customer Innovation for our adoption of a Virtual Assist platform

### **2019 Australasian Society for Trenchless Technology Awards**

Rehabilitation Project of the Year Award for our Ipswich trunk main relining

## HIGHLY COMMENDED

### **2019 WaterAid Winnovators**

Highly commended for devising a detailed solve solution using a solar powered  
pump design

# COVID-19: OUR RESPONSE AND ITS IMPACT

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The COVID-19 outbreak has inflicted health and economic devastation on a global scale. It has also tested and proven our resilience and agility as a business and highlighted the unwavering dedication and professionalism of our people. Guided by our Emergency Management Team, Tactical Preparedness Group and Project Management Office, we have transformed, and are continuing to transform, the way we work, in the short and long term. Despite the changes we have implemented, we remain clear and focused on what we must achieve to realise our purpose and vision.

This unprecedented crisis has, again, highlighted the critical role we play in the protection of public health. Throughout the pandemic, we continued to manage and maintain our vast infrastructure network to ensure the ongoing provision of reliable water and sewerage services. To protect their own safety, and that of our community, our field crews adopted social distancing, modified personal protective equipment and stringent hygiene practices.

Meanwhile, our office-based employees quickly and effortlessly transitioned to remote working to help stop the spread (see page 46).

During the pandemic, we have seen – and are continuing to see – revenue reduction across all customer segments. This has undeniably impacted our financial position. At this time, it is not possible to assess with any certainty the implications of COVID-19 on our business, either in terms of how long the crisis may continue or in terms of its impact, potential or actual.

To help safeguard our financial future, we have identified several operational efficiencies, including a business-wide freeze on salaries and a moratorium on recruitment of non-critical roles.

Further, we are progressing the delivery of a number of strategic programs and initiatives outlined in this report (page 104), each with a focus on achieving long-term financial sustainability.

We will continue to work closely and collaboratively with our shareholders, key government agencies and health authorities and have enacted business resilience plans to ensure we are well-prepared in this uncertain environment.





## SUPPORTING OUR CUSTOMERS & COMMUNITIES

Cognisant of the widespread financial impacts of COVID-19, we implemented a number of measures to help ease the burden across our customer segments.

### Residential customers

- Announced a freeze on water and sewerage prices for six months, effective 1 July 2020.
- Launched Urban Assist, which offers interest-free payment extensions and flexible payment plans for customers struggling to pay their water and sewerage accounts.
- Introduced our Employee Help Program, to provide ongoing financial assistance and support to team members facing financial difficulty related to COVID-19. Further initiatives to support our people can be seen on page 46.

### Commercial customers

- Announced a freeze on water and sewerage prices for six months, effective 1 July 2020.
- Extended Urban Assist to the commercial customer segment.

- Assisted business customers impacted by closure or reduced trade (particularly smaller businesses, including cafes, restaurants, hairdressers and nail salons) by waiving the minimum trade waste charge for the April to June 2020 quarter.
- Offered 'in-kind' relief measures to select trade waste customers by accepting special disposals to sewer (under approved circumstances).

### Developers

- Offered a fee reduction on extension of currency requests for water approvals.
- Enabled customers, in certain circumstances, to provide financial surety in the form of bank bonds, to progress development while infrastructure works were still being finalised.
- Supported new water and sewerage demands resulting from State Government COVID-19 temporary use licenses.
- Considered payment plans for select circumstances.
- Reviewed decision notice/application conditions.

# PERFORMANCE SNAPSHOT



## STRATEGIC GOAL 1: CONSTRUCTIVE CULTURE (PAGES 36-53)

### HIGHLIGHTS AND CHALLENGES

- Launched our first holistic health and wellbeing program.
- Revised our Code of Conduct.
- Launched our Urban Pride network.
- Partnered with Girl Shaped Flames, which focuses on instilling confidence in school-aged girls.
- Received ISO 45001 certification for our Safety Management System.
- Navigated new working arrangements in response to COVID-19.
- Invested in the growth of our leaders.
- Remained focused on enhancing our organisational culture.



## STRATEGIC GOAL 2: FOUNDATIONAL SUCCESS (PAGES 54-79)

### HIGHLIGHTS AND CHALLENGES

- Delivered drought preparedness and response initiatives.
- Provided resources and expertise to support firefighting efforts across the region.
- Delivered several initiatives from our Customer Strategy.
- Introduced our new Target Operating Model, which will reimagine all facets of our business and deliver significant operational and financial improvements.
- Partnered with 24 organisations on \$20.2M worth of research and development.
- Consolidated our operational data into a single repository to improve our visibility and control of our water and sewerage networks.
- Implemented a contemporary Enterprise Asset Management Solution to transform the way we manage asset data, procurement and finance processes.
- Progressed our Program Management Approach capital delivery program, which will reduce costs and improve timeliness of project delivery.
- Continued to improve our billing and payment initiatives.
- Continued to deliver improvements to our Customer Relationship Management system.





### STRATEGIC GOAL 3: ENVIRONMENTAL LEADERSHIP (PAGES 80-89)

#### HIGHLIGHTS AND CHALLENGES

- Increased the volume of recycled water supplied to regional customers.
- Worked with the community to design a nature-based solution to address wet weather overflows.
- Fostered a number of new and existing partnerships with the aim of supporting local communities.
- Planted four hectares of native trees to be irrigated with recycled water from our Helidon Sewage Treatment Plant.
- Launched Australia's first poo-powered small SUV.



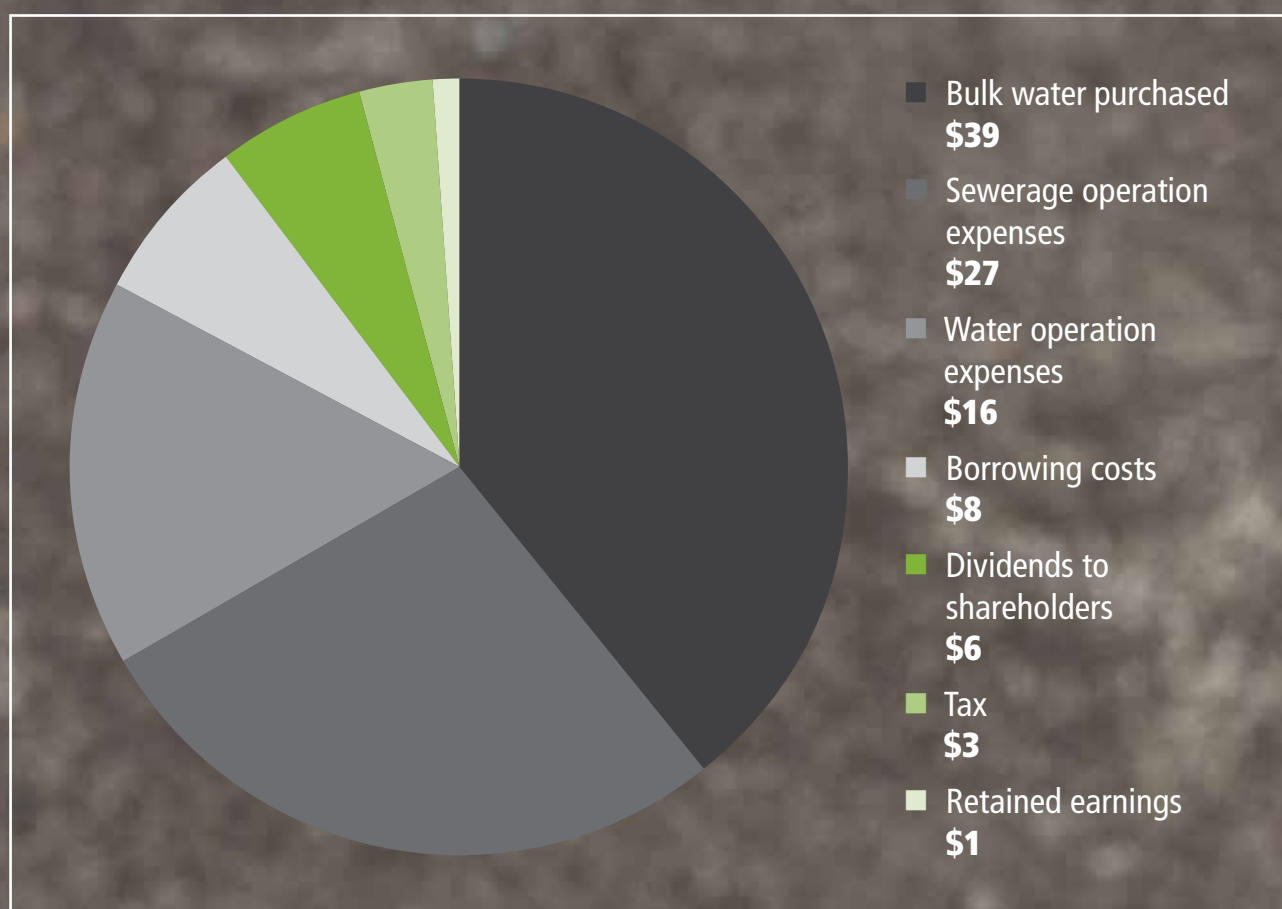
### STRATEGIC GOAL 4: SOCIAL & ECONOMIC VALUE (PAGES 90-103)

#### HIGHLIGHTS AND CHALLENGES

- Established Urban Assist to provide customers with financial relief during the COVID-19 crisis.
- Received formal endorsement of our first Reconciliation Action Plan.
- Developed our first Cultural Heritage Management Plan.
- Continued to educate and empower school students through our Education Program.
- Continued our long-term partnership with Tangalooma EcoMarines to promote the value of water and protect our waterways.
- Supported numerous community events and initiatives through sponsorship, in-kind donations and participation.
- Funded school toilet block transformations.
- Played a key role in the development of an Australian Standard for flushable products.
- Donated bales of vetiver grass to drought-affected farmers.

# 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 2019/20<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 143 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.







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This year, we championed a range of community and corporate events and initiatives through participation, sponsorship or in-kind donations. Unfortunately, following the outbreak of COVID-19 in March, all remaining events for the year were cancelled. The following is a snapshot of the events we were able to support in 2019/20.

# CALENDAR OF EVENTS

## JULY 2019

- 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 (pictured left).
- 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 2019

- Hosted a stand at the EKKA, which centred around our Bathroom Beats campaign. Over the 10 days, we engaged with and educated thousands of customers, and sold many reusable water bottles to prevent the purchase of single-use bottles.

## SEPTEMBER 2019

- Provided gold sponsorship for the 2019 Somerset Mayoral Gala Charity Ball.
- Supported the biannual Green Heart Fair (Brisbane's leading sustainability event) in Carindale.

## OCTOBER 2019

- Sponsored the 2019 Lockyer Valley Business, Training and Apprenticeship Awards.
- Joined other government agencies at the Get Ready Queensland event to help residents prepare for severe weather conditions.
- Sponsored the Product Innovation Category at the 2019 Lord Mayor's Business Awards.

## NOVEMBER 2019

- Supported the annual WaterAid Golf Day to raise money for projects that help improve sanitation, hygiene and access to clean water in third world countries.
- Had a presence at Homeless Connect in Brisbane – an event that brings businesses together to provide free products and services, such as showers, clothing, food and haircuts, to those experiencing homelessness in our community.
- Sponsored the 'Community Champion' category of the Women in Digital Awards.

## DECEMBER 2019

- Sponsored the Gallery of Modern Art's summer exhibition "Water", which showcased the significant role water plays in the community.

## FEBRUARY 2020

- Hosted the Queensland WaterAid Ball cocktail event to highlight the vital work performed by WaterAid and encourage industry participants to purchase tickets to the ball in August. Unfortunately, due to COVID-19, the ball was cancelled.

## MARCH 2020

- Sponsored the 2020 AWA/IWA Australia-New Zealand Young Water Professionals Conference.



## A MESSAGE FROM OUR CHAIR



### The financial impact of COVID-19

This year has arguably been the most challenging in our 10-year history.

As a result of the COVID-19 pandemic, we have seen, and are continuing to see, revenue reduction across all customer segments. This has undeniably impacted our financial position. To safeguard our financial future, we have made short- and long-term changes to the way we work, which you can read more about on page 24. Cognisant of the widespread financial impacts of COVID-19 on our customers, we have also implemented a number of measures to help ease the burden across all segments (page 25).

### Introducing our new Enterprise Asset Management System

It may have been a challenging year, but it didn't stop us from delivering our new Enterprise Asset Management System (EAMS) – our most significant digital transformation to date. The new system will provide an uplift in the management and support of our assets, supply chain, mobile workforce and financial transactions and, importantly, empower our people to make more informed decisions. Turn to page 77 to find out more.

### Reimagining the future of Urban Utilities

EAMS wasn't the only transformational project we progressed this year. We also introduced our new Target Operating Model (TOM), which will address seven key elements: our processes, governance, ways of working, people and capabilities, measures, digital systems and structure. Essentially, the TOM is a blueprint for how Urban Utilities needs to operate in the future in order to thrive in this ever-changing environment.

The first element to be implemented was our new group structure, which can be seen on page 69. The complete program of work is expected to run until the end of 2021.

### 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 \$286.3 million in new and upgraded infrastructure across our service territory.

One of the major projects we commissioned was our \$52 million Bulimba Creek Trunk Sewer Upgrade (Stage 2), which ran over two years. The project involved installing a 4.25km gravity trunk sewer between Mansfield and Carindale, which employed both open trenching and trenchless tunnelling technologies. The upgrade will cater for future growth and development in the catchment area and reduce the likelihood of sewage overflows. Turn to page 60 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 my Board colleagues, CEO Louise Dudley, the Executive Leadership Team and all team members for their unwavering commitment to delivering on our purpose and vision, especially during this challenging and uncertain year.

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

**Bronwyn Morris AM**  
Chair

## A MESSAGE FROM OUR CEO



### Supporting our people through COVID-19

The COVID-19 crisis has not only tested our agility as a business, it has also highlighted the resilience and professionalism of our people. In response to government restrictions announced in March 2020, our entire workforce saw changes to their work arrangements, including split and rotational shifts for site-based team members and remote working for office-based team members.

To support our people through these challenging times, we delivered several well-received initiatives, which are detailed on page 46.

In May 2020, we issued a COVID-19 Employee Survey, which returned overwhelmingly positive feedback. Of the 700+ respondents, it was heartening to hear that 97% felt satisfied with their temporary working arrangements and 92% felt well supported by their leader.

### Preparing our communities for drought conditions

In November 2019, the combined storage capacity of Seqwater's drinking water supply dams dropped below 60% – the lowest recorded supply level since the Millennium Drought. Throughout the year, we delivered a number of actions from our Drought Response and Recovery Action Plan, including preparing for the potential recommissioning of the Western Corridor Recycled Water Scheme.

We also launched our highly successful Bathroom Beats marketing campaign, encouraging people to take shorter showers. The campaign broke Urban Utilities' record for engagement, reaching an audience of more than 2.2 million people. Find out more about our drought preparedness and response initiatives on page 70.

### Strengthening our customer relationships

This year marked the first 12 months of delivering our enterprise Customer Strategy, which will guide us to build long-term, meaningful customer relationships based on trust, value and respect. Examples of our progress can be seen on page 65.

We were particularly pleased to implement our customer journey surveys, which measure satisfaction across six priority customer journeys: onboarding, high consumption, general account enquiries, bill payment, faults and emergencies, and planned maintenance. By using data to define the drivers of customer satisfaction, we can better meet the needs and expectations of our customers and help our people to understand and connect with the customers they serve.

### Acknowledgements

I would like to take this opportunity to thank the Board, the Executive Leadership Team and each and every employee for their dedication to enriching the quality of life for our customers and communities. During what can only be described as a tumultuous year, our workforce displayed remarkable resilience and worked hard to maintain Urban Utilities' high standard of customer service and operational excellence. I am enormously proud of our combined efforts and look forward to settling into our new ways of working in 2020/21.

A stylized, handwritten signature in black ink, belonging to Louise Dudley. The signature is fluid and cursive, with a prominent loop at the end.

**Louise Dudley**  
Chief Executive Officer

# CHAPTER 3: PERFORMANCE AGAINST STRATEGIC DIRECTION

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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

We inspire, create and sustain a constructive culture to deliver high performance.

## STRATEGIC GOAL 2:

### Foundational Success

We know our business, we know our customers and we deliver value for both.

## STRATEGIC GOAL 3:

### Environmental Leadership

We protect and enhance our environment for current and future generations through excellence in water cycle management.

## STRATEGIC GOAL 4:

### Social & Economic Value

We advance the wellbeing and prosperity of society by leveraging our unique capabilities.



## WHAT'S INCLUDED IN THIS CHAPTER

Chapter 3 summarises our performance against the program of work we committed to with our Board and shareholders to deliver our four strategic goals.

Under our strategic goals, we have set longer-term **business objectives** to ensure we remain on track to realise our purpose and vision. We use **strategic measures** to assess our performance against these business objectives.

This chapter contains a section dedicated to each strategic goal. Within each section, you will find:

- Commentary on our performance against our longer-term business objectives.
- Detailed information on a selection of key highlights and challenges.
- Goal-specific reporting, statistics and facts.

Chapter 3 also contains reporting against the delivery of our **12 strategic projects**. These are the significant projects across the business that will provide the transformation required to achieve our longer-term business objectives.

### Status reporting

Throughout this chapter, our performance against strategic measures and strategic projects is reported using a red/amber/green approach, which indicates the following:

Strategic measure		Strategic project
✓	Achieved target	Planned outcomes achieved
⚡	Slightly outside of target	Majority of planned outcomes achieved
✗	Significantly outside of target	Planned outcomes not achieved





# STRATEGIC GOAL I: CONSTRUCTIVE CULTURE

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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

- Launched Better.Together, our first holistic health and wellbeing program.
- Revised our Code of Conduct and delivered a contemporary document that reflects the Urban Utilities of 2020 and beyond.
- Launched our Urban Pride network – a community that reflects diversity of orientation or identity, as well as diversity of thought.
- Received ISO 45001 certification for our Safety Management System, marking a significant milestone in our safety journey.
- Successfully facilitated and supported the transition to remote working during COVID-19.
- Invested in the growth of our leaders through training and feedback.
- Remained focused on enhancing our organisational culture.

## Our focus for 2020/21

- Develop and implement the fundamental elements and organisational framework to build and drive a high-performance culture.
- Implement the People Experience Strategy to bring the organisation's purpose, vision, brand and values to life.
- Develop a Health and Safety Strategy and associated program of work for the next three years.

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# 92%

of team members felt well supported throughout the COVID-19 crisis

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# 87%

of team members have a good understanding of Urban Utilities' culture and values

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# 87%

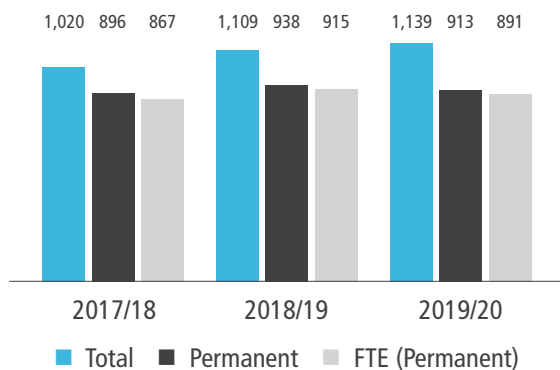
of team members understand the results required of them

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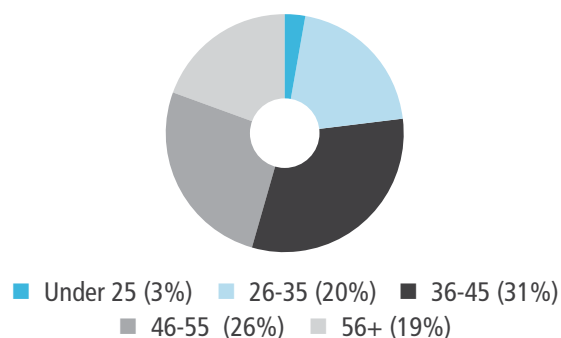


# OUR WORKFORCE PROFILE

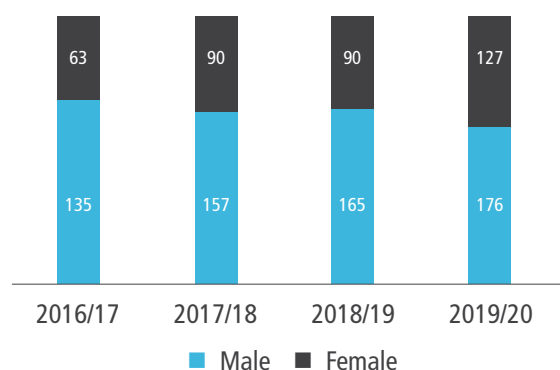
## TEAM MEMBERS



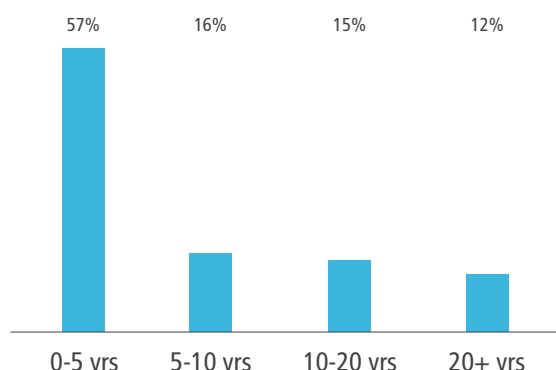
## AGE PROFILE (permanent team members)



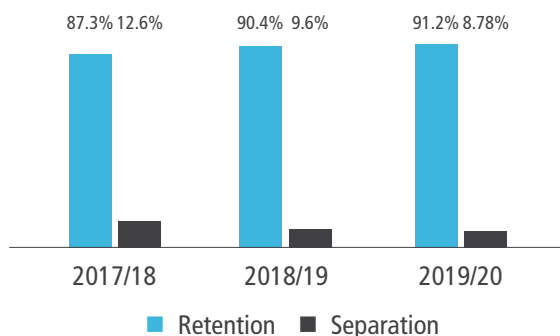
## LEADERS BY GENDER



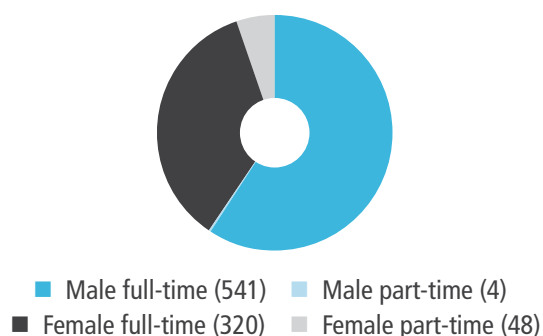
## WORKFORCE TENURE



## PERMANENT RETENTION & SEPARATION RATES



## EMPLOYMENT STATUS (permanent team members)





# OUR WORKFORCE

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## Our workforce profile

In 2019/20, our total workforce (1,139) 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 requirements.

Year-on-year, our total workforce increased by 30 team members. This can be attributed to the employment of resources to support the delivery of our strategic projects (see page 104).

Of our permanent team members, 94% were employed in full-time roles, while 5% of our female permanent team members and less than 1% of our male permanent team members were employed in part-time roles.

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 than the industry norm of 22.9%, as cited in the Australian Government's 2018 Gender Equality Scorecard. In 2019/20, 42% of all Urban Utilities leaders were female (a 7% increase on 2018/19).

During 2019/20, our workforce profile by age and tenure remained fairly consistent, with marginal or no movement per 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 (91.2%) increased by 0.8 percentage points, while our separation rate (8.8%) decreased by 0.8 percentage points.

## 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.

## 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

The SAS Laboratory Employees' Enterprise Agreement 2017 expired on 30 June 2019. Throughout the year, we renegotiated this agreement, which achieved a successful ballot outcome in May 2020. As at 30 June 2020, the agreement was awaiting approval by the Fair Work Commission.

All Enterprise Agreements were negotiated using an approach that optimised employee engagement and reflected 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'.

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

The *Public Sector Ethics Act 1994* sets out the principles by which Urban Utilities is required to conduct itself. Our *Code of Conduct* describes these principles in terms of the values that guide our behaviours and the way we treat each other.

This year, our existing *Code of Conduct* – developed and implemented in 2015 – came up for review. Over a six-month period, we gleaned insights from team members and subject matter experts across the business to inform the development of a contemporary and streamlined document that would reflect Urban Utilities' working environment and culture in 2020 and beyond.

The revised *Code of Conduct* was approved by the Board in May 2020 and will become effective in early 2020/21.



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

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

- flexible work arrangements,
- staggered working weeks/fortnights and part-time work arrangements, job sharing arrangements, flex-time and time off in lieu,
- the ability for team members to work from home or alternate workplaces, while electronically maintaining a presence in their primary office, and
- access to various paid and unpaid leave arrangements. In March 2020, we introduced COVID-19 leave, which gives our people access to an additional 20 days' leave in the event they are unable to work due to implications of the coronavirus.

When COVID-19 restrictions were announced in March 2020, we were required to implement changes to our team members' working arrangements, including split and rotational teams and remote working, where possible (see page 46).

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

The success of Urban Utilities is built on the commitment, skills and mindsets of our team members. Therefore, it is critical that we attract, develop and retain the right people, to help move us closer to realising our purpose and vision.

To help us better understand our future workforce requirements and to nurture and develop our existing workforce, we have:

- a well-established Diversity and Inclusion Program (see page 48),
- a successful Pathways and Graduate Program,
- a dedicated Talent Acquisition team,
- a comprehensive on-boarding process that enables better skills data collection, and
- a Learning Management System that enables self-directed skills and knowledge development.

We are also committed to giving our leaders the tools and support they need to improve their resilience, self-awareness and ability to coach and communicate. In 2019/20, we continued to deliver our leadership program, Strive, which consists of four targeted workshops. In addition, we:

- Provided access to Life Styles Inventory 360-degree feedback, which gives leaders the opportunity to reflect on their thinking and behaviours and gain feedback from up to 10 colleagues.
- Offered Structural Dynamics training, which deconstructs the hidden dynamics of group interaction and links them to observable behaviours. This creates the opportunity to recognise and change patterns of behaviour that are not effective.
- Refreshed our Enabling Performance Framework, which provides the guiding principles and practices that enable performance within Urban Utilities.

As part of our Target Operating Model project (see page 69), we are currently reimagining how Urban Utilities will operate in the future – this means having the right people doing the right jobs in the most efficient and effective way. This year, we began mapping our people's current roles and skillsets against those we will require in our future state.



# OUR WORKFORCE

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## Health and safety committees

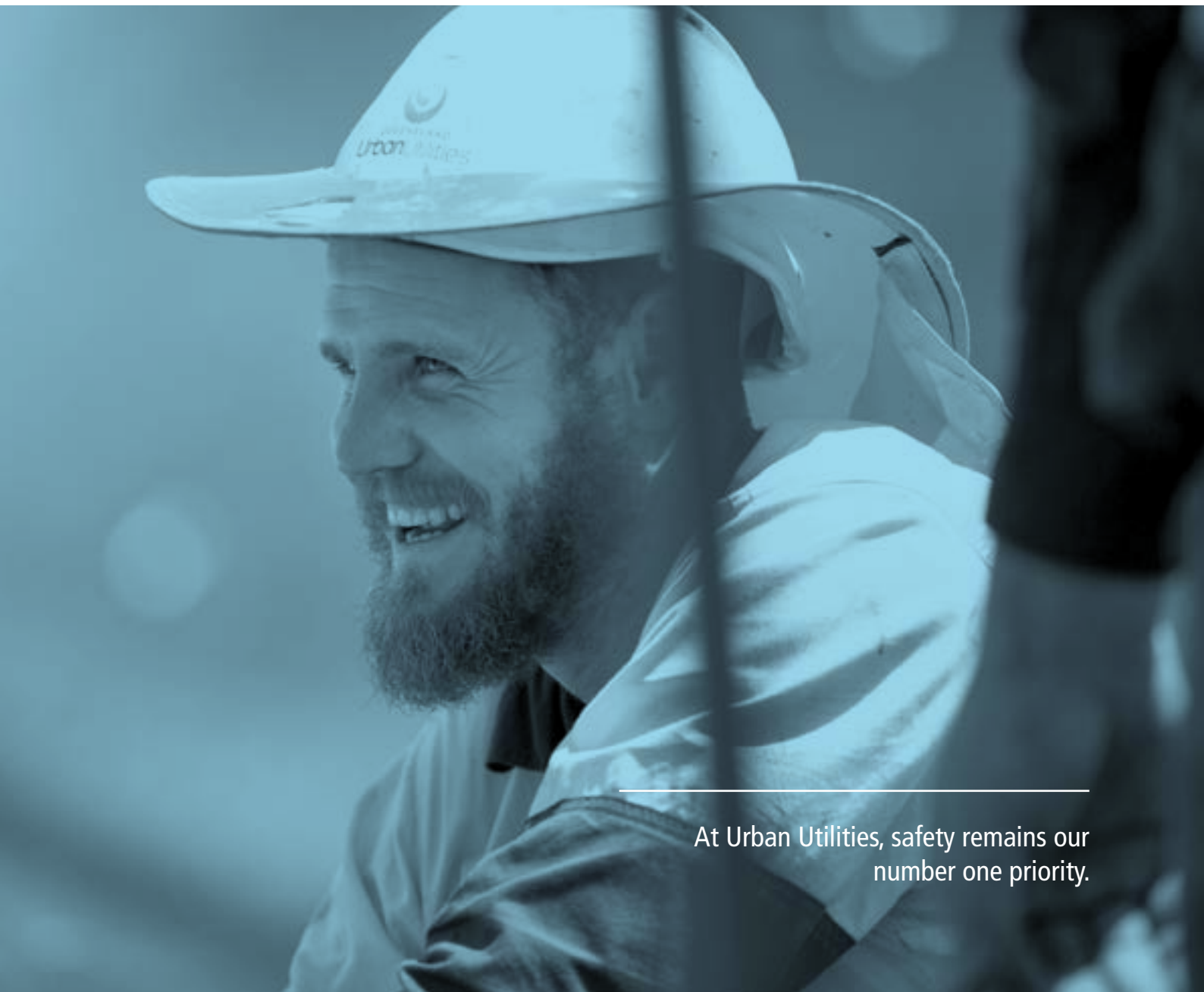
Our health and safety (H&S) structure was specifically designed to support consultation and communication on H&S issues across our organisation. We have achieved this by ensuring that all workgroups have access to a safety committee or advisory group, and at least 50% of our committee members are employee-nominated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

The committee structure has two distinct layers:

- **Strategic Safety Group:** An executive advisory group that sets the strategic direction for all of our H&S initiatives and is responsible for upholding a strategic approach towards increasing reliability and a culture of safety excellence. The SSG is the final decision point for any H&S issues that cannot be resolved by the safety committees that are strategic in nature or beyond the authority of the committees to resolve.
- **Line Committees:** These committees bring together Health and Safety Representatives (HSRs), team members and leaders to discuss safety issues, and are responsible for implementing best practice safety solutions for their workgroups. The line committees include:
  - Office Administration Safety Committee
  - Operational Safety Committee
  - Petroleum and Gas Advisory Group
  - Electrical Safety Advisory Group
  - Delivery Partner Safety Group

In 2019/20, we had 33 trained HSRs.










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At Urban Utilities, safety remains our  
number one priority.





# PERFORMANCE AGAINST BUSINESS OBJECTIVES

Business objective	Performance commentary	How we measured our success
Embrace our leadership philosophy and create a work environment that delivers high performance	<ul style="list-style-type: none"> <li>• Provided training and coaching designed to improve our leaders' effectiveness, team dynamics and constructive behaviours.</li> <li>• Continued to deliver our bespoke safety training series, Safe.Simple.</li> <li>• Issued a COVID-19 Employee Feedback Survey to understand how team members were coping with the new working conditions.</li> <li>• Issued a post-COVID-19 Leader Return-to-Work Survey, which identified an increase in performance, improvement in culture and overall improvement in wellbeing during the remote working arrangements.</li> <li>• Received ISO 45001 certification for our Safety Management System.</li> <li>• Recorded no serious injuries for the last 12 months.</li> </ul>	<p><b>Growth in constructive leadership behaviour – leader effectiveness (out of 5)</b> </p> <p><b>Target:</b> 3.9 <b>Result:</b> 4</p> <p><b>Growth in constructive leadership behaviour – Trust index</b> </p> <p><b>Target:</b> 65% <b>Result:</b> 62%</p> <p><b>Our performance challenge:</b> While our score improved by 3% on 2019, we did not meet our target. Despite this, results from our COVID-19 Employee Feedback Survey indicated more constructive leadership behaviour.</p> <p><b>Serious Injury Frequency Rate</b> </p> <p><b>Target:</b> 0 <b>Result:</b> 0</p>
Enhance the efficient delivery of work through improved employee experience	<ul style="list-style-type: none"> <li>• Hosted two organisation-wide roadshows – one introducing our Reconciliation Action Plan and the other introducing our new Target Operating Model.</li> <li>• Expedited our mental health and wellbeing programs in response to sudden changes in working arrangements.</li> <li>• Welcomed six new team members as part of our Graduate Program. Over two years, the cohort will complete rotational placements throughout the business.</li> </ul>	<p><b>Qualitative comments in Employee Effectiveness Survey increase in positivity (% of positive responses to an open-ended question)</b> </p> <p><b>Target:</b> 63% <b>Result:</b> 50%</p> <p><b>Our performance challenge:</b> Most of the neutral/negative comments were tempered by the mention of expected improvements to be delivered by our strategic projects. Overall, we saw a 2% increase in our Employee Effectiveness score.</p> <p><b>Employee Experience Index (average % of favourable responses to five specific questions)</b> </p> <p><b>Target:</b> 61% <b>Result:</b> 52%</p> <p><b>Our performance challenge:</b> While our score remained stable, it fell short of our 2020 stretch target. Our new Target Operating Model is just one of the initiatives set to drive the required improvements (page 50).</p>

# HIGHLIGHTS & CHALLENGES

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## **Supporting our team members through a pandemic**

In late March 2020, the Federal and State Governments enacted COVID-19 restrictions, prompting us to activate our Business Continuity Plans. Under the circumstances, we were required to implement changes to our team members' working arrangements, including split and rotational teams for site-based team members and remote working (from home) for office-based team members, where possible.

To support our people through these challenging times, we delivered a number of initiatives, including, but not limited to, the following:

- Issued a daily COVID-19 business update (the frequency of which was gradually reduced), to communicate changes to policies, procedures or work arrangements as part of our Coronavirus response.
- Issued a weekly video update from CEO Louise Dudley to give team members a personal insight into how Urban Utilities was managing and responding to the crisis. These videos were very well received by the workforce.
- Introduced a weekly COVID-19 assistance payment to all team members.
- Offered a series of webinars targeting pertinent topics, such as mental health and self-care, home office ergonomics and balancing work and home life (see page 50).
- Offered additional support to leaders to assist them with leading remotely.

During the months that followed, we sought regular feedback from team members and leaders to ensure we were well informed about how they were coping under the new conditions, and to understand their perceptions of Urban Utilities' response to the crisis.

In mid-May, an enterprise-wide survey was circulated, with 714 responses received.

Overwhelmingly, the insights were positive, with most team members saying they were enjoying working from home as they found they were more productive and were achieving a better work/life balance. The majority also said they had pride and trust in the way Urban Utilities had responded to the crisis; that they felt a sense of care and strong leadership; and were grateful for the regular and transparent communications.

Regarding the transition back to the workplace, the majority of team members said they valued flexibility and would prefer to continue working from home at least part of the week, with the other portion spent connecting with their team and work environment.

As isolation restrictions ease, concerns raised by team members in relation to returning to the workplace included the risk of using public transport, use of shared spaces and hot-desking while practising social distancing in the office.

These insights helped inform our five-phase COVID-19 Transition Roadmap, which will see our workforce gradually return to their new 'normal' working arrangements by November 2020.





## WHAT OUR PEOPLE SAID ABOUT OUR RESPONSE TO COVID-19

"I really appreciate that Urban Utilities was able to respond so swiftly with IT solutions to allow us to work from home. There has also been so much guidance in leading remotely."

"I share the sentiment of most in saying that I'm proud of all Urban Utilities personnel who have worked very hard to ensure we remain operational during these difficult times. I don't have any complaints. The flow of information from management has also been great and transparent."

"I would like to pass on my praise to my managers and our CEO for their exemplary leadership during this COVID-19 crisis."

"Couldn't have imagined working remotely could work so well. The IT and communications has been awesome considering the enormity of what had to happen so quickly."

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## OF THE COVID-19 SURVEY RESPONDENTS:

**97%** said they were satisfied with the flexible working arrangements made by Urban Utilities.

**93%** described Urban Utilities as an organisation that cares for its people.

**92%** said they felt well supported and knew where to go for further assistance about their health, safety and wellbeing.

**92%** said they had what they needed to perform their job effectively.

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# HIGHLIGHTS & CHALLENGES

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## Fostering a diverse and inclusive culture

For the third year, we continued to deliver our Diversity and Inclusion Strategy, the objective of which is to develop a culture where differences are respected, diversity is celebrated, and every individuals' contributions, knowledge, skills and experience are encouraged and valued.

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:

- Continued to be an industry partner of Girl Shaped Flames – an organisation that supports teenage girls to develop their skills to succeed in school, relationships and the workforce. We also sponsored two girls to attend Camp Courage – a unique three-day experience designed to build girls' confidence and sense of self.
- Hosted two interns through CareerTrackers – a national non-profit with the goal of creating pathways and support systems for Indigenous young adults. One of our mentors, Jarrod Muir (Commercial Manager, Strategic Finance), was nominated for his outstanding leadership and won the CareerTrackers National Intern Manager of the Year Award.
- Launched our first Reconciliation Action Plan (see page 99).
- Partnered with the Department of Veterans' Affairs to offer 12-week work trial placements to medically discharged military staff, helping to bridge the gap from military service to the civilian workforce.
- Formed a Domestic and Family Violence Working Group to start identifying priorities for the next 12 months.
- Launched our Urban Pride network – a community that reflects diversity of orientation or identity, as well as diversity of thought. We also became a proud supporter of Pride in Water – an industry-wide initiative that aims to create a more inclusive water industry specifically for LGBTIQ+ staff, contractors and customers.





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**What our people said about us becoming  
a member of Urban Pride:**

"I can't find the words to describe what it means to me to be part of an organisation that recognises, embraces and encourages diversity amongst our teammates, customers and community."

"Such an incredible and important cause to be a part of! Grateful to work in an organisation that stands behind and supports this."

"So very proud to be in an organisation that actively promotes diversity of all types."



# HIGHLIGHTS & CHALLENGES

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## Navigating our organisational culture journey

In 2019, we conducted our fifth Human Synergistics Organisational Culture Inventory® (OCI) – one of the world's most widely used tools for measuring organisational culture. It gauges our team members' perceptions of the behaviours required to thrive at Urban Utilities; that is, the behavioural norms or expectations that reflect our cultural values and beliefs.

At the highest level, the survey results are grouped according to three style clusters:

- **Constructive styles** include pursuing excellence, maintaining integrity and being supportive and collaborative.
- **Aggressive/Defensive styles** include opposing new ideas, playing politics to gain influence, competing and favouring independence.
- **Passive/Defensive styles** include going along with others, aiming to please those in authority and waiting for others to act first.

Through our new Target Operating Model (see page 69) and our Enterprise Asset Management Solution (see page 77), we are responding to the key challenges highlighted in the OCI conducted in 2019, by addressing organisational structure, improving the design of work flows, and ensuring our leaders and team members have the right skills and tools to create and deliver the required value to our customers.

This year, we also conducted our annual Employee Effectiveness Survey (EES) using the Korn Ferry Engaged Performance Framework®. The EES measures the engagement and enablement of our team members, which indicates overall effectiveness.

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

While we saw an increase in our both our effectiveness (+2) and engagement scores (+8), our enablement score fell by 3 points, highlighting opportunities for improvement, such as collaboration, performance management and decision-making. This decline may be partly attributed to changes to our ways of working due to COVID-19.

Similar to the challenges highlighted by the OCI, those uncovered by the EES will be specifically targeted through the implementation of our new Target Operating Model.

## Investing in the holistic health of our people

In October 2019, we launched Better.Together, our first holistic health and wellbeing program designed to empower our people to pursue a state of complete physical, mental and social wellbeing.

The program is based on four wellbeing elements: Better Health, Better Minds, Better Work and Better Space.

Prior to the launch, we undertook a comprehensive business review to understand the experiences of our workers and the workplace climate.

Over five months, we gathered insights from over 200 conversations with leaders and team members, nine site visits and five pilot programs, all of which informed the program's development.

Supporting the delivering of the program is the Better.Together Roadmap, which includes the detail on when and how we plan to deliver the initiatives against the four wellness elements.

In 2019/20, we delivered or progressed the following initiatives:

#### **Better Health**

- Implemented our Advanced Fatigue Management initiative to address fatigue risks with evidence-based tools and resources.
- Continued to offer onsite physiotherapy to field-based team members.
- Continued to offer annual flu vaccinations to all team members and annual skin checks to field-based team members.

#### **Better Minds**

- Hosted a mental health masterclass, where team members heard from Aaron Williams, Mindstar CEO, and Urban Utilities' CFO, Ruth Coulson, about improving mental health at work.
- Partnered with a new Employee Assistance Program that takes a preventative and holistic approach to managing the wellbeing of our people.
- Began delivering mental wellbeing workshops for our Operations team members.

#### **Better Work**

- Commenced Better.Together leader onboarding – a workshop to set context and assist in developing local action plans.

#### **Better Space**

- Trained and appointed nine 'Ergonomic Superheros' across the business to perform workstation assessments for their peers to support the reduction of the long-term health effects of sedentary work.

In March 2020, the majority of our office-based team members transitioned to remote working arrangements in response to COVID-19 restrictions. We immediately developed a 12-week Better.Together action plan, with a particular focus on supporting the mental and physical wellbeing of our team members.

As part of this plan, we employed health experts to host webinars on a range of pertinent topics, such as preventing burn out, exercise-based strategies for the sedentary worker, relaxation techniques and work/life boundaries.



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**97%**

of those who provided feedback on their ENRICH experience said they felt proud to work at Urban Utilities.

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Image: Derek Oram Sandy from Yerongpan Aboriginal Corporation





## HIGHLIGHTS & CHALLENGES

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### Connecting with our purpose

In October 2019, we hosted our organisation-wide roadshow, ENRICH, which brings together all team members to reflect on our past performance and look ahead to future opportunities.

The theme of this year's roadshow was 'Connection', with a strong focus on the relationships we're forging with our Aboriginal and Torres Strait Islander communities. The event was aptly opened with a stirring Welcome to Country, performed by Derek Oram Sandy from the Yerongpan Aboriginal Corporation (pictured left).

CEO Louise Dudley proudly introduced team members in attendance to our first Reconciliation Action Plan (RAP) and highlighted the importance of our collective involvement in Urban Utilities' reconciliation journey (see page 99). Louise then facilitated a keynote session, where the audience was captivated by stories from Reconciliation Queensland guest speakers, our RAP working group members and the designer of the plan's striking and meaningful artwork.

ENRICH was also an opportunity for Louise to acknowledge seven of our dedicated team members with an UrbanInspiration Award for truly living our values.

Attendees were then free to explore the exhibition component of the event, which included interactive displays and experiences that showcased different areas of the business.

The success of the roadshow was reflected by the positive feedback we recorded. Following the event, 97% of respondents said they felt proud to work at Urban Utilities, 91% said they felt more aware of our strategic priorities, environmental projects and core services and 83% said they felt more connected to other Urban Utilities team members.



# 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 continue to explore opportunities where we can provide and support increased social, economic and environmental value for our customers and communities.

## Performance summary

- Delivered drought preparedness and response initiatives.
- Provided resources and expertise to support firefighting efforts across the region.
- Delivered multiple initiatives from our Customer Strategy to help us build long-term, meaningful customer relationships.
- Introduced our new Target Operating Model, which will reimagine all facets of our business and deliver significant operational and financial improvements.
- Partnered with 24 organisations on \$20.2M worth of research and development.
- Delivered our SCADA Enterprise Historian solution, which consolidates our operational data into a single repository, thereby improving our visibility and control of our water and sewerage networks.
- Implemented a contemporary Enterprise Asset Management Solution to transform the way we manage asset data, procurement and finance processes.
- Progressed our Program Management Approach capital delivery program, which will reduce costs and improve timeliness of project delivery.

## Our focus for 2020/21

- Complete a detailed design of all Target Operating Model elements and begin phased implementation across the business.
- Increase workforce capability and empowerment through real-time data collection across networks and assets.
- Implement flexible customer payment functionality to enhance the payment experience.
- Identify financial opportunities to drive business performance outcomes.
- Adopt integrated planning processes for planning investigations.

## \$286.3m

invested in new and existing infrastructure

## 100%

of Customer Service Standards achieved

## 45%

of business units are using actionable customer insights in their decision making



# OUR INFRASTRUCTURE NETWORK

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

**9,750 km** of sewerage mains

**9,559 km** of water mains

**336** sewage pump stations

**29** sewage treatment plants

**63** water pump stations

**107** water reservoirs

**87** water boosters



# 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	2015/16 result	2016/17 result	2017/18 result	2018/19 result	2019/20 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	1.7	1.75	2.42	0.68 <sup>3</sup>	0.45	Yes
<b>Water services reliability</b>							
Number of unplanned water supply interruptions	≤100 per 1000 properties per annum	67	67	77	83	89	Yes
Water main breaks	≤39 breaks per 100 km of water main per year	26.2	23.1	22.5	30.0	31.1	Yes
<b>Responding to unplanned water and sewerage interruptions</b>							
Urgent incidents	≥80% within 1 hour	80%	91%	89%	89%	88%	Yes
Non-urgent incidents	≥80% within 24 hours	67%	73%	85%	77%	92%	Yes



Indicator	Service standard	2015/16 result	2016/17 result	2017/18 result	2018/19 result	2019/20 result	Achieved?
<b>Restoration of supply after unplanned water and sewerage interruptions</b>							
Restoration of supply	≥90% unplanned interruptions restored within 5 hours	95%	97%	96%	96%	96%	Yes
<b>Sewerage service reliability</b>							
Sewerage main breaks and chokes	≤30 breaks per 100 km of sewerage main per year	29.8	25.8	20.9	18.4	21.1	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	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>3</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 Urban Utilities' water networks.

# MAJOR INFRASTRUCTURE PROJECTS COMPLETED OR PROGRESSED

In 2019/20, we invested \$286.3 million in new and upgraded infrastructure to improve the reliability and sustainability of our water and sewerage networks. The table below shows the key infrastructure works we commenced, progressed or completed during the year.

The balance of the \$286.3 million was invested in ongoing programs for the renewal, enhancement and replacement of existing infrastructure across our service territory.



Region	Project title	Total project investment (\$'m)	2019/20 investment (\$'m)	Commenced	Estimated completion
Brisbane	S1 & S18 Main Sewer Rehabilitation	70.6	6.3	2015/2016	2021/2022
	Bulimba Creek Trunk Sewer Stage 2 Upgrade	51.2	2.3	2015/2016	2019/2020
	Bartleys Hill / Wellers Hill Zone Connection Including River Crossing	25.3	0.7	2015/2016	2019/2020
	Luggage Point Sewage Treatment Plant (STP) Augmentation – Stage 1 (Primary Settling Tanks Works)	21.5	4.1	2019/2020	2022/2023
	Centenary Highway Rising Main Burst Section Refurbishment	16.5	1.9	2019/2020	2020/2021
	Luggage Point STP Odour Control	13.1	6.6	2018/2019	2019/2020
	Luggage Point STP Biosolids Sidestream Treatment	10.2	3.8	2019/2020	2020/2021
	Luggage Pt STP Stage 1 Final Settling Tank Distribution Channels Interim Mitigation Settlement Issue	10.2	7.5	2019/2020	2019/2020
	Luggage Point STP 11kV Auxiliary Switchboard & Substation 5 Replacement (HV Phase 1)	9.0	2.5	2019/2020	2020/2021
	Luggage Point STP HV Cable & Substation 6 Replacement (HV Phase 2)	8.1	1.5	2019/2020	2020/2021





Region	Project title	Total project investment (\$'m)	2019/20 investment (\$'m)	Commenced	Estimated completion
Ipswich	Bundamba STP Various Upgrades, Renewals and Improvements	23.1	12.1	2018/2019	2020/2021
	Goodna STP (ST041) Membrane Replacements (MBR Stage 4a)	11.8	0.0	2020/2021	2021/2022
	Carole Park STP Various Upgrades Renewals and Improvements	10.0	5.3	2019/2020	2020/2021
	Ipswich Bulk Water Meters Implementation Program	6.5	0.5	2017/2018	2019/2020
	Goodna STP Capacity Enhancement	4.8	0.1	2020/2021	2021/2022
Lockyer Valley	Regional STPs Upgrades	12.2	3.9	2018/2019	2019/2020
	Regional STPs Chemical Delivery and Storage Compliance	6.7	3.9	2019/2020	2020/2021
	Gatton STP Septage Receiving Facility & Trickling Filter Bypass	4.1	2.9	2018/2019	2019/2020
Scenic Rim	Beaudesert STP Capacity Compliance and Improvements Projects	10.5	4.8	2019/2020	2020/2021
	Boonah Fassifern Reservoirs Rehabilitation	6.5	0.4	2020/2021	2021/2022
	Canungra STP - Membrane Bioreactor Technology Upgrade	5.3	2.7	2019/2020	2020/2021
Somerset	Lowood / Fernvale Sewerage Scheme Upgrade – Stage 1	45.0	11.6	2017/2018	2020/2021
	Toogoolawah STP Compliance Project	4.3	0.5	2019/2020	2021/2022
	Kilcoy STP Various Upgrades, Renewals and Improvements	3.3	1.8	2018/2019	2019/2020

N.B. In some instances, the estimated completion dates vary between this report and our 2018/19 Annual Report. Project extensions can be attributed to longer field trials (i.e. S1), scope additions, disputes and COVID-19.





# PERFORMANCE AGAINST BUSINESS OBJECTIVES

Business objective	Performance commentary	How we measured our success
Shape the way future services are provided to ensure we meet community requirements at the lowest sustainable cost	<ul style="list-style-type: none"> <li>• Began developing our broader asset utilisation strategy, which focuses on increasing the use of our existing assets and networks.</li> <li>• Developed an integrated approach for priority projects in the S1 catchment, which is critical to the implementation of the CBD to Luggage Point Integrated Plan and represents a significant step forward in changing capital investment over the next decade.</li> <li>• Investigated alternative approaches for managing growth in the Breakfast Creek trunk sewer catchment (part of the S1 catchment), with the implementation phase now underway.</li> <li>• Began working with Economic Development Queensland on a collaborative review of the planning for the Ripley Valley Priority Development Area.</li> <li>• Continued to engage with Brisbane City Council on priority development sites, including options for the Victoria Park Golf Course redevelopment.</li> </ul>	<p><b>Asset utilisation</b> </p> <p><b>Target:</b> Deliver on key projects from the strategy to release capacity.</p> <p><b>Result:</b> Operational implementation underway. Roadmap for delivery is ready for business engagement.</p> <p><b>Progression of infrastructure to a 'recycle and reuse' approach</b> </p> <p><b>Target:</b> Implementation of the CBD to Luggage Point Integrated Plan.</p> <p><b>Result:</b> Implementation projects identified, prioritised and scoped. Trials completed. On track to meet first adaptive planning milestone.</p>

Business objective	Performance commentary	How we measured our success
Deliver products and services that our customers prefer	<ul style="list-style-type: none"> <li>• Our revised <i>Drinking Water Quality Management Plan</i> was approved by the regulator. This plan is a regulated risk management framework to ensure the safety of customers of drinking water service providers.</li> <li>• Implemented a Hazard Analysis and Critical Control Point (HACCP) quality management system for five more of our recycled water schemes. All 14 of our schemes are now protected by the HACCP system, which ensures the product quality is safe and fit for purpose.</li> <li>• Increased our recycled water supply to regional catchments to 69% of dry weather flow.</li> <li>• All biosolids were used for beneficial reuse, while 100% of our effluent discharged to the environment met quality requirements.</li> </ul>	<b>Quality of drinking water supplied to customers (<i>number of water quality incidents</i>)</b>  <b>Target:</b> 12 <b>Result:</b> 9
		<b>Quality and reliability of recycled water</b>  <b>Target:</b> 100% <b>Result:</b> 94% <b>Our performance challenge:</b> Our new recycled water quality management system enabled us to proactively identify potential quality issues. These potential issues were investigated and rectified prior to the product being supplied to customers.
		<b>Fit-for-purpose biosolids product quality</b>  <b>Target:</b> 100% <b>Result:</b> 100%
		<b>Quality of effluent product</b>  <b>Target:</b> 100% <b>Result:</b> 100%

# PERFORMANCE AGAINST BUSINESS OBJECTIVES

Business objective	Performance commentary	How we measured our success
Deliver sustainable customer services through optimised planning and active risk management	<ul style="list-style-type: none"> <li>Delivered revised risk models and updated risk profiles against all asset classes.</li> <li>In parallel to improving risk models, we conducted a review of downstream mitigation measures and contingency planning to improve delivery of services.</li> <li>Developed a Differentiated Service Standards framework, which will initially be applied to the Key Commercial Customer segment. This framework will establish the basis against which to measure, report and action service reliability.</li> </ul>	<p><b>Risk profiles across all asset classes, supporting improved service delivery (% asset classes completed)</b> </p> <p><b>Target:</b> 100%</p> <p><b>Result:</b> 100%</p> <p><b>Service and asset reliability (% implementation plan completed)</b> </p> <p><b>Target:</b> 100%</p> <p><b>Result:</b> Framework developed, rules to be developed.</p> <p><b>Our performance challenge:</b> In 2019/20, the decision was made to align this framework with the Active Management Strategy project. This decision resulted in delays.</p>





Business objective	Performance commentary	How we measured our success
Become a truly customer-centric business that delivers an effortless customer experience (CX)	<ul style="list-style-type: none"> <li>Implemented customer journey surveys to measure satisfaction across six priority customer journeys (onboarding, high consumption, general account enquiries, bill payment, faults and emergencies and planned maintenance). Analysis of this data has provided insights used to define the drivers of customer satisfaction and areas of focus for the six journeys.</li> <li>Introduced customer personas into key business teams to help team members consider the needs of different customers in day-to-day operations and the planning of future strategies and initiatives.</li> <li>Applied customer insights to improve the billing process and enhance proactive communications during network disruptions.</li> <li>Accelerated our work on payment and billing initiatives to support customers to manage and pay their bills.</li> <li>Used insights from our research, our Customer and Community Reference Group and intelligence from other water utilities to inform our COVID-19 response to customers.</li> </ul>	<p><b>Customer at the table – evidence of increased use of actionable insights across the business</b> <i>(% business units informed by insights)</i></p> <p><b>Target:</b> 25% <b>Result:</b> 45%</p> <p><b>Effortless customer experience</b> <i>(out of 10)</i></p> <p><b>Target:</b> 7<sup>4</sup> <b>Result:</b> 6.8</p> <p><b>Our performance challenge:</b> Year-on-year, we saw an improvement from 6.4 to 6.8. The high-consumption customer experience generated the least number of satisfied customers (4.8), which was the main reason our 2020 target was not achieved. The high-consumption customer journey will be the priority customer experience initiative for the year ahead.</p> <p><b>Customer-centric mindset – leader survey to understand current levels of customer centricity</b> <i>(out of 10)</i></p> <p><b>Target:</b> 5.3 <b>Result:</b> Delayed until Q1 FY2021 due to COVID-19.</p>



<sup>4</sup>Target updated from a score out of 10 to a % survey result to reflect the new key priority journeys.

# PERFORMANCE AGAINST BUSINESS OBJECTIVES

Business objective	Performance commentary	How we measured our success
Harness technologies to improve the customer and employee experience and the use the digital systems that provide proactive and real-time monitoring of performance	<ul style="list-style-type: none"> <li>Delivered our new Enterprise Asset Management System (EAMS) Program.</li> <li>Supporting EAMS, we delivered phase 1 of Urban Access, our purpose-built network access permit software that provides automated workflows to improve operational efficiencies within operational network management.</li> <li>Successfully piloted the Virtual Assist platform in our Contact Centre, enabling customers to livestream a fault or emergency from their mobile phone while speaking with a Contact Centre agent.</li> <li>Continued to improve our MyAccount (online customer billing) solution, with a mobile app currently under development.</li> <li>Continued to deliver improvements to our Customer Relationship Management system to support customer-facing teams in managing customer enquiries, especially in response to COVID-19.</li> <li>Enabled a new VPN remote working network access solution and rolled out Microsoft Teams to enable team members to work from home as part of our COVID-19 response.</li> <li>Successfully completed our enterprise-wide rollout of Windows 10.</li> <li>Deployed our new SCADA Enterprise Historian.</li> <li>Continued to use a leak-detection software system called TaKaDu, which allows us to monitor the pressure in our network and detect leaks before they become bursts. This year, it allowed us to save 1,232ML of water, equating to \$3.7m. Since we began using TaKaDu in late 2013, we have saved 6,390ML of water and \$19m.</li> </ul>	<p><b>Easy to deal with for customers (Registrations and engagement)</b> ✓</p> <p><b>Target:</b> 15%</p> <p><b>Result:</b> Achieved</p> <p><b>Digitally enabled workforce</b> ✓</p> <p><b>Target:</b> 20% increase in core systems hosted in the cloud; 40% of the business on Windows 10 devices</p> <p><b>Result:</b> Achieved</p> <p><b>Predictive and proactive operations with connected assets, network and employees</b> ✓</p> <p><b>Target:</b> EAMS deployed and in use; an additional three sources ingested into IoT; and Enterprise Historian deployed.</p> <p><b>Result:</b> Achieved</p>
Maintain affordable and transparent pricing for our customers	<ul style="list-style-type: none"> <li>Limited our price increase to CPI-0.5% from 1 July 2019.</li> <li>Approved a six-month price freeze on our water and sewerage charges, effective 1 July 2020.</li> </ul>	<p><b>Utility price increases</b> ✓</p> <p><b>Target:</b> Prices to remain below CPI</p> <p><b>Result:</b> Achieved</p>







# HIGHLIGHTS & CHALLENGES

## Reimagining our future with a new Target Operating Model

This year, we began work on our new Target Operating Model (TOM), an all-encompassing, transformational program of work.

The TOM is essentially a blueprint of how our business will need to operate in the future, and it considers seven key elements: processes, governance, ways of working, people and capabilities, measures, data/digital systems and structure.

There were two main drivers behind TOM – the first being the need to accelerate strategic change. We introduced our *Statement of Strategic Intent* in July 2019, which outlines the goals and objectives we aim to achieve by 2024. Our new TOM will incorporate new solutions that will keep us relevant, financially sustainable and well-positioned to deliver on our strategic objectives.

The other driver was feedback from our people. Through our Employee Engagement and OCI surveys (see page 50), we learned about the challenges and frustrations being experienced in the workplace. We believe our new TOM will remove many of these.

The first element of TOM to be announced was our new group structure, which will result in eight groups, four of which are new:

- **Integrated Solutions:** responsible for developing our long-term servicing strategy, managing relationships with key partners and stakeholders, plus the planning, design and construction of our infrastructure solutions.
- **Environmental and Industrial:** responsible for managing our industrial partnerships, key commercial relationships and treatment operations, as well the development of new commercial opportunities.
- **Service Delivery:** responsible for the management and optimisation of both our network and day-to-day customer operations.
- **Experience:** responsible for both our customer and employee experience improvement activities.

The four remaining groups will all experience some degree of organisational change to better support the delivery of our corporate strategy. Name changes to two of these existing groups will become effective 1 July 2020.

- Information Services will become **Digital and Information**
- Governance will become **Corporate Affairs**
- **Finance** (name unchanged)
- **Legal & Risk** (name unchanged)

With the success of TOM relying heavily on the support and involvement of our people, CEO Louise Dudley personally briefed every team member on the purpose and process of delivering our new TOM. Over three weeks in February and March 2020, Louise hosted 21 roadshows across our service territory, giving our people the opportunity to directly ask questions and provide feedback on Urban Utilities' current and future state.

Following the roadshows, insights from each session were used to inform the forward plans and future design of the eight groups.

The majority of TOM changes will be implemented from July 2020 onwards, with the program likely to run until late 2021.



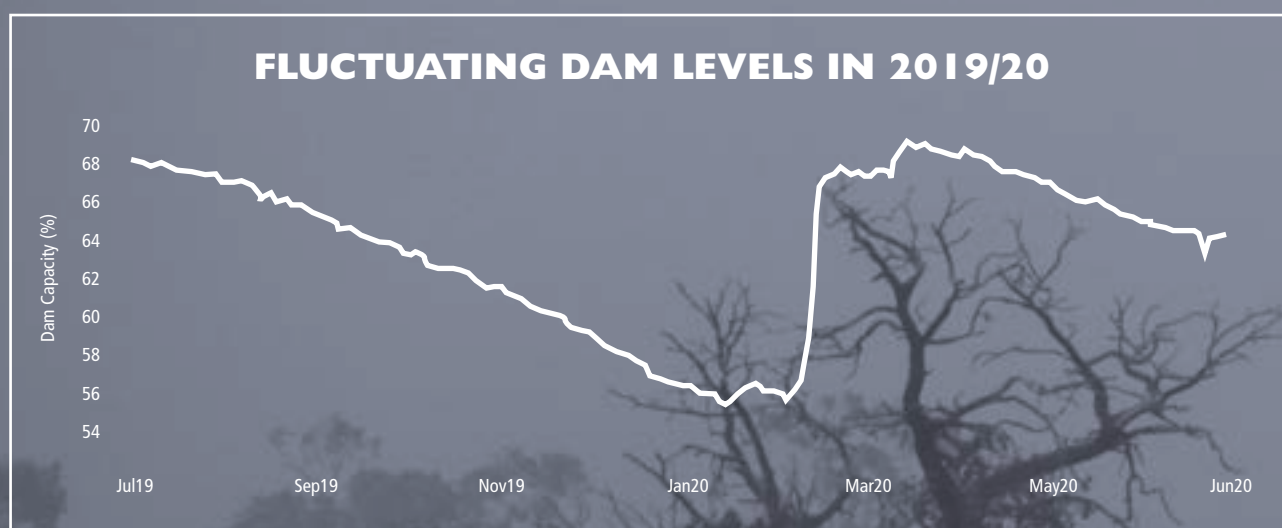
Our new organisational structure, effective 1 July 2020.

# HIGHLIGHTS & CHALLENGES

## The big dry: responding to the region's drought

On 1 July 2019, the drinking water supply capacity of the South East Queensland (SEQ) water grid sat at 68% – comparable to the 64% capacity recorded on 30 June 2020. Despite beginning and ending the year in a state of 'drought readiness' (the trigger between 60% and 70% capacity), the months in between proved challenging, especially for many off-grid communities in our service region.

Throughout the year, we developed and delivered various initiatives to encourage water conservation within the community.



## TIMELINE OF EVENTS

### APRIL-JULY 2019

- Urban Utilities' **Drought Response and Recovery Action Plan** was activated soon after SEQ water grid storage fell to 70% (the 'drought readiness' trigger) in April 2019.
- In the following months, Urban Utilities' **Drought Response Working Group** set about delivering the actions identified in the plan, including preparing for the potential recommissioning of the Western Corridor Recycled Water Scheme and the introduction of water restrictions in our service territory.
- The working group also explored further recycled water opportunities for non-residential users and looked at ways to reduce our own water use (for example, minimising leaks in the network).

### AUGUST 2019

- We launched our **Bathroom Beats** marketing campaign, encouraging people to take shorter showers. Using the popular streaming app, Spotify, we created two free music playlists, each featuring water-themed songs running less than four minutes in duration. The campaign broke Urban Utilities' records for engagement, reaching an audience of more than 2.2 million people. The Australian Water Association named it the most innovative way a water utility has encouraged customers to save water.



## NOVEMBER 2019

- The combined storage capacity of Seqwater's twelve **drinking water supply dams dropped below 60%** – the lowest recorded supply level within the SEQ water grid since the Millennium Drought.
- Seqwater triggered the region's **Drought Response Plan** and the Gold Coast Desalination Plant returned to 100% production capacity.

## JANUARY 2020

- **Water grid storage volume fell to a low of 55%.**
- Several Scenic Rim off-grid communities entered **Level 1 Drought Response** (see pull-out box below).
- We launched our internal **Worksite Waterwise Challenge**, which encouraged team members to share tips to help make our work sites more water efficient.

## MARCH 2020

- **Water restrictions were eased in the Scenic Rim** off-grid communities, following adequate rainfall.
- We published the **Water Restrictions Schedule** for our service region, which Urban Utilities developed in collaboration with Seqwater and all other SEQ water service providers.

## MAY 2020

- We soft-launched our **How Low Can You Go?** water-saving campaign, which challenges our customers to reduce their water usage. Primary campaign content will be launched in August 2020.

## JUNE 2020

- Following limited rainfall into Canungra Creek, **Level 1 Drought Response** was again triggered in the off-grid network of Canungra. Increased our proactive communication, encouraging residents to use less than 140 litres per person per day.

### WATER RESTRICTIONS IN OFF-GRID COMMUNITIES

Within our service region, there are 11 communities not connected to the SEQ water grid. Each of these communities is serviced by a standalone water treatment plant (owned and managed by Seqwater) and a water distribution network (owned and managed by Urban Utilities).

Restrictions for off-grid supply networks are dependent on local triggers. In November 2019, high-level water restrictions were introduced in Canungra following Seqwater's water treatment plant going offline when the Canungra Creek stopped flowing.

In January 2020, high-level restrictions were extended to the other Scenic Rim off-grid supply networks, in response to declining levels in the Moogerah and Maroon Dams. This impacted the towns of Beaudesert, Kalbar, Rathdowney and Kooralbyn. After introducing high-level restrictions, these communities saw a noticeable decrease in consumption across the summer period and, in March 2020, were eased back to medium-level restrictions.

A lack of rain saw high-level restrictions reinstated in areas of the Scenic Rim in June 2020.

During both high-restriction periods, Urban Utilities installed additional flow meters and implemented more leak detection measures to help reduce the amount of water lost within the networks of drought-affected communities.



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We ensured our customers and assets were protected and our resources were available to support firefighting operations across the region.



# HIGHLIGHTS & CHALLENGES

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## **Supporting firefighting operations across the region**

In August 2019, South East Queensland endured multiple bushfire events, unprecedented in both their voracity and the direct impacts on our service territory, including parts of the Scenic Rim, Somerset and Lockyer Valley.

Working closely with the relevant Local Disaster Management Groups (LDMGs), Queensland Fire and Emergency Services (QFES), Queensland Rural Fire Services (QFRS) and Seqwater, we ensured our customers and assets were protected and our resources were available to support firefighting operations across the region.

Our Operations and Resilience teams met daily to determine the locations of active fires, predicted fire paths and assets at risk.

We worked closely with Seqwater to ensure production was meeting demand and to direct QFES to access points that would provide high volumes of water for rapid filling of fire trucks and firefighting aircraft.

For example, when we identified that QFES trucks were filling from a boosted water supply zone in the Laidley network, we were able to direct them to a larger water main 200m away that was out of the boosted zone and, therefore, a more reliable water supply in the event of a power failure.

After the bushfire threat had passed, Urban Utilities played an active role in the recovery team within the LDMGs, where we offered assistance and advice to support recovery planning. We continue to work closely with Councils on lessons learnt and disaster preparedness for future events.



# HIGHLIGHTS & CHALLENGES

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## Demonstrating our commitment to customer centricity

Our customers are the reason we exist; we are dedicated to understanding them, and listening and responding to their evolving needs and expectations.

Guided by our five-year Customer Strategy, we continue to deliver initiatives aimed at building long-term, meaningful customer relationships based on trust, value and respect.

This year, we:

- Developed and implemented a Channel of Choice Strategy to deliver a better experience for customers when they need to contact us. This strategy is driving positive changes in our Contact Centre and Customer Account Management teams.
- Implemented customer journey surveys to measure satisfaction across six key priority journeys: onboarding, high consumption, general account enquiries, bill payment, faults and emergencies, and planned maintenance. Analysis of this data has provided insights used to define the drivers of customer satisfaction and areas of focus for each priority customer journey.
- Introduced seven customer personas to the business, which represent our diverse customer base and the importance of understanding their differing needs and expectations. The personas help us better plan and implement new initiatives to improve the services we provide.
- Delivered a Customer Relationship Study to enhance our understanding of how customers relate to our business, what is important to them, and what they expect of us as a provider of an essential service. We will undertake this study annually.
- Launched Customer Connect – a cross-collaborative group that focuses on reframing customer complaints into problem-solving opportunities. This year, the group – comprised of representatives from the Contact Centre, Customer Advocacy, Operations & Service Delivery, Information Services and Customer Experience teams – focused on the issues of restorations and dry weather overflows.
- Developed a Customer Culture Program, which will drive a customer-centric, service-focused culture by embedding customer service guidelines based on human connection.

## Revolutionising the future of water and sewage treatment

Urban Utilities is committed to innovating for a better future. This commitment is supported by our state-of-the-art Innovation Precinct, which houses \$20.2 million worth of research projects that involve 24 partner organisations and universities.

Not only are we working on ways to optimise our water and sewage treatment processes, we are also exploring resource recovery, energy neutrality and smarter systems and processes.

In 2019/20, we progressed a number of projects, including the following:

- For many years, in partnership with Veolia and the University of Queensland, we have been growing our own anammox bugs (pictured right), which create a shortcut in the nitrogen removal process. Unlike the bacteria used in the conventional wastewater treatment process, anammox uses less oxygen and doesn't require carbon as an additional food source. For us, that means fewer chemicals, increased energy efficiency and plant capacity and lower operating costs. Later in the year, in collaboration with technology provider, Veolia, we will begin commissioning the full-scale anammox process at our Luggage Point Resource Recovery Centre. This will be the first of its kind in Australia. Once fully operational (in up to 12 months), we expect to realise savings of around \$500,000 per year.
- We continued to lead a \$5.3 million Cooperative Research Centre Project (CRC-P) titled, Transforming wastewater treatment in regional Australia with robust technology for multiple benefits. In collaboration with six other organisations, we are working to transform underperforming lagoon-based sewage treatment plants (STPs) into self-contained assets that will deliver environmental and economic benefits to regional communities. This year, the regional pilot system at our Innovation Precinct became operational, with all technology components now fully commissioned and delivering promising experimental results. Design work is well underway on the larger-scale demonstration plant in Helidon.

- This year, in partnership with Sydney Water, SA Water, Water Corporation WA and Eurofins Environmental Testing Australia, we commenced a three-year research project to investigate the concentrations, composition, sizes and toxicity of microplastics that are retained in biosolids and applied to agricultural land as fertiliser. This information will help us better understand the risks associated with microplastics in biosolids, will inform evidence-based regulatory decisions and will enable water industry authorities to target management strategies to control microplastics in STPs. The three-year project is valued at around \$640,000, with significant funds received through the Advance Queensland Industry Research Fellowship program.
- As the population grows, we must cost-effectively manage the increase in nutrient loads entering Moreton Bay from our STPs. In response, Urban Utilities, in partnership with the University of the Sunshine Coast, is investigating macroalgae aquaculture (seaweeds) as a potential solution for off-site nutrient reduction. Seaweeds grow quickly and strip nutrients from the water column, draw down carbon dioxide and can remove pollutants, like heavy metals. At the right scale, seaweed farming has the potential to naturally and cost-effectively manage nutrients in Moreton Bay. A recent grant from the Australian Government's Fisheries Research Development Corporation will assist the project team to assess the effectiveness of this alternative off-site nutrient-reduction approach, which will involve pilot-scale seaweed farming trials at two sites in Moreton Bay.



# HIGHLIGHTS & CHALLENGES

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## Becoming a digitally enabled organisation

This year, we continued on our digital transformation journey, focusing on three themes and associated goals as part of our ambitious and holistic Digital Strategy:

### 1. Predictive and proactive

- a. Real-time data collection, monitoring, alerts and analysis
- b. Strategic and operational intelligence and decision support

### 2. Easy to deal with

- a. Timely access to data information and knowledge
- b. Digitally innovative ways of connecting with customers, partners, stakeholders and communities

### 3. Digitally enabled workforce

- a. Connecting the workforce with assets and stakeholders
- b. Internal and external digital collaboration and engagement

Our achievements were recognised when we received accolades for a number of our projects (see page 22), including being named a finalist in the Digital Utility of the Year (Water) category at the 2020 Digital Utilities awards.

This year, we delivered a number of successful initiatives, including the following:

#### Predictive and proactive

##### SCADA

The SCADA (Supervisory Control and Data Acquisition) Program is currently implementing Urban Utilities' new foundational operational technology systems. Our investment in SCADA-enabling technologies will uplift our digital capabilities in monitoring and controlling our entire water and sewerage network to deliver secure, sustainable and improved service.

Having completed an Early Contractor Involvement (ECI) procurement activity, the SCADA Upgrade Solution is in its delivery stage with our selected SCADA Strategic Partner, Comdain Infrastructure and their key SCADA Platform subcontractor, LogiCamms. This partnership will enable us to leverage SCADA skills and knowledge of our operations to quickly transition to meet our Servicing Strategy and maximise the benefits of this new technology.

In 2019/20, we delivered our award-winning Enterprise Historian solution, which provides a wider group of Urban Utilities users with access to a single repository of historical and real-time operational data. This solution proved critical during the 2019/20 Queensland summer drought and fire emergencies, as well as our COVID-19 response, as it enabled a broader (and remote) group of users to quickly digitise and publish operational monitoring information into control response dashboards, alerts and automated reporting.

#### IT/OT Hub and the Intelligent Water Network

Building on the launch of our Digital Grid Service (DGS) solution last year, we implemented the first stage of our Intelligent Water Network. Our DGS is a centralised Internet of Things (IoT) Hub housed on the Azure cloud platform, which ingests our sensor data into one location. This leverages data from thousands of devices and collates it to provide better insights into our network and assets. We also deployed visual dashboards that provide a central location for this real-time data.

To date, 24 data sources have been added to the platform, ranging from Smart Water Consumption devices and water quality sensors, to our corporate source systems, such as asset and customer management systems. This data compliments our recently launched Enterprise Historian for SCADA, giving the business a complete picture of what's happening in our network at any time.



Our DGS solution allows us to:

- identify potential leaks or bursts in the network,
- actively manage and optimise the network to create cost-efficiencies, and
- provide self-service opportunities across our Business Intelligence, analytics and spatial platforms.

### **Easy to deal with**

#### **Virtual Assist**

This year, in partnership with local start-up, Codafication, we introduced a new platform into our Contact Centre called Virtual Assist.

When a customer contacts us to report a fault, the contact centre agent can text a link to the customer's mobile phone, which, once activated, grants access to the phone's live video footage. This allows the agent to quickly and accurately diagnose an issue, leading to faster incident resolution than ever before. The agent is also able to capture geolocation information to easily pinpoint the customer's location.

Implementing Virtual Assist has resulted in improved customer outcomes, a stronger ability to prioritise faults and lower operational costs by eliminating unnecessary field crew call outs.

### **Digitally enabled workforce**

#### **Enterprise Asset Management Solution**

This year, we took the final steps towards implementing our Enterprise Asset Management Solution (EAMS) – our most significant digital transformation yet, which will provide an uplift in the management and support of our assets, supply chain, mobile workforce and financial transactions.

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. Importantly, it will provide our mobile workforce with the right tools and data to make informed decisions, take actions that support our customers and communities and enable more efficient management of our assets.

This year, we completed the solution build and undertook comprehensive testing, which confirmed the solution and improved business processes were ready for go-live. As the solution will impact business units across the organisation, a full suite of organisational change activities was implemented to support go-live on 6 July 2020.



# HIGHLIGHTS & CHALLENGES

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## **Investing in the growth of our communities**

One of our core capabilities is to provide infrastructure that accommodates the needs of our geographical area. Our commitment to this capability is evidenced by our \$286.3 million investment in infrastructure projects this year, examples of which include, but are not limited to, the following:

- Commissioned our \$52 million Bulimba Creek Trunk Sewer Upgrade (Stage 2), which ran over two years. The project involved installing a 4.25km gravity trunk sewer between Mansfield and Carindale, which employed both open trenching and trenchless tunnelling technologies. The upgrade will cater for future growth and development in the catchment area and reduce the likelihood of sewage overflows.
- Neared completion of our \$4 million Ann Street Trunk Relining Project, which involves relining 2.2 kilometres of trunk main in Newstead and Fortitude Valley. This upgrade, due to conclude in December 2020, will extend the service life of this critical pipe and ensure the ongoing reliability and sustainability of our network.
- Installed half a kilometre of new water pipe in Beaudesert as part of our rolling Water Main Replacement Program. The \$900,000 project will support the existing network and cater for future growth in the region.
- Completed a \$135,000 sewer upgrade project in Gatton. Works involved inspecting, cleaning and relining the pipes in four streets, which has extended the life of the sewer by up to 50 years.









# 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

- Significantly increased recycled water use at our regional treatment plants.
- Established a Community Planning Team with whom we've been working to design a nature-based solution to wet weather overflows.
- Fostered a number of new and existing partnerships with the aim of supporting local communities.
- Planted 1,600 native trees at the Helidon Sewage Treatment Plant to reduce discharges into the environment and help sustain the local koala population.
- Launched Australia's first 100% electric small SUV, powered by poo.

## Our focus for 2020/21

- Develop and implement a five-year emission reduction program.
- Improve community acceptance of indirect potable reuse across the region.
- Develop partnerships with key stakeholders to support the progression of catchment management, climate-independent water sources, regional water security planning and sub-regional planning.

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# 17,990

MWh generated through  
cogeneration and solar

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# 69%

reuse of dry weather effluent  
discharges in western catchments


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# PERFORMANCE AGAINST BUSINESS OBJECTIVES

Business objective	Performance commentary	How we measured our success	
Reduce our environmental footprint	<ul style="list-style-type: none"> <li>Developed an environmental footprint measure to help us determine our impact on the environment and guide our operations and investment accordingly.</li> <li>Generated 17,475 MWh from cogeneration and 515 MWh from solar, offsetting around \$1.7m in electricity costs.</li> </ul>	<p><b>Reduce emissions to air, water and land</b></p> <p><b>Target:</b> Robust, balanced environmental footprint measure developed</p> <p><b>Result:</b> Achieved</p>	✓
Reshape the water cycle by reusing and recycling to maximise the value of water	<ul style="list-style-type: none"> <li>Year-on-year, we significantly increased recycled water use at our regional treatment plants. This year, we achieved 69% reuse of dry weather flow compared to 56% last year.</li> <li>Engaged with the Community Planning Team, Brisbane City Council and regulators to develop a long-term, community-focused solution to wet weather overflows in Cannery Creek.</li> <li>Developed a Wet Weather Management Framework proposal for consultation and finalisation in 2020/21.</li> <li>Continued to partner with Seqwater and the State Government on regional initiatives to build community acceptance of potable re-use water (PRW).</li> </ul>	<p><b>Recycling of dry weather flow in the western catchments to improve river quality</b> <i>(% reuse of dry weather flow from STPs)</i></p> <p><b>Target:</b> 65%</p> <p><b>Result:</b> 69%</p>	✓
		<p><b>Wet weather management plan implementation</b></p> <p><b>Target:</b> Outcomes-based standard applied to two projects</p> <p><b>Result:</b> Achieved</p>	✓
		<p><b>Indirect potable reuse accepted by the community</b></p> <p><b>Target:</b> Delivered one initiative to influence acceptance</p> <p><b>Result:</b> Achieved</p>	✓



Business objective	Performance commentary	How we measured our success
Partner locally to improve environmental liveability, sustainability and resilience in our communities	<ul style="list-style-type: none"> <li>Despite the impacts of COVID-19, several partnerships were developed or maintained during 2019/20 to support our communities. These included: <ul style="list-style-type: none"> <li>Healthy Land and Water and Port of Brisbane to implement a new approach to monitor and reduce our impact on the receiving environment.</li> <li>Oxley Creek Transformation Pty Ltd to deliver Brisbane City Council's plan for Oxley Creek.</li> <li>Economic Development Queensland on a number of priority development areas, especially those with the intent to promote economic stimulus and recovery.</li> <li>Brisbane City Council on the Victoria Park redevelopment.</li> </ul> </li> <li>Hosted, attended or sponsored over 15 events to support our local communities and the environment.</li> <li>Delivered environmental initiatives in the local community, including planting 1,600 native trees at our Helidon Sewage Treatment Plant. These plants are irrigated with recycled water and, once established, will help sustain the local koala population.</li> </ul>	<p><b>Partnerships</b>  <b>Target:</b> Two partnerships, 15 events  <b>Result:</b> Achieved</p> <p><b>Environmentally conscious (score out of 100)</b>  <b>Target:</b> 56  <b>Result:</b> 70</p>

A man with a beard and glasses, wearing a cap and a dark vest over a light-colored shirt, stands in a field. In the background, a car with its headlights on is parked. The scene is surrounded by trees and foliage, and the overall image has a greenish tint.

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The use of recycled water helps conserve potable water, improves the quality of public assets and supports agricultural activities through difficult climate conditions.

# HIGHLIGHTS & CHALLENGES

## Growing our recycled water supply

Recycled water plays an important role in the water cycle by providing a climate-resistant water source for our customers and communities. In 2019/20, we supplied 6,007ML of recycled water to customers for various uses, including:

- sports field irrigation
- golf club irrigation
- agricultural irrigation and stock drinking
- industrial applications
- dust suppression for construction activities.

Since 2018, we have significantly increased our recycled water use at our regional treatment plants and set a corporate target of achieving 65% reuse of dry weather flow. This year, we achieved 69%, which represents a significant increase on the previous year's result of 56%. This increase has helped us conserve potable water, improved the quality of public assets and has supported agricultural activities through difficult climate conditions.

Outside of the direct customer benefits, recycled water is a key sewage treatment strategy for the regions whereby minimising effluent entering the waterways reduces the nutrient loads, thereby improving river quality. It also plays an important role in reducing our sewage treatment costs, as recycled water can often be deployed with reduced treatment technologies, saving large amounts of capital.

In 2020/21, we will continue to develop new recycled water schemes that provide our customers with a valuable water source. We will also look to urban areas for new emerging commercial opportunities.

## Supplying recycled water for the benefit of our communities

This year, for the first time, we were proud to achieve 90% effluent re-use at our Rosewood Sewage Treatment Plant (STP). At this STP, our Treatment team has been supplying recycled water to the nearby golf course for irrigation purposes for a number of years, and in November 2019, they were thrilled to welcome a second recycled water customer – the Brimblecombe family who lives next door to the plant and grows Lucerne hay on their 300-acre farm.

We constructed a new system that taps into the existing infrastructure, which was set up for the golf course, including two pumps that are now shared between the golf course and the farm.

A benefit of the recycled water being taken by customers and used on-site is that it allows capacity for increased flows to the plant when wet weather events do occur. It also avoids releasing effluent to the nearby Warrill Creek, preventing approximately 2500kgs of nitrogen and 1000kg of phosphorus from polluting the waterway annually.

For farmer Darren Brimblecombe, however, these nutrients are gold. "By using recycled water, we're making use of the valuable nutrients, rather than washing them into the creek and out to sea," says Darren. "We also won't have to add as much fertiliser, so it'll be a saving."

In addition, Darren will benefit from the reduced pumping costs to source bore water and have ready access to a reliable, climate-resistant water source that will increase as the local population grows.



# HIGHLIGHTS & CHALLENGES

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## **Working in harmony with the community and the environment**

This year, in a first for Urban Utilities, we employed a collaborative and considered approach to community engagement on one of our major infrastructure projects. Our aim was to involve the community early in the process to help us design the most effective and efficient solution to wet weather overflows into Cannery Creek, a suburban waterway in Brisbane's north.

Prior to commencing community engagement, we explored two possible solutions: a traditional 'grey infrastructure' approach of building larger, more expensive pipes and a nature-based solution in the form of constructed wetlands

that would naturally treat the overflow water before entering the creek. The nature-based approach would achieve the same customer overflow, public health and environmental outcomes as the engineered solution but at a significantly lower cost.

We formed a Community Planning Team (CPT) made up of 23 self-nominated participants. Collectively, the group represents a strong demographic cross-section of the local area.

We held our first CPT workshop in July 2019, which was designed to educate members about the sewerage network and the problems that can occur. The team then visited the Cannery Creek site to provide feedback of their impressions of the local creek and the issues they currently experience.



At the second workshop, presentations were given by both Urban Utilities and external subject matter experts, covering topics such as sewer network upgrade options and costs, public health risk assessments, hydrodynamic modelling and water sensitive urban design. The team also worked with landscape architects and stormwater treatment specialists to co-design the creek corridor they would like to see. At the end of this workshop, an anonymous poll showed that 88% supported the nature-based solution, with the remaining 12% undecided.

At the third and final workshop, the CPT provided comments on the creek corridor plans and drafted their report to Urban Utilities stating their preference of a nature-based solution. They then voted on the preferred design options for the creek

corridor and ranked the elements they'd most like addressed (e.g. reprofiling of muddy areas and managing mosquito zones).

Overall, the CPT provided overwhelmingly positive feedback on the engagement process, feeling they had been listened to and given a valuable opportunity to contribute to the recommended solution. The Urban Utilities project team found the project similarly rewarding, achieving a clear understanding of the community's needs and expectations.

The recommendations from the CPT will inform the development of the concept plans for the Cannery Creek Sewer Upgrade, which, based on early costings, indicate a potential saving of \$30 million compared with the cost of delivering an engineered solution.



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Australia's first 100% electric small SUV,  
completely powered by poo.





## HIGHLIGHTS & CHALLENGES

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### **Introducing the newest member of our 'poo-powered' fleet**

This year, we unveiled 'No.2', Australia's first 100% electric small SUV, completely powered by poo. Like the original 'Poo Car', launched in 2017, No.2 runs on electricity produced by a cogeneration unit at our Oxley Creek Sewage Treatment Plant. Cogeneration involves capturing biogas produced from the sewage treatment process, which drives an engine that creates electricity. This electricity is then used to power No.2.

The vehicle – a Hyundai Kona Electric – achieves a full charge from around 150,000 litres of sewage, which is roughly the daily output of 1,000 people. By fuelling No.2 with a renewable energy source, we are reducing our operational costs and, more importantly, our greenhouse gas emissions.

In the future, we hope to see our entire fleet powered by biogas.





# STRATEGIC GOAL 4: SOCIAL & ECONOMIC VALUE

The provision of quality water and sewerage services is fundamental to the health and wellbeing of our communities – the social and economic value of which is indisputable. 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

- Established Urban Assist to provide customers with financial relief during the COVID-19 crisis.
- Received formal endorsement of our first Reconciliation Action Plan (RAP) from Reconciliation Australia.
- Developed our first Cultural Heritage Management Plan as part of an infrastructure project.
- Continued to educate and empower school students through our dedicated Education Program.
- Continued our long-term partnership with Tangalooma EcoMarines to promote the value of water and protect our waterways.
- Supported numerous community events and initiatives through sponsorship, in-kind donations and participation.
- Funded the transformation of school toilet blocks into water efficient, appealing and safe places for students.
- Played a key role in the development of an Australian Standard for flushable products.

## Our focus for 2020/21

- Deliver initiatives from our 'Reflect' RAP and develop our 'Innovate' RAP.
- Support health, liveability and community connectedness through our role in creating 'green' and 'blue' spaces.
- Form collaborative partnerships to become an integral player in the circular economy.

# 81t

of vetiver grass baled and donated to drought-affected farmers

# 100%

of students and teachers would recommend our Water Warriors show to other schools



# PERFORMANCE AGAINST BUSINESS OBJECTIVES

Business objective	Performance commentary	How we measured our success	
Create societal value through our essential products and services	<ul style="list-style-type: none"> <li>Continued to identify and assess the activities we currently undertake, and could undertake in the future, that provide social and economic value for our communities.</li> <li>Continued to lead the Cooperative Research Centre project to transform sewage treatment in regional Australia.</li> </ul>	<p><b>Creation of human, social, financial and natural benefits (\$ social value created)</b></p> <p><b>Target:</b> \$200k</p> <p><b>Result:</b> &gt;\$200k</p>	✓
Enhance community liveability by embracing circular economy practices and protecting the community from emerging contaminants	<ul style="list-style-type: none"> <li>Commenced work to better define liveability from a customer and community perspective, and how we can deliver on these expectations.</li> <li>The delivery of a customer's on-site distributed solution treatment project was delayed primarily due to a demerger. As a result, revised project costs have been presented to the customer for consideration.</li> <li>Continued to work with key customers to accept their liquid waste, which is used to increase our generation of electricity and by-products from the treatment process, thereby reducing operational costs.</li> <li>Continued working with Water Research Australia to utilise their Contaminants of Emerging Concern (CEC) prioritisation tool to inform our future strategies.</li> <li>Drafted an agreement to commence trialling PFAS (per- and poly-fluoroalkyl substances, usually found in fire-fighting foam) treatment technologies. Established a relationship with Brisbane City Council's Environment Planning Department to facilitate trials at Council's landfill sites. Trials are due to be finalised by the end of July 2020.</li> </ul>	<p><b>Delivery of alternative solutions beyond our core products, which enhance liveability</b></p> <p><b>Target:</b> One distributed solution treatment project under construction</p> <p><b>Result:</b> Achieved</p> <p><b>Reduction of our cost of treatment through the commercial utilisation of capacity for co-digestion of organic waste (% uplift in energy generation as a result of commercial substrates)</b></p> <p><b>Target:</b> 10%</p> <p><b>Result:</b> 10%</p> <p><b>Deployment of innovative solutions that are addressing the impact of emerging contaminants, resource recovery and recycled water</b></p> <p><b>Target:</b> Two new solutions in place</p> <p><b>Result:</b> No new solutions in place</p> <p><b>Our performance challenge:</b></p> <p>Progress on two new solutions was stalled due to COVID-19 impacts.</p>	<div>✓</div> <div>—</div>

Business objective	Performance commentary	How we measured our success
Enhance community prosperity and wellbeing by supporting vulnerable customers, minority groups and local business, and by creating employment and education opportunities	<ul style="list-style-type: none"> <li>Continued our involvement with the Thriving Communities Partnership (TCP) Queensland Chapter.</li> <li>Supported numerous community events and initiatives through sponsorship, in-kind donations and participation.</li> <li>Supported drought and bushfire-affected regions of Australia through a staff-initiated giving program and business-led initiatives.</li> <li>Recognising the impact of COVID-19 on many households and businesses, we set up a dedicated special assistance program, Urban Assist, to provide customers with financial relief.</li> <li>Received formal endorsement of our first Reconciliation Action Plan from Reconciliation Australia.</li> <li>Worked with the Yuggera Ugarapul People, a registered native title claimant for the area, to develop our first Cultural Heritage Management Plan as part of our Swanbank Sewer Augmentation project.</li> <li>Donated 89 x 900kg hay bales to Scenic Rim farmers struggling to recover from the impacts of drought and bushfires. The bales were a mixture of grasses irrigated, grown and harvested onsite at our Boonah Sewage Treatment Plant.</li> </ul>	<p><b>Financial investment leading to measurable community benefits, including health, economic and training outcomes</b> ✓</p> <p><b>Target:</b> \$200k <b>Result:</b> \$200k</p> <p><b>Drive reconciliation and improve the economic, health and social opportunities for Aboriginal and Torres Strait Islander people</b> ✓</p> <p><b>Target:</b> Agreed Reflect Reconciliation Action Plan initiatives completed <b>Result:</b> Achieved</p>



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"There is no doubt whatsoever that the Water Conservation Program is saving both water and money for our school and the environment. We've located leaking taps, urinals, water bubblers and broken pipes. Great product and highly recommend it!"

William, Business Manager at Good News Lutheran School



# HIGHLIGHTS & CHALLENGES

## Partnering, teaching and sharing with our communities

The Urban Utilities Education Program aims to partner, teach and share with our young community, to impart the value of our services and innovatively work together to solve future water and wastewater challenges.

In 2019/20, we delivered a number of education-related initiatives, including the following:

### Partner

#### • School Water Conservation Program

For the second year, we ran our School Water Conservation Program with 17 selected high-water-consumption schools in our service area. The program equips each school with a smart meter, which provides real-time data to identify leaks or faults quickly and, in turn, reduce water wastage.

#### • Tangalooma EcoMarines

We partnered with over 65 EcoMarine ambassador schools to promote the value of water and explore ways to combat water pollution in Moreton Bay, the Brisbane River and surrounding waterways. In 2019/20, we provided environmental leadership opportunities, including school challenges, attendance at high school water and waste conferences, and early childhood toilet-training materials.

#### • Kids Teaching Kids

In 2019, our first Kids Teaching Kids Water and Waste Workshop was attended by 25 students from five EcoMarine high schools. In groups, the students ran 20-minute workshops on environmental topics, including plastics in the ocean, recycling, and protecting Moreton Bay. Mount Maria College won a trip to the Melbourne Water Kids Teaching Kids conference, at which they presented their workshops to students from all over Australia.

### Teach

#### • Water Warriors

Our Water Warriors continued to perform engaging live shows at school assemblies to encourage students to protect the environment by being water efficient and only flushing the Three Ps: poo, pee and paper. Student surveys reported an increase in water literacy of more than 25% after seeing the show and 100% of teachers recommended the performance to other schools.

#### • Beneath the Streets

Our strategic partnership with leading science communicators, Street Science, enabled us to deliver STEAM-focused, curriculum-aligned workshops and shows for primary and secondary school students.

#### • Events

In 2019/20, we hosted more than 10 educational events, allowing us to raise awareness of the value of water, water conservation and healthy waterways.

### Share

#### • Tours

We offered educational tours of our SAS Labs, Innovation Precinct and Resource Recovery Centres to students, increasing their water literacy by over 20%.

#### • Rock the Toilet Block

Our school toilet transformation initiative provided grants to school students to transform their own school toilets into water efficient, appealing and safe places for their fellow students (see page 96).

#### • Pathways

Bridging the gap between school and employment, our industry placements gave students an insight into the industry and future employment opportunities. These unique real-world experiences for young people are a great example of how we're adding social and economic value to our communities.



# HIGHLIGHTS & CHALLENGES

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## **Rocking the toilet block**

In October 2019, we launched our 'Rock the Toilet Block' project, giving students the opportunity to nominate their school for a toilet block transformation.

Across our service territory, we received more than 30 applications, generated 10 positive media stories and recorded over 23,000 interactions on social media. After assessing each application, we chose three schools to receive grants (2x \$3,000 and 1x \$7,000).

The project enables us to partner with the both primary and high school students to deliver community outcomes that support liveable and connected communities and enhance the environment.

The successful schools have the opportunity to install water-efficient devices, such as dual flush toilets, push button taps and tap aerators – benefitting both the environment and the school's finances. Each school will also see their design vision come to life, thanks to a vibrant paint makeover. The three toilet block transformations will be completed by November 2020.

This project is part of the nation-wide initiative, The School Toilet Project, which aims to help students transform school toilets across Australia.

## **Assisting our financially vulnerable customers**

We care about our customers and are committed to supporting those who are most vulnerable, especially during the COVID-19 crisis (see page 25). 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.

This year, prior to the announcement of social distancing measures, we continued to offer our home visit initiative, which provides compassionate face-to-face contact with some of our most vulnerable customers. The team conducted between two and five visits per week, with the majority of customers showing great appreciation for the direct engagement and our willingness to listen and negotiate a personalised solution. It is vital that we provide specialised care for our vulnerable customers and, this year, we were pleased to recruit an additional highly trained Customer Care Officer into our team.

We were also proud to receive overwhelmingly positive feedback from Uniting (a community service organisation, part of one of Australia's largest welfare networks) following its progress review of our Hardship Program. With increases across all measured categories, such as Customer Engagement and Workforce Management, these results were amongst the most impressive ever recorded by Uniting.

As at 30 June, we had 65% of our known hardship customers on a payment arrangement, which allows them to make customised payments off their bill, based on their personal circumstances.



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As at 30 June, we had 65% of our known hardship customers on a payment arrangement.







# HIGHLIGHTS & CHALLENGES

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## Launching our first Reconciliation Action Plan

We are committed to driving reconciliation and improving the economic, health and social opportunities for Aboriginal and Torres Strait Islander peoples.

In December 2019, we were proud to have our first Reconciliation Action Plan (RAP) formally endorsed by Reconciliation Australia. Known as a 'Reflect' RAP – the first in a series of four successive plans – it sets out the actions we will take to improve our understanding of and strengthen our relationships with Aboriginal and Torres Strait Islander communities.

This year, our RAP Working Group led our efforts to deliver on a number of agreed actions, including the following:

- Undertook research to inform the renaming of our meeting rooms to show our respect for the Traditional Owners within our service area. From July 2020, new room names will include Warra (meaning 'expanse of water') and Maiwar (a reference to the Brisbane River).
- Internally promoted the importance of National Reconciliation Week through the sharing of information and links to valuable resources. Due to COVID-19, we were unable to host the events we had planned.
- Compared providers of cultural competency training, which, once confirmed, will be offered to team members via our ULearn training platform in 2020/21.

Next year, we will begin to formulate our second RAP, known as 'Innovate'.



# HIGHLIGHTS & CHALLENGES

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## **Developing an Australian standard for flushable products**

Urban Utilities, along with all other sewerage service providers, is experiencing difficulties with products being incorrectly labelled as 'flushable'. Most of these products don't disintegrate easily, thereby causing costly blockages in the sewerage network.

The absence of a national standard describing what can and can't be flushed simply enables this problem. In 2018, WSAA (Water Services Association of Australia) sponsored the development of Australian Standard AS/NZS5328 Flushable Products, and so commenced a significant program of work to develop and negotiate the standard with manufacturers, retail authorities, and representatives of sewerage service providers. Urban Utilities offered to undertake development of the disintegration test procedure, intended to ensure flushable products disintegrate within 30 minutes of entering the sewer.

At our Luggage Point Innovation Precinct, we have an above-ground test sewer (pictured above), which replicates a typical trunk sewer. While it is ideal for testing product disintegration, few exist in Australia. The accessible alternative is known as a 'slosh-box', which sloshes sample product around in trays under conditions that can be made to replicate the effect of a real sewer. By altering the time, temperature and volume of the slosh-water, the analyst can increase or decrease the turbulence.

We assessed several different products in our test sewer, performing hundreds of replicates to obtain a robust 'sewer dataset'. We then ran hundreds of slosh-box tests at different parameter settings until the results agreed closely with those from the test sewer (sewer dataset).

These results provided our recommendation for the right parameters to use in a convenient bench-top disintegration test for the Australian Standard.





Once the parameters were established, Urban Utilities analysts, Chantal Keane (Applied Chemist SAS Laboratories) and Patti O'Shea (Trade Waste Officer and qualified Applied Chemist), verified the accuracy and repeatability of the test, using slight variations to water hardness, temperature and steps taken to precondition the wipes before sloshing.

The proposed test parameters, having demonstrated a satisfactory degree of repeatability, were incorporated into a detailed test procedure known as AS/NZS Slosh-Box Disintegration Test Procedure.

This procedure, which is highly likely to be incorporated as a key component of the Australian Standard (AS/NZS5328 Flushable Products), now needs to perform satisfactorily in a series of tests by international experts in America, Canada and Australia.

These are expected to be undertaken in late 2020.

The development of an Australian standard for flushable products will provide the basis for informative and accurate labelling.

This will enable members of the public to purposefully select and flush products designed for flushing, which will help protect not only the sewer network, but household pipes, too. Urban Utilities is proud to have played such a vital role in the development of this national standard.

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We were proud to develop a testing procedure to ensure flushable products disintegrate within 30 minutes of entering the sewer, thereby protecting it.

# HIGHLIGHTS & CHALLENGES

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## Turning waste into valuable resources

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 2019/20, we continued to focus on expanding codigestion 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 commenced liquid codigestion at our Luggage Point Resource Recovery Centre, which is now a fully operational service that imports beverage and dairy wastes from our commercial customers. Additional volumes of biogas generated through this process are then converted into electricity to reuse on site. This year, we were pleased to execute one new contract and extend two others.

### • 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 Enerpel™ for biosolids management. The technology uses a proprietary non-thermal self-drying process to produce pellets with more than 80% dry solids content. Whilst the pellets can be used as a soil conditioner, they have an equivalent calorific value to biomass and can be incinerated at high enough temperatures to destroy contaminants, which is becoming a limiting factor for ongoing land application.

Trials of the technology are currently underway at our Luggage Point Resource Recovery Centre.





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The technology uses a proprietary non-thermal self-drying process to produce pellets with more than 80% dry solids content.



# DELIVERY OF STRATEGIC PROJECTS

## CONSTRUCTIVE CULTURE

### Project objective:

Ensure team members feel valued and included in decisions that affect them and have the necessary tools, resources and autonomy to deliver excellent work that is recognised.

### Strategic Goals supported:

- Constructive Culture
- Foundational Success

### Performance summary:

- Communications and Engagement, and Health and Wellbeing initiatives were delivered as expected. Notably, we:
  - Finalised and began implementing our Internal Communication Strategy, which provided solid direction for our COVID-19 communications.
  - Progressed our manual task risk management analysis, despite COVID-19 impacts.
  - Delivered several Better Minds initiatives, which supported the wellbeing of our people through personal and work-related COVID-19 impacts.
- Redefined and expanded our Learning and Development initiative in early 2020 to take a more strategic, enterprise-wide approach; therefore, expected results were not delivered.

### Status:



## CUSTOMER STRATEGY

### Project objective:

Become a truly customer-centric business by developing a customer-centric mindset, turning customers' insights into actions and delivering an effortless customer experience.

### Strategic Goals supported:

- All

### Performance summary:

- Overall, the first 12 months of implementing our Customer Strategy were successful. While we experienced some challenges in delivering our digital initiatives due to cost, resourcing and re-prioritisation constraints, including those related to COVID-19, we were able to effectively pivot and continue to improve the customer experience across our key customer journeys and lift the application of customer insights in decision making across the business.

### Status:



## SOCIAL VALUE

### Project objective:

Operate in an ethical and sustainable manner and deliver products and services that have a positive impact on society to build trust and support long-term performance.

### Strategic Goals supported:

- All

### Performance summary:

- Achieved our objectives in the Community and Hardship workstreams, including social value-related sponsorships and partnerships.
- The Reconciliation Action Plan workstream made significant progress; however, some events were postponed due to COVID-19 restrictions.
- Our Advanced Solutions workstream activities progressed well; however, some experienced delays due to COVID-19 restrictions.

### Status:



## TARIFF REFORM

### Project objective:

Achieve continuous improvement in customer experience by removing complexity and reducing customer effort.

### Strategic Goals supported:

- Foundational Success
- Social & Economic Value

### Performance summary:

- Status is due to uncertainty around the scope and approach moving forward, caused by COVID-19 impacts and conflicts with other technology and customer projects.
- Revised scope and approach is expected to be resolved early 2020/21.

### Status:



## SERVICING STRATEGY

### Project objective:

Implement a circular approach to recycling and reusing our valuable water resources to ensure our water supply remains secure and able to support our growing communities into the future.

### Strategic Goals supported:

- Foundational Success
- Environmental Leadership
- Social & Economic Value

### Performance summary:

- Successfully trialled ways to develop and implement integrated plans. This included a shift in our planning approach to evidence-based decision-making, alignment with strategic planning and adaptive pathways, and the pursuit of alternative solutions.
- Completed our Receiving Environment Digital Twin project foundation work, with phase 2 scheduled to commence in early 2020/21.

### Status:



## ACTIVE MANAGEMENT STRATEGY

### Project objective:

Transform the way existing water and sewerage systems are managed to reliably deliver communities' service requirements with existing infrastructure at a lower cost.

### Strategic Goals supported:

- Foundational Success
- Environmental Leadership

### Performance summary:

- Developed an Active Management Strategy and engaged a delivery partner, with a roadmap drafted for stakeholder review in early 2020/21.
- Baseline of performance in sub-catchments is planned to commence to enable benefits to be assessed and measured.
- Due to the overlap, this strategic project is being amalgamated under the Servicing Strategy project for in 2020/21.

### Status:



# DELIVERY OF STRATEGIC PROJECTS

## ASSET AND CAPITAL MANAGEMENT

### Project objective:

Enable sustainable service delivery through optimised planning and management of assets to achieve the right balance between cost, risk and performance.

### Strategic Goals supported:

- Constructive Culture
- Foundational Success
- Environmental Leadership

### Performance summary:

- Reviewed asset risk models for all asset classes, with the focus on enhancing downstream processes to ensure effective risk mitigation.
- Completed the Optimisation Model for water mains, informing solutions for improved service delivery. Outputs of the model are being tested to enable integration of benefits into the Capital Investment Program. The model for sewer mains is being developed.
- Began integrating our strategic and tactical asset management functions as part of our Target Operating Model project.

### Status:



## DIGITAL STRATEGY

### Project objective:

Uplift both analytics and digital capabilities across the organisation to improve customer and employee experience and provide proactive and real-time monitoring of performance.

### Strategic Goals supported:

- Constructive Culture
- Foundational Success

### Performance summary:

- The majority of our Digital Strategy and Roadmap initiatives progressed to schedule. These internal and customer-facing solutions aim to improve the customer experience and support our team members to do so.

### Status:



## ENTERPRISE ASSET MANAGEMENT SYSTEM

### Project objective:

Implement an Enterprise Asset Management Solution (EAMS) that will optimise service delivery across our assets to enable enhanced decision-making and drive efficient business practices.

### Strategic Goals supported:

- Constructive Culture
- Foundational Success




### Performance summary:

- EAMS successfully went live on 6 July 2020.
- Due to COVID-19, all user training was delivered virtually and online. Despite the challenges, all training was completed prior to go-live.
- Hypercare – an enhanced level of support – is planned to be provided until 31 August 2020.

### Status:





CORE SERVICE DELIVERY OPERATING MODEL		
<b>Project objective:</b>	Re-design our core service delivery operating model and develop a roadmap that will define the end-to-end, integrated asset management lifecycle approach.	<b>Strategic Goals supported:</b> • All
<b>Performance summary:</b>	<ul style="list-style-type: none"> <li>Expanded and renamed the project to consider Urban Utilities' Target Operating Model.</li> <li>Implemented our revised group structure and appointed most new executive roles.</li> <li>Significantly progressed the high-level design of most groups, excluding those greatly impacted by the EAMS project.</li> <li>The design of each group was heavily informed by feedback received through our employee effectiveness and culture surveys, as well as feedback received through engagement with the new groups.</li> </ul>	<b>Status:</b> 
PROGRAM MANAGEMENT APPROACH		
<b>Project objective:</b>	Implement an integrated, program-based, benefits-driven approach to capital investment.	<b>Strategic Goals supported:</b> • All
<b>Performance summary:</b>	<ul style="list-style-type: none"> <li>The implementation of the PMA model made significant progress throughout the year, with all four network framework contracts awarded, our revised operating model implemented, and resourcing of new roles well advanced.</li> </ul>	<b>Status:</b> 
CUSTOMER PRICEPOINT		
<b>Project objective:</b>	Deliver and embed operational efficiencies through projects in the execution stage and identify additional opportunities.	<b>Strategic Goals supported:</b> • Constructive Culture • Foundational Success
<b>Performance summary:</b>	<ul style="list-style-type: none"> <li>Benefits tracking established and updated for the targeted savings embedded in the 2020/21 budget.</li> <li>Developed a Benefit Reporting Framework. Phase one provides a structured approach and clarity on how we will plan, monitor and ensure confidence to achieve the embedded benefits.</li> </ul>	<b>Status:</b> 

# CHAPTER 4: CORPORATE GOVERNANCE

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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.


We are committed to a high level of corporate governance and to fostering 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*.

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We are committed to a high level of corporate governance and to fostering a culture that values ethical behaviour, integrity and respect.





# OUR GOVERNANCE STRUCTURE





# OUR SHAREHOLDERS

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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*, 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 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 Urban Utilities Board comprises eight independent, non-executive members, including the Chair. 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 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 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 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.



**BRONWYN MORRIS AM** (CHAIR)  
**B.Com, FCA, FAICD**

Bronwyn was appointed to the 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, financial services, retail and managed services.

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

Bronwyn is a Chartered Accountant and former partner of KPMG.



**JOHN COTTER**  
(DEPUTY CHAIR)  
**BRTP, M (Applied Finance), GAICD, FAIM**

John was appointed to the Urban Utilities Board in January 2014.

John is the CEO of Initiative Capital, a private venture capital firm in alternative infrastructure assets.

He serves on the major investment boards and as the Managing Director of Bowen River Utilities, which is developing a large-scale dam and pumped hydro project.

He also 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).



**MARK GRAY**  
**D.Univ, B.Econ (Hons), Sf Finsia, FAICD**

Mark was appointed to the Urban Utilities Board on 1 July 2019.

Mark is a highly experienced Company Director. He is currently Chair of Sugar Terminals Limited and Tailored Superannuation Solutions. He is also a Non-Executive Director of the Boards of Data#3, genomiQa, the Royal Flying Doctor Service and Queensland Cricket.

Mark has also had a distinguished executive career, primarily in financial and economic services. He has held Chief Executive roles with the Queensland Treasury Department, the Queensland Competition Authority and the Queensland Commission of Audit, as well as senior executive roles with the Macquarie Group and BDO.



**KATHY HIRSCHFELD AM**  
**B.E. (Chem), HonFIEAust, FTSE, FIChemE, FAICD**

Kathy was appointed to the 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.



**BRUCE LESLIE  
BE (Hons), MEngSc,  
DEng, RPEQ, FIEAust,  
FAIE, MAICD**

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

Bruce has worked as a consulting mechanical engineer for over 30 years, specialising in the commercialisation of innovation. He managed and grew his mining equipment consultancy from foundation through to its acquisition by CQMS Razer 25 years later. Since leaving CR in 2018, he has been working as an engineering manager on a concentrated solar thermal power project.

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



**JULIE-ANNE  
SCHAFFER  
LLB (Hons), FAICD,  
ANZIIF**

Julie-Anne was appointed to the 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.



**PHILLIP  
STRACHAN  
B.Com, FCPA, MAICD**

Phillip was appointed to the Urban Utilities Board on 1 July 2019.

Phillip has held a number of executive roles over a 35-year career with the Rio Tinto Group, including the Chief Executive Officer of the global Bauxite and Alumina business based in Brisbane and Chief Financial Officer at the Rio Tinto global aluminium product group based in Montreal.

He is currently Chair of Coal Network Capacity Co, on the Board of the Great Barrier Reef Foundation and is a member of Sunshine Coast University's Audit and Risk Committee and Planning and Resources Committee.



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

Graham was appointed to the 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.



# OUR BOARD COMMITTEES

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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 117.

## AUDIT AND RISK COMMITTEE

In 2019/20, the Audit and Risk Committee included Julie-Anne Schafer (Chair), John Cotter, Phillip Strachan and Bronwyn Morris (Board Chair Ex-Officio). 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 2019/20, the Finance and Pricing Committee included John Cotter (Chair), Graham Thomsen, Bruce Leslie, Mark Gray and Bronwyn Morris (Board Chair Ex-Officio). 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 2019/20, the People and Safety Committee included Kathy Hirschfeld (Chair), Julie-Anne Schafer, Phillip Strachan and Bronwyn Morris (Board Chair Ex-Officio). The executive sponsors were Glenn Smith (until November 2019), Mark Letica (from November 2019 – April 2020) and James Dymock (from May 2020).

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 2019/20, the Strategic Asset Management Committee included Graham Thomsen (Chair), John Cotter, Kathy Hirschfeld, Bruce Leslie and Bronwyn Morris (Board Chair Ex-Officio). The executive sponsors were Paul Belz (until April 2020) and David Brooker (from May 2020).

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.

Board member meeting attendance										
Member	Ordinary Board		Audit & Risk Committee		Finance & Pricing Committee		People & Safety Committee		Strategic Asset Management Committee	
	H	A	H	A	H	A	H	A	H	A
Bronwyn Morris	10	10	4	4	4	4	4	3	6*	6
John Cotter	10	9	4	4	4	4			6*	5
Mark Gray	10	10	4	3	4	4				
Kathy Hirschfeld	10	9					4	4	6*	5
Bruce Leslie	10	10			4	4			6*	5
Julie-Anne Schafer	10	10	4	4			4	4		
Phillip Strachan	10	10	4	4			4	4		
Graham Thomsen	10	9			4	3			6*	6

\*5 regular meetings + 1 special meeting

# 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 Urban Utilities.



**LOUISE DUDLEY**  
CHIEF EXECUTIVE  
OFFICER  
**BCom, CA, GAICD,  
EngExec**

Louise was appointed Chief Executive Officer of 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 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.

Louise's core competencies include accounting and finance, strategy, risk and crisis management, customer, human resources management and stakeholder management.



**DAVID BROOKER**  
EXECUTIVE LEADER  
SERVICE DELIVERY  
**BE (Chem)**

David became Executive Leader Service Delivery on 27 April 2020. This role forms part of the new Target Operating Model group structure (page 69). In this role, David is responsible for Urban Utilities' network operations, network maintenance, billing and metering.

David originally joined Urban Utilities in May 2017 as Production Manager.

Prior to Urban Utilities, David held several senior management roles within the water industry, including Chief Operating Officer Water & Waste at Mackay Regional Council.

David's core competencies include engineering and technical, strategy, risk and crisis management, customer, and corporate governance.



**RUTH COULSON**  
CHIEF FINANCIAL  
OFFICER  
**B.Com, CA, GAICD**

Ruth is responsible for Urban Utilities' financial activities, regulation, procurement, pricing, billing and debt management functions.

She has a background in finance, operations, capital management, and major transformation and change initiatives.

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.

Ruth's core competencies include accounting and finance, strategy, risk management, human resources management and corporate governance.



**JAMES DYMOCK**  
CHIEF EXPERIENCE  
OFFICER  
**BA (Psych), Grad Dip  
HRM & IR**

James joined Urban Utilities as Chief Experience Officer (CXO) on 5 May 2020. This role forms part of the new Target Operating Model group structure (page 69).

As CXO, James is responsible for both the customer and employee experience. He oversees the following functions: Human Resources, Talent & Leadership, Health & Safety, Employee Experience, Employee Relations, Marketing, Digital, Media and Customer Experience.

Over his 20-year career, James has held senior leadership roles at The Star Entertainment Group, Virgin Australia and Toyota Motor Corporation.

James's core competencies include strategy, risk management, customer, and strategic human resources leadership.





**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 multinational organisations including Telstra, Boeing and Verizon.

Ian is accountable for 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.

In addition to his role as Executive Leader Commercial Customers, Ian acted as Executive Leader Customer and Community from November 2019 to May 2020.

Ian's core competencies include engineering and technical, strategy, risk management, corporate governance and customer.



**SUSAN HEATH**  
CHIEF INFORMATION  
OFFICER  
**BA, GDipLib&InfSc, MIT**

Susan is responsible for managing all aspects of 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 Urban Utilities in September 2016, Susan led IT Strategy and Architecture for Brisbane Airport Corporation.

Susan's core competencies include strategy, risk management, human resources management, information technology and crisis management.

Susan resigned from Urban Utilities in October 2020.



**MARK LETICA**  
EXECUTIVE LEADER  
GOVERNANCE  
**BCom, GAICD**

Mark is responsible for Urban Utilities' strategic planning, performance management, corporate reporting, corporate records and publications functions.

He is also responsible for internal audit, assurance and corporate property, as well as innovation, research and development, and shareholder relations.

In addition to his role as Executive Leader Governance, Mark acted as Executive Leader People and Safety from November 2019 to May 2020. In May 2020, he was appointed as lead of the COVID-19 Program Management Office.

Mark's core competencies include strategy, risk management, human resources management, corporate governance and stakeholder management.



**TRACEY MOORE**  
GENERAL COUNSEL AND  
BOARD SECRETARY  
**BA LLB (Hons), MA  
(Hons), GAICD, AGIA**

Tracey is responsible for the provision of the legal, insurance, risk and resilience management functions at 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.

Tracey's core competencies include law, strategy, corporate governance, and risk and crisis management.



# OUR EXECUTIVE ADVISORY GROUPS

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During 2019/20, we had six advisory groups assisting the Executive Leadership Team to fulfil its responsibilities.

Each group operates 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.

## **EXECUTIVE RISK COMMITTEE**

The purpose of the Executive Risk Management Committee is to identify, assess and manage risks that are material to the achievement of Urban Utilities' business and corporate objectives. It also provides oversight across all business groups to ensure that risk management activities are embedded into business practices.

## **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.

## **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.

## **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.

## **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.



# 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.

In 2020, we thoroughly reviewed the following external trends and considered their implications on our organisation.

External trend	
<b>Changing economic conditions</b>	We are looking for new ways to respond to low interest rates and inflation, an expected decrease in infrastructure charges, and the overall impact of COVID-19 on our economy.
<b>Climate change and impact on water supply</b>	We must be resilient to climate change and continue to protect the health of our waterways and source water. Our strategies include active management of water networks, taking a total water cycle approach that delivers benefits outside of traditional water solutions, and focusing on receiving environment management.
<b>Urbanisation and population/ demographic changes</b>	To support population growth and urbanisation, we are leveraging opportunities to gain greater industry insight, partner on strategic initiatives and play a role in enhancing the liveability of communities.
<b>Changing societal and community expectations</b>	Being trusted and transparent have become key focal points for us. We work with partners in a coordinated way in more open systems to combine capabilities in new and innovative ways. We focus on doing the right thing via our Reconciliation Action Plan and being good corporate citizens.
<b>Changing customer expectations</b>	A focus on drinking water quality remains our priority. We work collaboratively with high-value customers to achieve greater network optimisation and have adopted a more inclusive approach to decision-making by leveraging customer insights.
<b>Capabilities, people and skills for the future</b>	This trend has been exacerbated by COVID-19, with employees working remotely and our organisation adopting new ways of working. We focus on understanding different needs and expectations of each generation and consider robotics and automation in our work.
<b>Rise of technologies and data</b>	We are making better use of the data we have now, and identifying the data we can collect in the future, to improve decision making and how we deliver our services.





# OUR PLAN FOR THE FUTURE

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## OUR STRATEGIC INTENT

As at 1 July 2019, we transitioned to a five-year Statement of Strategic Intent, meaning we are no longer required to review and update our strategy every 12 months. Rather, we retain the same strategic intent for the stipulated five-years, and only make revisions in the event of significant business or industry changes. We will also continue to produce an Annual Operational Plan, which sets out how we will action our strategic intent in the next financial year.

These changes bring Urban Utilities in line with the majority of our shareholders whose strategic plans are managed in a similar manner.

Our response to the COVID-19 pandemic has tested and proven our resilience and agility as a business, and while we remain committed to delivering against our strategic direction as documented in our *2024 Statement of Strategic Intent*, we are acutely aware that we must remain flexible, and that our priorities may shift as the situation evolves.

In collaboration with our Board, a decision was made in early 2020 to retain our strategic direction for 2024 on an interim basis, pending a further review later in the year when the full impact of COVID-19 will be better understood. Any significant changes directly impacting our organisation will be considered in 2020/21.

Regardless of the challenges we face, we remain committed, more than ever, to delivering our purpose and vision.

To deliver our strategic direction, we have 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, group plans and individual work plans, make up our strategic planning framework (right).



**PURPOSE**

**VISION**

**STRATEGIC GOALS**

**OBJECTIVES QUANTIFIED BY MEASURES & TARGETS**

**MEANS OF DELIVERY**

**STRATEGIC  
INITIATIVES**

**BUSINESS  
IMPROVEMENT**

**ONGOING  
IMPROVEMENT**

**MY TEAM'S PLAN**

**MY PLAN**

**OUR CULTURE AND VALUES**

# OUR PLAN FOR THE FUTURE

## OUR STRATEGIC INTENT (CONTINUED)

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 CX.</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 embracing circular economics practices 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>

In 2019/20, we launched a portfolio of strategic projects to support the delivery of our *2024 Statement of Strategic Intent*. These projects, and the initiatives we have delivered to date, can be seen on pages 104-107.

## OUR STRATEGIC RISKS

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

Strategic goals	Strategic risks
<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.</li> </ul>
<b>Environmental Leadership</b>	<ul style="list-style-type: none"> <li>• Event causing environmental harm requiring notification to the regulator.</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>



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

# OUR PLAN FOR THE FUTURE

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## 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 work in partnership with other service providers across the region to deliver on the community's liveability requirements and to ensure that we can continue to do so well into the future.

We work in partnership with our key stakeholders to optimise the way services are provided. This allows us to minimise the cost to our customers by ensuring services are available in the right place at the right time. 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. By working in this way, we can influence prudent and efficient delivery of services and are able to use an appropriate mix of traditional and non-traditional approaches to maximise the value delivered through infrastructure investment.

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

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. We have joined with the other service providers across the region to provide collaborative support for updates to the Water Security Program.

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

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## RISK MANAGEMENT

Our Enterprise Risk Management Framework was developed and implemented in accordance with the *ISO 31000:2018 Risk Management*.

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 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 122).

The Enterprise Risk Management Framework, in conjunction with our Performance Management Framework, 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 215).

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 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 2019/20, KPMG provided internal audit services for Urban Utilities. These services were performed in accordance with a Board-approved Internal Audit Charter and Internal Audit Plan. This plan has regard for 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 2019/20, Internal Audit undertook seven audits. The audits were separated into strategic risk-based reviews, core business process reviews and information technology reviews.

## CONTINUOUS ASSURANCE

Urban Utilities continued its data analytics-based continuous assurance program during 2019/20, supported by KPMG and independent to the Internal Audit services provided.



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**

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.

## **HUMAN RIGHTS**

We are committed to delivering our products and services to the community in a manner that is consistent with our corporate values and aligned to people's human rights. To demonstrate this, we have:

- Assessed our policies, procedures and practices for compatibility with human rights.
- Developed procedures to assist decision makers to identify human rights risks and take the necessary steps to ensure any decision or action is compatible with human rights.
- Implemented a process to ensure human rights are considered as part of the policy development and review processes.
- At an enterprise level, we communicated about the new *Human Rights Act* and the significance for Urban Utilities.
- Incorporated human rights considerations into our procurement policy, processes and contracts to support the elimination of modern slavery in our supply chain.

- At an enterprise level, we communicated about the new *Modern Slavery Act* and the actions Urban Utilities is taking to identify modern slavery and other labour rights risks within our operations and supply chain.
- Assessed the inherent risk of modern slavery within our business and supply chains.
- Developed a Supplier Code of Conduct which establishes Urban Utilities' expectations of our suppliers and their supply chains in supplying goods and services to us.
- Incorporated human rights into our complaint handling processes.

In 2019/20, one human rights complaint was received. This complaint was investigated, and an explanation was provided to the complainant.



# ACCOUNTABILITY AND TRANSPARENCY

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## 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 58) are reported to our Executive Leadership Team, Board and all employees on a monthly basis. They also form the basis of regulatory reporting, 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, to our Board on a quarterly basis and to shareholders on a half-yearly 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

Urban Utilities is compliant with the *Public Records Act 2002*, *Records Governance Policy* and the *Records Governance Policy Implementation Guideline 2018*. Policies are in place for recordkeeping, email management, retention and disposal of records, managing information on shared network drives and information security. Our skilled Records Management team oversees the lifecycle of both our digital and physical.

We continue to look for opportunities to improve our records governance, reduce our information footprint, and develop a collaborative culture based on the sharing of knowledge.

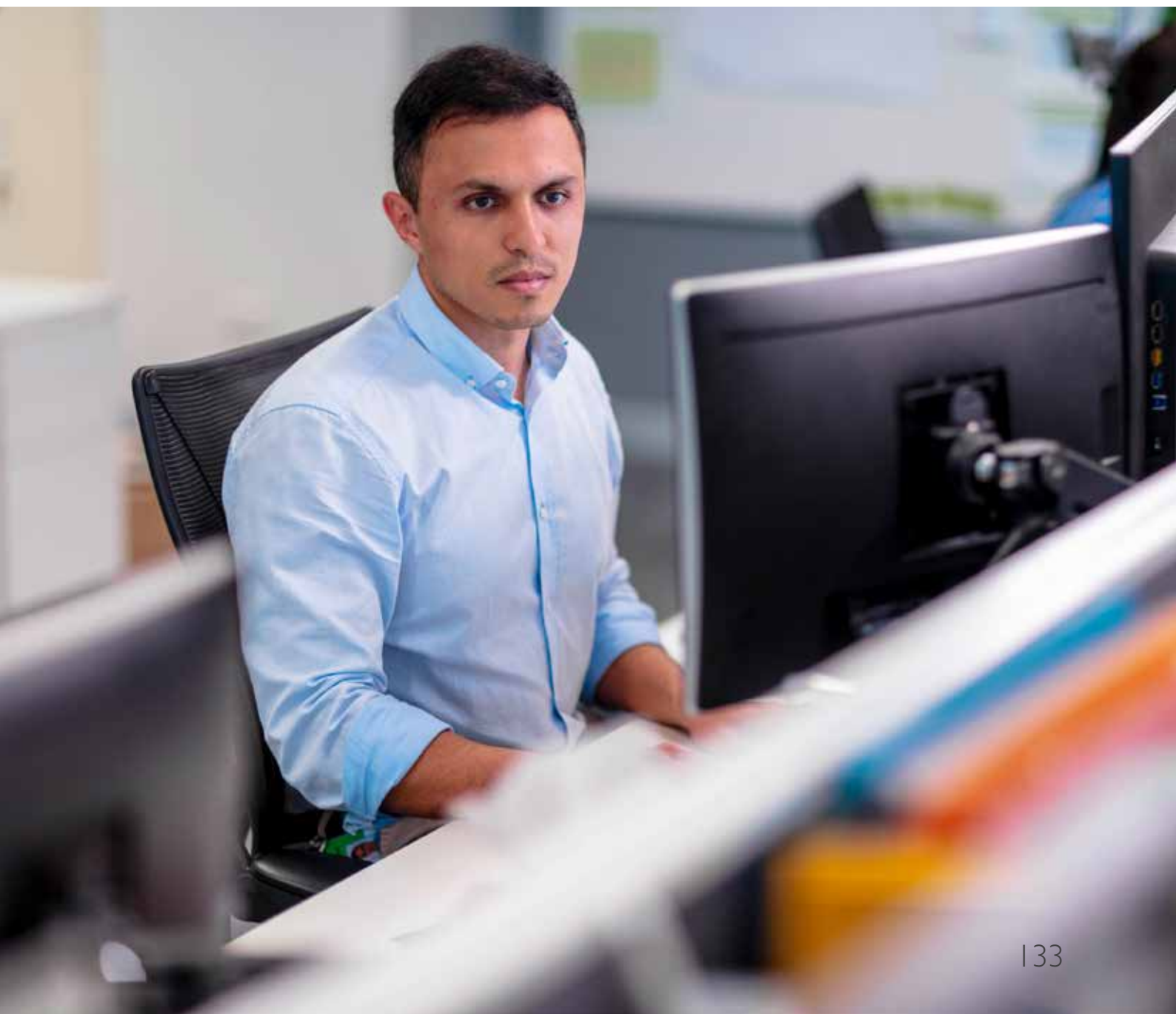
In 2019/20, we:

- Completed a review of our Information Management Governance Framework and supporting documentation to ensure compliance and fit-for-purpose recordkeeping and information management.
- Developed online learning for staff around public record keeping.
- Developed a five-year roadmap to drive an uplift in the information management capability across the organisation.
- Completed a review of all off-site storage records.
- Completed a review of legacy records management data and undertook a subsequent data cleanse.

# OTHER DISCLOSURES

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





# CHAPTER 5: FINANCIAL PERFORMANCE

## CHIEF FINANCIAL OFFICER'S SUMMARY

### Financial performance at a glance

- Operating profit before tax and capital revenues: \$122.6 million, down 6.1% on 2018/19.
- Profit after tax: \$223.6million, down 1.3% on 2018/19.
- Total revenue: \$1,437.4 million, up 4.2% on 2018/19.
- Operating cost base: \$1,114.2 million, up 5.5% on 2018/19.
- Capital expenditure (including developer donated assets): \$495 million.
- Gearing consistent at 38%.

### Financial performance for the year ended 30 June 2020

For the year ended 30 June 2020, Urban Utilities reported an operating profit before tax and capital revenues of \$123 million, which was 6.1% lower than our 2018/19 result. Our net profit after tax of \$224 million was a \$3 million decrease on 2018/19.

As a result of COVID-19, Urban Utilities has, to date, seen a reduction in developer cash contributions, increased residential and commercial customer hardship requests and a decline in consumption in some commercial customer segments. We expect to continue to experience reduced contributions from developers resulting from the downturn in the economic environment, and continued requests from customers in hardship that will impact the timing of cashflows and recoverability of utility charges. A six-month price freeze to January 2021 was announced to support our community.

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.

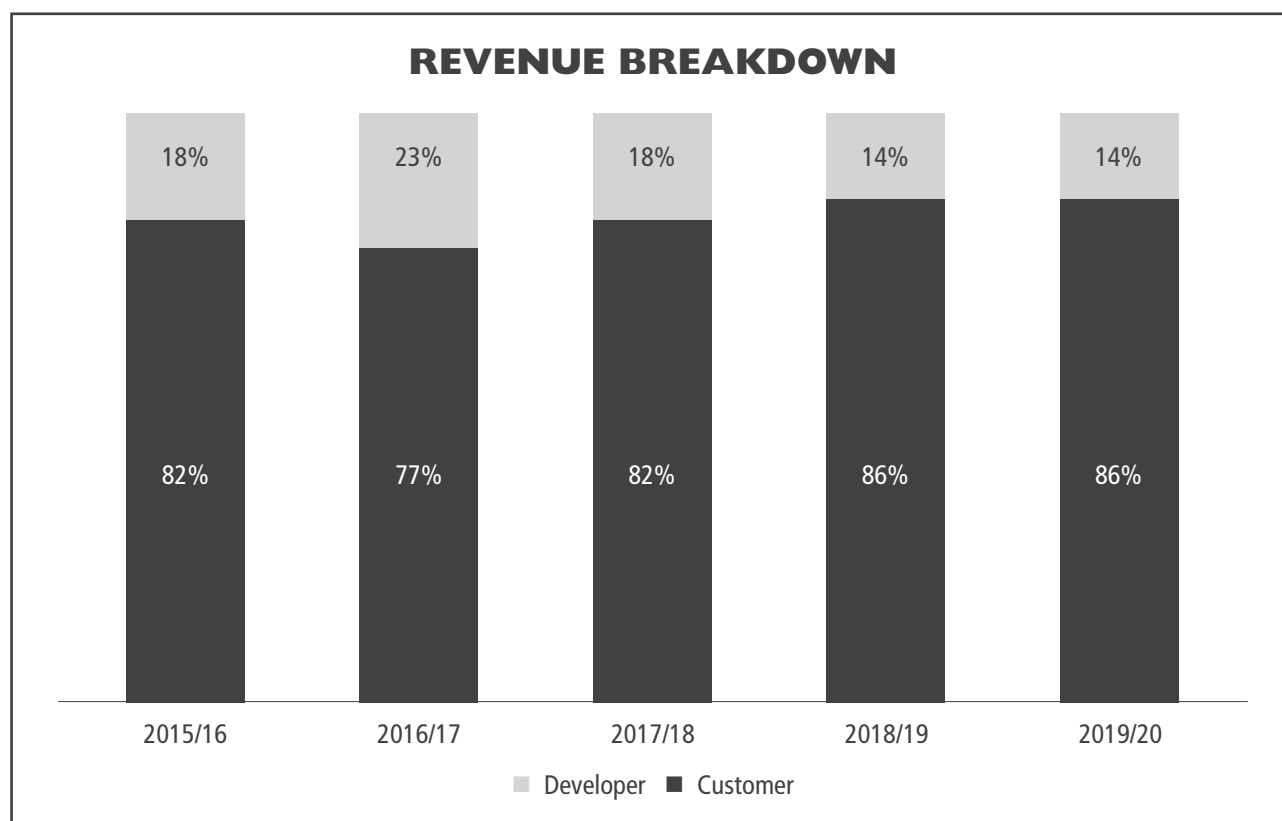
Our five-year financial performance summary is detailed below:

\$m	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue	1,037	1,069	1,109	1,182	1,237
Operating expenses	(935)	(965)	(985)	(1,053)	(1,114)
<b>Operating profit before tax and capital revenues</b>	<b>103</b>	<b>104</b>	<b>124</b>	<b>130</b>	<b>123</b>
Capital revenues	232	313	239	195	201
<b>Profit before tax</b>	<b>335</b>	<b>417</b>	<b>363</b>	<b>325</b>	<b>323</b>
Taxation expense	(103)	(125)	(110)	(99)	(100)
<b>Profit after tax</b>	<b>232</b>	<b>291</b>	<b>253</b>	<b>227</b>	<b>224</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 2019/20 was \$243 million, which was a decrease of \$2 million against 2018/19. These funds will be invested back into our shared communities.

### Revenue summary

Urban Utilities' gross revenue for the year ended 30 June 2020 was \$1,437 million and had two main sources: customers and developers.



Customer revenue was generated through \$734 million in water utility charges and \$473 million in wastewater utility charges, with the remainder from our professional services, such as SAS Laboratories and developer services. For 2019/20, customer revenue represented 86% of total revenue, consistent with 2018/19.

Customer revenue increased by \$54 million (5%) on 2018/19, which was proportional to property growth, water usage and an average price increase of 2.0%. Around 14,000 properties were added to the customer base in 2019/20.

Developer revenue increased by \$5 million (2.8%) on 2018/19. The higher 2018/19 result was a reflection of both the level of construction activity and the economic environment at the time, with only a small downturn in cash contributions resulting from COVID.

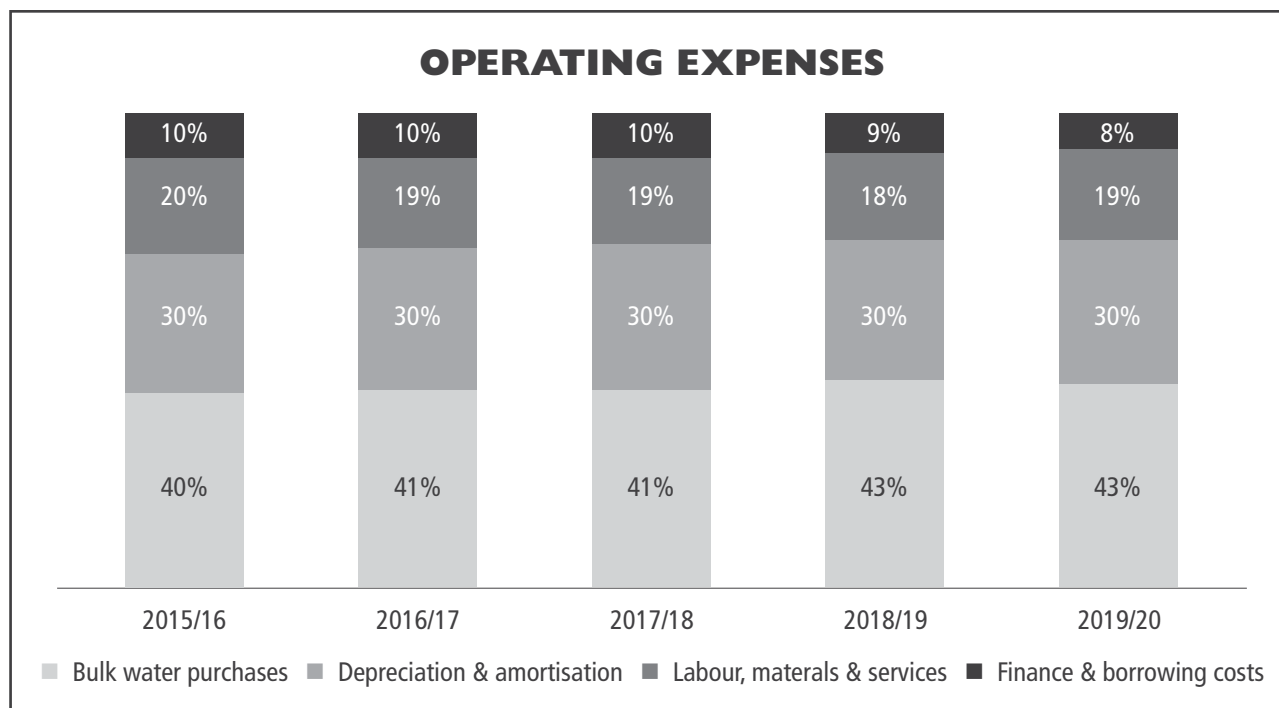
# CHAPTER 5: FINANCIAL PERFORMANCE

## CHIEF FINANCIAL OFFICER'S SUMMARY (CONTINUED)

### Operating expense summary

The overall increase in total operating expenses was \$61.7 million. Of this, \$20.1 million was attributed to increases in bulk water charges, while the remaining \$41.6 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 continues to account for 43% of our operating cost base.

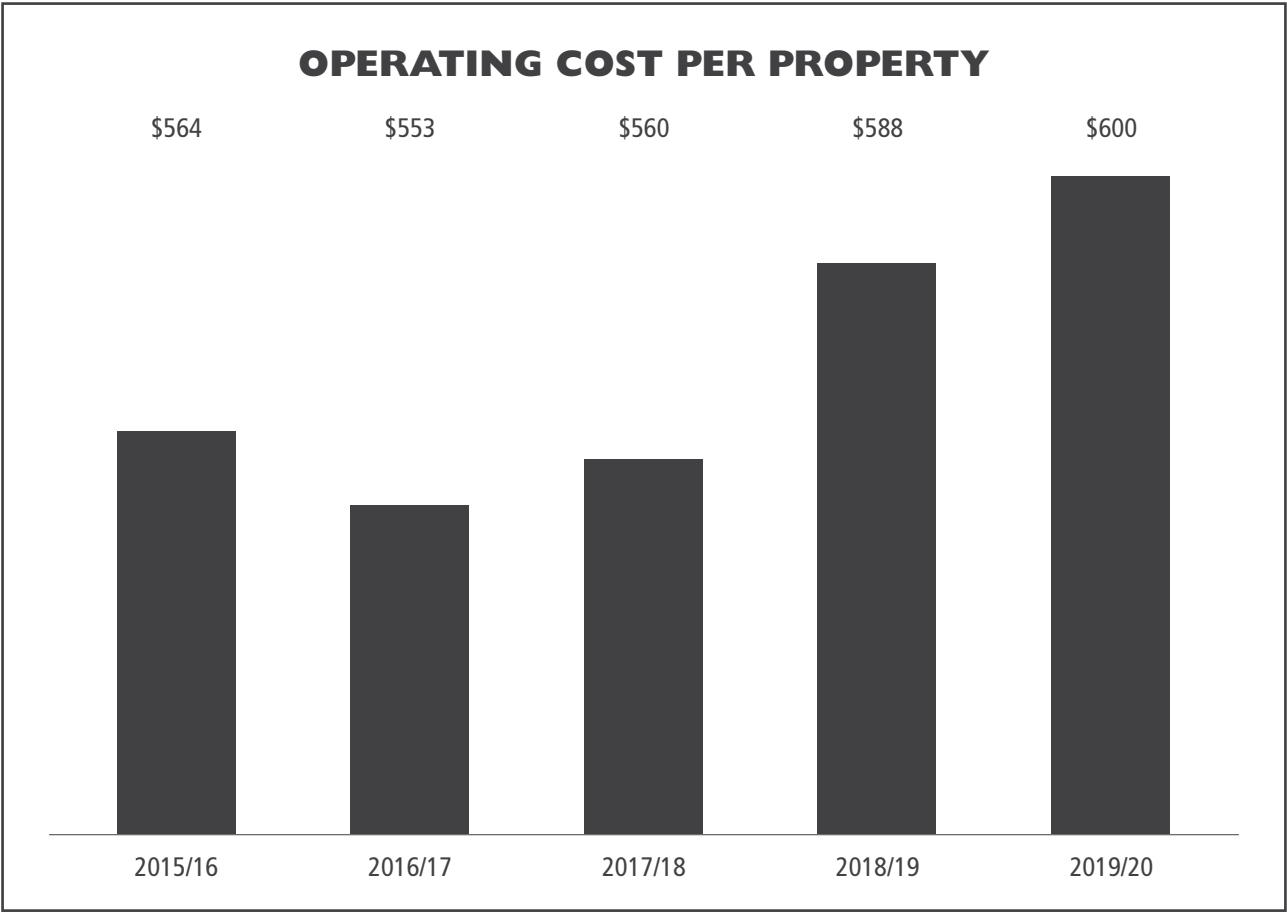
The increase in the cost of service delivery to customers was impacted by a \$16.1 million increase in depreciation and amortisation, which represents the consumption of the useful life of our assets and the depreciation on our leased building assets. Our infrastructure assets' useful lives range from 10 to 110 years. As the size of our asset base grows, so too does our depreciation expense. In 2019/20, an additional \$6.7 million was incurred for maintenance of our infrastructure assets, with an additional \$1.3 million spend on the operating costs of our investment portfolio.





**Operating cost per property**

There was a 2% increase in our operating cost per property from 2018/19 to 2019/20, in line with general inflation. 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.



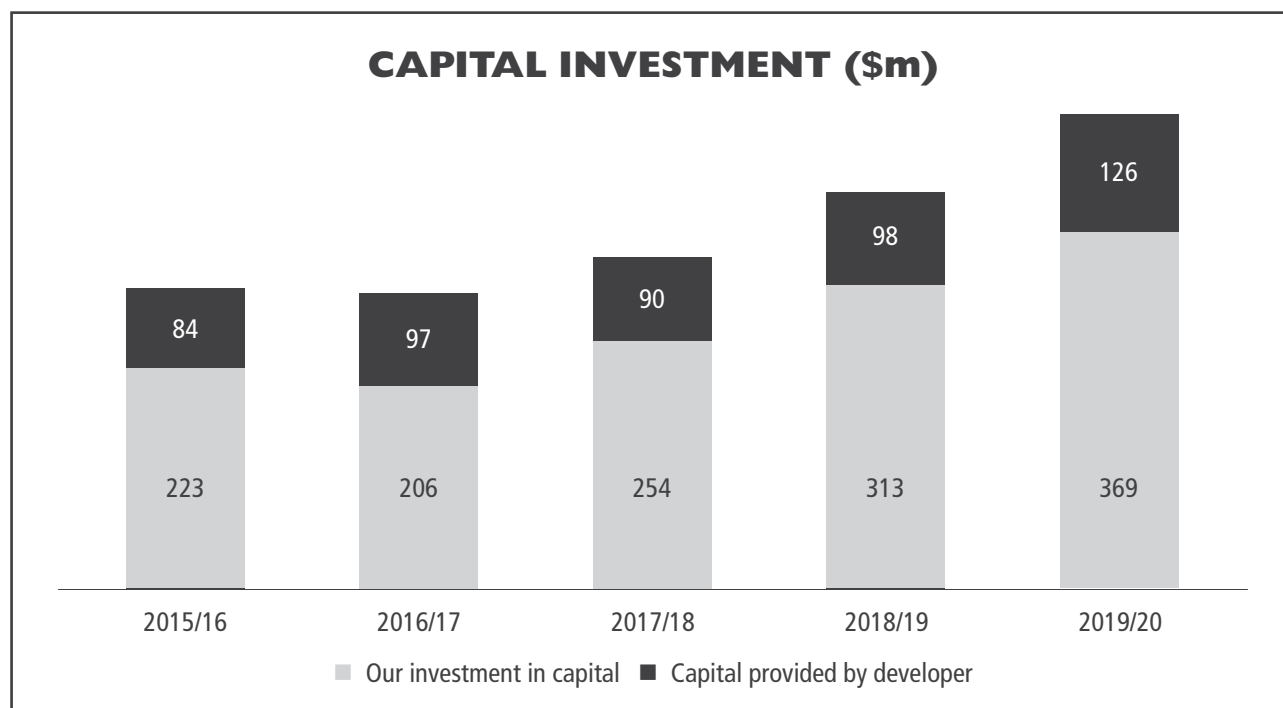
# CHAPTER 5: FINANCIAL PERFORMANCE

## CHIEF FINANCIAL OFFICER'S SUMMARY (CONTINUED)

### 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	2015/16	2016/17	2017/18	2018/19	2019/20
Our investment in capital	223	206	254	313	369
Capital provided by developer*	84	97	90	98	126
<b>Total investment</b>	<b>307</b>	<b>303</b>	<b>344</b>	<b>411</b>	<b>495</b>



\*Included within 2019/20 is \$22.6 million of infrastructure assets that relate to prior financial years, although for accounting purposes this amount has not been included as capital revenue, but has been adjusted to the opening balance of retained earnings.

### Key performance measures

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

Key Performance Measures	Unit	2015/16	2016/17	2017/18	2018/19	2019/20
Return on assets	%	7.6%	8.8%	7.8%	6.9%	6.4%
Return on equity	%	7.4%	8.9%	7.6%	6.6%	6.4%
EBITDA interest cover	times	4.14x	4.00x	4.25x	4.52x	4.48x
Funds from operations to net debt	%	11%	10%	11%	12%	11%
Net debt to fixed assets	%	37%	35%	36%	37%	38%

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.

An 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.



# CHAPTER 5: FINANCIAL PERFORMANCE

## 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 2019*, 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 Urban Utilities performed financially during the 2019/20 financial year and the overall financial position at the end of the financial year (30 June 2020).

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 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 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.

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 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 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 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 Urban Utilities' compliance with the statutory and professional requirements, as well as the fairness aspects of the statements.

Central SEQ Distributor-Retailer Authority

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For the year ended 30 June 2020

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Central SEQ Distributor-Retailer Authority

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Revenue</b>			
Utility charges	2.1	1,207,233	1,153,676
Contributions	2.2	200,636	195,160
Other revenue	2.3	29,564	28,823
<b>Total operating revenue</b>		<b>1,437,433</b>	<b>1,377,659</b>
<b>Expenses</b>			
Bulk water purchases	3.1	(475,224)	(455,123)
Depreciation and amortisation	8, 9, 19	(205,807)	(187,839)
Supplies and services	3.2	(190,844)	(185,372)
Employee expenses	3.3	(133,963)	(116,874)
Finance and borrowing costs	3.4, 19	(94,946)	(96,820)
Impairment of receivables	6	(1,423)	2,158
Other expenses	3.5	(12,021)	(12,638)
<b>Total operating expenses</b>		<b>(1,114,228)</b>	<b>(1,052,508)</b>
<b>Profit before income tax equivalent</b>		<b>323,205</b>	<b>325,151</b>
Income tax equivalent	4.1	(99,585)	(98,596)
<b>Profit for the year</b>		<b>223,619</b>	<b>226,555</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Decrease in asset revaluation surplus	8.7	(1,088)	-
Defined benefit plan actuarial gain (loss)	10.3	(889)	168
<b>Items that may be reclassified to profit or loss:</b>			
Cash flow hedge gain	17	10	-
<b>Total other comprehensive income (loss)</b>		<b>(1,967)</b>	<b>168</b>
<b>Total comprehensive income for the year</b>		<b>221,652</b>	<b>226,723</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 2020

	Notes	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5	72,845	5,593
Trade and other receivables	6	59,968	54,129
Income tax receivable		5,275	-
Derivative financial instruments	17	14	-
Other assets	7	185,853	180,541
<b>Total current assets</b>		323,955	240,263
<b>Non-current assets</b>			
Property, plant and equipment	8	5,948,880	5,708,210
Right-of-use assets	19	14,250	-
Intangible assets	9	125,678	74,753
Defined benefit plan	10.3	3,186	4,456
Other assets	7	42	87
<b>Total non-current assets</b>		6,092,037	5,787,506
<b>Total assets</b>		6,415,992	6,027,769
<b>Current liabilities</b>			
Trade and other payables	11	53,325	66,021
Loans and borrowings	15	95,000	39,400
Lease liabilities	19	7,113	-
Employee benefits	12	32,754	30,510
Other liabilities	13	96,050	110,217
Income tax payable		-	438
Participation returns	14.1	79,500	76,500
<b>Total current liabilities</b>		363,742	323,086

Central SEQ Distributor-Retailer Authority

**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Non-current liabilities</b>			
Loans and borrowings	15	2,294,895	2,064,895
Lease liabilities	19	11,281	-
Trade and other payables	11	-	5,346
Employee benefits	12	4,436	3,259
Other liabilities	13	2,625	40
Deferred tax liabilities	4.2	219,731	191,454
<b>Total non-current liabilities</b>		2,532,968	2,264,994
<b>Total liabilities</b>		2,896,710	2,588,080
<b>Net assets</b>		3,519,281	3,439,689
<b>Equity</b>			
Contributed equity	14.2	2,538,793	2,538,793
Retained earnings		827,543	746,873
Asset revaluation surplus	8.7	152,935	154,023
Cash flow hedge reserve	17	10	-
<b>Total equity</b>		3,519,281	3,439,689

*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 2020

	Notes	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation surplus \$'000	Cash flow hedge reserve \$'000	Total \$'000
<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		-	(230)	-	-	(230)
Adjustment on initial application of AASB 15, net of tax		-	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

Central SEQ Distributor-Retailer Authority

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2020

	Notes	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation surplus \$'000	Cash flow hedge reserve \$'000	Total \$'000
<b>Balance as at 1 July 2019</b>		2,538,793	746,873	154,023	-	3,439,689
Prior period adjustment on donated assets, net of tax	1.11	-	15,852	-	-	15,852
Transfer of asset revaluation surplus, net of tax	8.7	-	1,088	-	-	1,088
<b>Adjusted balance at 1 July 2019</b>		2,538,793	763,813	154,023	-	3,456,629
<b>Distributions to Participants</b>						
Participation returns to Participants	14.1	-	(159,000)	-	-	(159,000)
<b>Total distributions to Participants</b>		-	(159,000)	-	-	(159,000)
Profit for the year		-	223,619	-	-	223,619
<i>Other comprehensive income:</i>						
Defined benefit plan actuarial loss, net of tax	10.3	-	(889)	-	-	(889)
Cash flow hedge gain, net of tax	17	-	-	-	10	10
Decrease in asset revaluation surplus, net of tax	8.7	-	-	(1,088)	-	(1,088)
<b>Total comprehensive income for the year</b>		-	222,730	(1,088)	10	221,652
<b>Balance as at 30 June 2020</b>		2,538,793	827,543	152,935	10	3,519,281

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 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		1,226,247	1,161,351
Developer cash contributions received		97,956	118,296
Interest received		1,408	2,677
GST input tax credits from Australian Taxation Office (ATO)		55,255	47,213
		1,380,866	1,329,537
Payments to employees		(158,740)	(142,077)
Payments to suppliers		(706,323)	(657,926)
Finance and borrowing costs paid		(92,922)	(94,091)
Income tax paid		(83,361)	(100,010)
GST remitted to ATO		(982)	(1,078)
		(1,042,327)	(995,182)
<b>Net cash inflow from operating activities</b>	5.1	338,540	334,355
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant and equipment		891	870
Payments for property, plant and equipment		(393,759)	(308,515)
<b>Net cash outflow from investing activities</b>		(392,868)	(307,645)
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings	15	55,600	39,400
Proceeds from long-term borrowings	15	230,000	-
Payment of lease liabilities	19	(8,020)	-
Payment of participation returns	14.1	(156,000)	(177,485)
<b>Net cash inflow (outflow) from financing activities</b>		121,580	(138,085)
Net increase (decrease) in cash and cash equivalents		67,251	(111,375)
Cash and cash equivalents at the beginning of the financial year		5,593	116,968
<b>Cash and cash equivalents at the end of the financial year</b>	5	72,845	5,593

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 2020

## I. 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 (see 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 was initially 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 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 Urban Utilities 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 2019 to 30 June 2020 and have been prepared in accordance with:

- Australian Accounting Standards (AASBs) and Interpretations;
- the *Financial Accountability Act 2009*;
- the *Financial and Performance Management Standard 2019*;
- 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 17 August 2020. Board members have the power to amend and reissue the Financial Statements.



Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 1.4 Historical cost

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.

Note 13 – Other liabilities – provision for restoration measured at present value.

Note 17 – Financial instruments – derivatives measured at fair value.

Note 19 – Leases - right-of-use assets and lease liabilities of office buildings and warehouses measured at present value.

## 1.5 Accounting estimates and assumptions

The preparation of financial statements requires the use of accounting estimates, which 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. For donated assets not yet detailed within the geospatial system, an estimate of assets has been made based on the type of development application.

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 and 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 13 – Other liabilities – borrowing cost rate and term used for calculating the present value of provision for restoration.

Note 19 – Leases – borrowing cost rate and lease term used for calculating the present value of lease liability and right-of-use assets.

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 except for foreign currency differences arising from the translation of qualifying cash flow hedges to the extent that the hedges are effective (see Note 17).

### *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 16 *Leases* where the comparative information has not been restated and continues to be reported under AASB 117 *Leases* (see Notes 1.7 and 19).

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 1.7 Changes in significant accounting policies

The Authority applied AASB 16 *Leases* for the first time which supersedes AASB 117 *Leases*, INT 4 *Determining whether an Arrangement contains a Lease*, INT 115 *Operating Leases-Incentives* and INT 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 requires the Authority as a lessee to recognise most leases on the Statement of Financial Position. It does not have an impact for leases where the Authority is the lessor except for a sub-lease agreement.

The Authority applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in the opening retained earnings, this has a nil impact on the Authority's financial statements at 1 July 2019. The comparative information presented for 2019 is not restated and remains presented under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below and in Note 19.

### *Definition of a lease*

On transition to AASB 16, the Authority elected to use the transition practical expedient to not reassess whether a contract is a lease or contains a lease at 1 July 2019. Instead, the Authority applied the standard only to contracts that were previously identified as leases applying AASB 117 and INT 4 at the date of initial application. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changes on or after 1 July 2019.

### *As a lessee*

Previously, the Authority classified leases of office buildings and warehouses as operating leases under AASB 117. On transition to AASB 16 for these leases, lease liabilities are measured at the present value of the remaining lease payments, discounted at the Authority's incremental borrowing rate as at 1 July 2019 (see Note 19). Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any lease incentives and accrued lease payments (see Note 19).

The Authority used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- used hindsight when determining the lease term; and
- applied a single discount rate to the lease based on Queensland Treasury Corporation (QTC) borrowing rate.

### *As a lessor*

The Authority leases out its own property and right-of-use assets as operating leases. The Authority is not required to make any adjustments on transition in AASB 16 for leases in which it acts as a lessor, except for a sub-lease which has been reclassified as a finance lease because the head lease and sub-lease will expire at the same time.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 1.7 Changes in significant accounting policies (cont'd)

### Impact on transition

On transition to AASB 16, the Authority recognised right-of-use assets and lease liabilities. The impact on transition is summarised below.

	Impact of adopting AASB 16 at 1 July 2019 \$'000
<i>Impact on the Statement of Financial Position</i>	
Right-of-use assets	17,574
Lease liabilities	(25,510)
Deferred tax asset	5,272
Deferred tax liability	(5,272)

When measuring lease liabilities for leases that were classified as operating leases, the Authority discounted lease payments using its QTC incremental borrowing rate of 4.49% at 1 July 2019.

	\$'000
Operating lease commitments at 30 June 2019 as disclosed under AASB 117	27,656
Discounted using the incremental borrowing rate at 1 July 2019	25,510
Lease payables recognised as at 30 June 2019	7,490
Lease incentive received	(4,497)
Lease payments accrued	(2,993)
Lease Liabilities recognised as at 1 July 2019	25,510

## 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.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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## 1.9 Going concern

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

The Authority considered the impact of COVID-19 and noted that there is no impact on the Authority's ability to continue as going concern.

## 1.10 Climate-related, COVID-19 and other emerging risks

The Authority considered the potential impacts of risks in line with the Climate-related and other emerging disclosures: assessing financial statement materiality using *AASB Practice Statement 2 Making Materiality Judgements* and considered the drought and COVID-19 impacts in the following notes:

Note 1.9 – Going concern

Note 8 – Property, plant and equipment - fair value assessment.

Note 17 – Financial instruments – credit risk.

As a result of COVID-19, the Authority has, to date, seen a reduction in developer cash contributions, increased residential and commercial hardship requests and a decline in consumption in some commercial customer segments. The Authority expects to continue to experience reduced contributions from developers resulting from the downturn in the economic environment, and continued requests from customers in hardship that will impact the timing of cashflows and recoverability of utility charges. A six month price freeze to January 2021 has been announced to support our community.

## 1.11 Prior period adjustment

In preparation of the 2019-20 financial statements, the Authority identified \$22.6M worth of donated assets with connection certificates issued prior to 1 July 2019 that were not previously recognised as contributions revenue. The prior period balances have not been restated in the Statement of Comprehensive Income but were adjusted through the opening retained earnings at 1 July 2019.

## 2. REVENUE

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 2020

Revenue Stream	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policy
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> </ul> Invoices are billed on a monthly or quarterly basis over time. Invoices are usually payable within 30 days.	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>
Developer contributions – cash	The Authority provides existing and future capacity in the network to developers or landowners. No further work is required to be entitled to the infrastructure charges.  The itemised breakdown of the charges is issued upon developers' request. Payment is required 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.	Revenue is recognised at a point in time, when the Authority obtains the right to receive cash that is prior to the issuance of connection certificate to developers.
Developer contributions – donated assets	The Authority receives constructed assets from developers as contributions. No further performance obligation to the developer is required.  The asset is recognised at fair value based on the cost to the developer if available or an indexed unit rate.	Revenue is recognised at a point in time when the Authority obtains control of the assets, that is, upon issue of the connection certificate (where applicable) and where the transaction price can be reliably measured.
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.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 2.1 Utility charges

	2020 \$'000	2019 \$'000
Water volumetric charges	573,520	544,871
Wastewater charges	473,308	455,263
Water access charges	153,007	146,031
Recycled water	7,398	7,511
	1,207,233	1,153,676

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.

## 2.2 Contributions

	2020 \$'000	2019 \$'000
Developer contributions – cash	97,642	117,278
Developer contributions – donated assets	102,994	77,882
	200,636	195,160

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, prior to the issuance of the connection certificates to developers.

### Donated assets

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, upon issue of the connection certificate to developers (where applicable) and where the transaction price can be reliably measured. 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 2020

## 2.3 Other revenue

	2020 \$'000	2019 \$'000
Professional fees	9,891	9,403
Property connection fees	6,333	6,425
Other fees and charges	8,700	6,421
Interest income	1,413	2,505
Grants and subsidies	407	235
Insurance recovery	-	82
Other revenue	2,820	3,752
	29,564	28,823

### *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, overdue receivable accounts and lease receivables.

### *Grants and subsidies*

Government grants are recognised as revenue where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

The Authority received a grant of \$407,305 (2019: \$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 \$NIL (2019: \$110,465) funds this financial year as a member of WaterStart for deployment of technologies that align with innovation priorities. Revenue in FY2019 was 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 2020

## 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.

### 3.2 Supplies and services

	Notes	2020 \$'000	2019 \$'000
Materials and services		175,542	169,231
Consultancies and legal fees		1,319	2,965
Board fees	24.1	534	520
Other supplies and consumables		13,449	12,656
		190,844	185,372

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

### 3.3 Employee expenses

	2020 \$'000	2019 \$'000
Salaries and wages	120,888	107,235
Employer superannuation contribution	13,856	12,552
Annual leave expenses	10,221	9,112
Payroll tax	7,252	6,221
Long service leave expenses	3,653	2,369
Other employee related expenses	1,872	2,096
	157,742	139,585
Less: capitalised costs	(23,779)	(22,711)
	133,963	116,874
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:	1,118 FTE	1,076 FTE



Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 3.3 Employee expenses (cont'd)

### *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 (see Note 10). Contributions are expensed when incurred.

## 3.4 Finance and borrowing costs

	2020 \$'000	2019 \$'000
Queensland Treasury Corporation (QTC) finance costs	89,826	92,031
Interest on Participants' debt	1,971	2,031
Bank charges	2,134	2,758
Interest on leases	904	-
Interest on restoration provision	111	-
	94,946	96,820

Finance and borrowing costs include bank charges, interest on bank overdrafts, borrowings, leases and restoration provision. These 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 except for interest on leases which is included in lease liabilities (see Note 19) and the unwinding of the discount on provision for restoration (see Note 13).

## 3.5 Other expenses

	2020 \$'000	2019 \$'000
Loss on disposal of assets	2,337	4,249
Insurance	4,566	3,876
Land taxes	4,282	3,735
Audit fees (internal and external)	746	744
Other	90	34
	12,021	12,638

### *Audit fees*

Total external audit fees paid to the Queensland Audit Office relating to the 2020 financial statements are estimated to be \$338,582 (2019: \$271,977). 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 2020

## 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

	2020 \$'000	2019 \$'000
Current tax expense	77,724	86,180
Deferred tax expense	21,861	12,416
	99,585	98,596
<b>Reconciliation of income tax expense to prima-facie tax payable:</b>		
Profit before income tax equivalent	323,205	325,151
Income tax equivalent expense at 30% (2019: 30%)	96,961	97,545
Non-deductible expenditure	13	13
Permanent difference – depreciation on acquired assets	1,404	1,056
Permanent difference – accrued leave provisions	-	(18)
Derecognition of current year deferred tax asset for capital loss	1,110	-
Adjustment for permanent movement from prior period deferred tax asset for capital loss	93	-
Other adjustment	4	-
<b>Total income tax expense</b>	<b>99,585</b>	<b>98,596</b>

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.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4.2 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Provisions	13,797	11,849	-	-	13,797	11,849
Accrued expenses	217	160	-	-	217	160
Plant and equipment	96,924	72,274	(102,086)	(79,952)	(5,162)	(7,678)
Expenses capitalised for tax	40	44	-	-	40	44
Carry forward capital losses	-	93	-	-	-	93
Contributed assets	-	-	(233,084)	(196,802)	(233,084)	(196,802)
Other	5,519	2,245	(1,435)	4,593	4,084	6,838
<b>Amounts recognised directly in equity:</b>						
Defined benefit plan	-	-	381	(72)	381	(72)
Cash flow hedge	-	-	(4)	-	(4)	-
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>	116,497	86,665	(336,228)	(278,119)	(219,731)	(191,454)
Set-off of deferred tax	(116,497)	(86,665)	116,497	86,665	-	-
<b>Net deferred tax asset/(liability)</b>	-	-	(219,731)	(191,454)	(219,731)	(191,454)
<b>Movements in deferred tax assets and liabilities</b>						
Balance at 1 July	86,665	61,661	(278,119)	(234,740)	(191,454)	(173,079)
Adjustment on initial application of AASB 16	6,203	-	(6,203)	-	-	-
Adjustment on initial application of AASB 9	-	99	-	-	-	99
Adjustment on initial application of AASB 15	-	-	-	(5,985)	-	(5,985)
Prior period adjustment on donated assets	-	-	(6,793)	-	(6,793)	-
Adjusted balance at 1 July	92,868	61,760	(291,115)	(240,725)	(198,247)	(178,965)
Current year's income tax equivalent expense	23,629	24,905	(45,113)	(37,394)	(21,484)	(12,489)
<b>Balance at 30 June</b>	116,497	86,665	(336,228)	(278,119)	(219,731)	(191,454)

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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### 4.2 Deferred tax assets and liabilities (cont'd)

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. The Authority has a legally enforceable right to offset current tax assets and liabilities, a net deferred tax asset or liability is presented in the Statement of Financial Position. The recognised deferred tax asset and deferred tax liability both relate to the same taxation authority.



Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 5. CASH AND CASH EQUIVALENTS

	2020 \$'000	2019 \$'000
Cash at bank and on hand	72,845	5,593
Cash and cash equivalents in the Statement of Cash Flows	72,845	5,593

Cash and cash equivalents include cash at bank and cash on hand.

### 5.1 Reconciliation of profit after income tax to net cash from operating activities

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Profit for the year		223,619	226,555
<i>Adjustments for:</i>			
Depreciation and amortisation	8, 9, 19	205,807	187,839
Loss on disposal of assets	3.5	2,337	4,249
Donated assets	2.2	(102,994)	(77,882)
Impairment of receivables	6	1,423	(2,158)
<b>Change in assets and liabilities</b>			
Increase in trade and other receivables		(7,262)	(2,180)
Increase in other assets		(5,267)	(14,323)
Increase (decrease) in trade and other payables		(10,551)	9,933
Increase in employee benefits		3,421	1,317
Increase (decrease) in other liabilities		6,140	(11,084)
Increase in deferred tax		21,866	12,089
Net cash inflow from operating activities		338,540	334,355

### 5.2 Funding facilities

	2020 \$'000	2019 \$'000
QTC working capital facility	200,000	200,000
Overdraft facility - Commonwealth Bank	5,000	5,000
Total facility	205,000	205,000
Amount of facility undrawn	110,000	165,000

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 6. TRADE AND OTHER RECEIVABLES

	2020 \$'000	2019 \$'000
<b>Current</b>		
Trade and other receivables	68,599	62,404
Provision for impairment	(8,631)	(8,275)
<b>Total</b>	<b>59,968</b>	<b>54,129</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.

	2020 \$'000	2019 \$'000
<b><i>Movements in the provision for impairment:</i></b>		
Balance at the beginning of the year	(8,275)	(10,584)
Amounts written off during the year	1,067	151
Decrease (increase) in provision	(1,423)	2,158
Balance at the end of the year	<b>(8,631)</b>	<b>(8,275)</b>

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 is 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 17.2 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 2020

## 7. OTHER ASSETS

	2020 \$'000	2019 \$'000
<b>Current</b>		
Accrued utility charges	174,798	172,462
Inventories held for use	4,118	3,725
Accrued developer contributions	2	315
Renewable energy certificates	285	-
Lease receivables	283	7
Other	6,367	4,032
	185,853	180,541
<b>Non-current</b>		
Lease receivables	42	87
	42	87
<b>Total</b>	185,895	180,628

### 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.

### Inventories held for use

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 \$2.8M (2019: \$4.0M).

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) consisted of 7,613 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 were previously recognised under AASB 117 based on the unamortised lease incentive and lease payment accrued for the sub-lease of an office building. On transition to AASB 16, this has now been reclassified as a finance lease due to the sub-lease being terminated at the same time as the head lease and calculated based on the present value of lease payments to be received over the lease term (see Notes 1.7 and 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 2020

## 8. PROPERTY, PLANT AND EQUIPMENT

### 8.1 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:

Asset Type	Threshold Amount (\$)
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 2020

## 8.2 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.

## 8.3 Measurement at cost

Plant and equipment and fleet assets are measured at cost less accumulated depreciation.

## 8.4 Depreciation expense

Land is not depreciated. Other property, plant and equipment classes are depreciated on a straight-line basis 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.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 8.5 Balances as at 30 June

	2020 \$'000	2019 \$'000
Land:		
At fair value	66,043	65,584
Buildings:		
At fair value	25,183	22,405
Less: Accumulated depreciation	(12,464)	(10,675)
	12,719	11,730
Plant and equipment:		
At cost	10,524	10,136
Less: Accumulated depreciation	(5,960)	(4,995)
	4,564	5,141
Fleet:		
At cost	32,943	31,161
Less: Accumulated depreciation	(14,934)	(13,320)
	18,009	17,841
Water supply network:		
At fair value	2,744,987	2,592,197
Less: Accumulated depreciation	(507,674)	(445,508)
	2,237,313	2,146,689
Sewerage network:		
At fair value	4,198,277	3,942,212
Less: Accumulated depreciation	(1,054,252)	(938,637)
	3,144,025	3,003,575
Assets under construction:		
At cost	466,206	457,650
Carrying amount	5,948,880	5,708,210

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 \$11.66M (2019: \$18.81M) for water supply network and \$123.91M (2019: \$86.38M) 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 2020

## 8.6 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
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	65,584	11,730	5,141	17,841	2,146,689	3,003,575	457,650	5,708,210
Additions at cost	237	2,778	388	4,837	-	-	296,743	304,984
Donated assets	222	-	-	-	59,615	65,801	-	125,638
Disposals	-	-	-	(775)	(1,230)	(1,223)	-	(3,228)
Assets under construction capitalised	-	-	-	-	95,093	193,093	(288,187)	-
Depreciation for the year	-	(1,789)	(965)	(3,894)	(62,855)	(117,221)	-	(186,724)
Carrying amount at 30 June	66,043	12,719	4,564	18,009	2,237,313	3,144,025	466,206	5,948,880
Carrying amount at cost	63,471	11,982	4,564	18,009	2,155,820	3,022,296	466,206	5,742,348

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 8.6 Reconciliation of carrying amount (cont'd)

	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)
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)
Carrying amount at 30 June	65,584	11,730	5,141	17,841	2,146,689	3,003,575	457,650	5,708,210
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 2020

## 8.7 Asset revaluation surplus movement

	Land	Buildings	Water supply network	Sewerage network	Total
2020	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2019	1,789	516	59,953	91,765	154,023
Revaluation decrements related to asset disposal	-	(29)	(249)	(810)	(1,088)
Balance 30 June 2020	1,789	487	59,704	90,955	152,935

The asset revaluation surplus has been adjusted for disposed assets at 30 June 2020.

## 8.8 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 2020 using a discounted cash flow methodology, which determined the fair value to be \$6.1B (2019: \$5.8B). 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* (see 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.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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### 8.9 Key valuations assumptions used

#### *Price path post 1 July 2020*

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.

#### *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. As only a small amount of non-regulated revenue is included in the model and the Authority follows prudent and efficient expenditure practices, the Authority considered it appropriate to remove the RAB x 1.1. scenario in 2020, hence, the modelling has been performed for only two (2019: three) scenarios and an average determined. Scenarios include the terminal value inputs below for a revenue price path based on maximum allowable revenue.

#### *Climate-related and other emerging risks*

Any increase or decrease in operating costs results in an equivalent increase or decrease in the maximum allowable revenue (MAR). Therefore, no changes were built into the fair value model for any changes in operating expenses related to climate-related risks. There are also no changes related to climate-related risks in the forward 30 year capital plan. Hence, climate-related risks will have no impact on the value of the Authority's property, plant and equipment at 30 June 2020.

The Authority performed a sensitivity analysis on the Board approved budget position on 18 May 2020 which incorporated the impact of COVID-19 and noted that there is no material impact on the asset fair value at 30 June 2020.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 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:

### 8.9 Key valuations assumptions used (cont'd)

Unobservable inputs	Basis	Range of inputs	Relationship between unobservable inputs and fair value
Revenue price path	Maximum allowable revenue (MAR) <sup>1</sup>	FY2021 to FY2040 (2019: FY2020 to FY2039)	The higher the annual revenue cash flow, the higher the fair value
Operating expenditure growth rate	Average growth as forecast by management	2.3% (2019: 2% to 2.5%)	The higher the annual growth in operating expenditure, the lower the fair value
Capital expenditure growth rate	Average growth as forecast by management	2.3% (2019: 2% to 2.5%)	The higher the annual growth in capital expenditure, the lower the fair value
Terminal value	Gordon Growth Model <sup>2</sup> ; and Regulatory Asset Base (RAB)	(1) Gordon Growth Model (2) RAB \$5.6B to \$6.5B (2019: \$5.6B to \$5.9B)	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% (2019: 5.52%)	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.

<sup>2</sup>The Gordon Growth Model is used to calculate the intrinsic value of an asset today, based on the asset's expected constant growth rate.

Central SEQ Distributor-Retailer Authority

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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### 8.10 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.

## 9. INTANGIBLE ASSETS

### *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 of 3 – 10 years (2019: 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 2020

## 9. INTANGIBLE ASSETS (CONT'D)

	Software		Assets under construction		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Carrying amount at 1 July	17,712	16,896	57,041	25,010	74,753	41,906
Acquisitions at cost	-	-	64,027	41,145	64,027	41,145
Disposals	-	(688)	-	-	-	(688)
Assets under construction capitalised	20,152	9,114	(20,152)	(9,114)	-	-
Amortisation for the year	(13,102)	(7,610)	-	-	(13,102)	(7,610)
<b>Carrying amount at 30 June</b>	<b>24,762</b>	<b>17,712</b>	<b>100,916</b>	<b>57,041</b>	<b>125,678</b>	<b>74,753</b>
Gross carrying amount	58,863	38,712	100,916	57,041	159,779	95,753
Accumulated amortisation	(34,101)	(21,000)	-	-	(34,101)	(21,000)
<b>Carrying amount at cost</b>	<b>24,762</b>	<b>17,712</b>	<b>100,916</b>	<b>57,041</b>	<b>125,678</b>	<b>74,753</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 \$8.18M (2019: \$3.03M).

## 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.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 10.1 Local government superannuation scheme – LGIASuper (cont'd)

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 (see 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 (see 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 (see 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.

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.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 10.2 Regional Defined Benefit Fund (cont'd)

There are currently 62 entities (1,702 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 2019-20 financial year.

	2020 \$'000	2019 \$'000
Contributions made to Regional Defined Benefits Fund	284	268

The Authority expects to make contributions of \$284,000 to the Regional DBF for 2020-21 financial year.

## 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 15 (2019: 17) 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.

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 DBF 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 2020

**10.3 City Defined Benefits Fund (cont'd)**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Net defined benefit asset<sup>1</sup></b>		
Net asset at start of the year	4,456	4,216
Net asset at end of year	3,186	4,456
<b>Fair value of Fund assets<sup>2</sup></b>		
Fair value at beginning of the year	11,866	11,430
Fair value at end of the year	11,345	11,866
<b>Defined benefit obligation<sup>3</sup></b>		
Present value at beginning of the year	7,410	7,214
Present value at end of the year	8,159	7,410

<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.



Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 11. TRADE AND OTHER PAYABLES

	2020 \$'000	2019 \$'000
<b>Current</b>		
Trade creditors	45,102	55,383
Infrastructure agreement liabilities	2,878	3,759
Lease payables	-	2,144
Other payables	5,345	4,735
	53,325	66,021
<b>Non Current</b>		
Lease payables	-	5,346
	-	5,346
<b>Total</b>	53,325	71,367

### 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 were recognised based on the unamortised lease incentive and deferred rent for the lease of office buildings and warehouses under AASB 117. On transition to AASB 16, these have been derecognised as a reduction in the right-of-use asset at 1 July 2019. Lease liabilities are now calculated based on the present value of the remaining lease payments to be made over the lease term (see Notes 1.7 and 19).

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 12. EMPLOYEE BENEFITS

	2020 \$'000	2019 \$'000
<b>Current</b>		
Long service leave	16,344	15,910
Annual leave	13,783	12,018
Accrued salaries and wages	2,599	2,549
Time in lieu	28	33
	32,754	30,510
<b>Non-current</b>		
Long service leave	4,436	3,259
	4,436	3,259
<b>Total</b>	37,190	33,769

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 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 2020

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### 12. EMPLOYEE BENEFITS (CONT'D)

#### *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 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 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 in the Statement of Financial Position.

#### *Termination benefits*

Termination benefits are payable when employment is terminated by the Authority before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised at the earlier of when the Authority can no longer withdraw the offer of those benefits and when the Authority recognises costs for a restructuring (see Note 13). In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE  
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For the year ended 30 June 2020

**I 3. OTHER LIABILITIES**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Current</b>		
Accrued capital program costs	35,981	40,490
Accrued bulk water purchases	36,359	37,555
Unearned revenue	1,077	1,325
Provision for restructuring	148	-
Provision for restoration	159	-
Other	22,326	30,847
	<b>96,050</b>	<b>110,217</b>
<b>Non-current</b>		
Provision for restoration	2,611	-
Unearned revenue	14	40
	<b>2,625</b>	<b>40</b>
<b>Total</b>	<b>98,675</b>	<b>110,257</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.



Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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## 13. OTHER LIABILITIES (CONT'D)

### *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.

### *Provision for restructuring*

A provision for restructuring cost (including termination payments) is recognised when the Authority has approved a detailed and formal restructuring plan, and the restructuring has either commenced or been publicly announced.

### *Provision for restoration*

In accordance with the existing lease agreements, the Authority is required to restore the leased buildings to its original condition at the end of the lease. During 2020, the Authority estimated the amount of building restoration and recognised a provisional amount of \$2.8M using a discount rate of 4.49% similar to the borrowing rate used for estimating the lease liability under AASB 16. A corresponding right-of-use asset is recognised in Note 19.

Central SEQ Distributor-Retailer Authority

**NOTES TO AND FORMING PART OF THE  
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For the year ended 30 June 2020

**I 4. CONTRIBUTED EQUITY****14.1 Participation returns**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
In accordance with the Participation Agreement, the Board declared the final participation return payment of \$79.5M (2019: \$76.5M) on 15 June 2020. Payment will be made on 30 September 2020.	79,500	76,500
An interim participation return was paid on 31 January 2020. The floor return was set by the Board on 21 May 2018 and confirmed by the Board on 15 June 2020.	79,500	76,500
Total participation rights paid/payable	159,000	153,000
Amounts per Participant:		
Brisbane City Council (85.007%)	135,161	130,060
Ipswich City Council (12.222%)	19,433	18,700
Lockyer Valley Regional Council (0.903%)	1,435	1,381
Scenic Rim Regional Council (1.042%)	1,657	1,595
Somerset Regional Council (0.826%)	1,314	1,264
	159,000	153,000
Cash payments to Participants during the financial year	156,000	177,485

Participation returns are paid to the Participating Councils in accordance with the terms of the revised Participation Agreement.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 14.2 Assets and liabilities transferred

On 1 July 2010 the participating Councils transferred the assets, liabilities, instruments and employees necessary for Urban Utilities to commence trading under a scheme made in accordance with the Act and gazetted on 29 June 2010.

	<b>1 July 2020 \$'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 2020

## I 5. LOANS AND BORROWINGS

	2020 \$'000	2019 \$'000
<b>Current</b>		
QTC working capital facility	95,000	39,400
Total	95,000	39,400
<b>Non-current</b>		
QTC client specific pool	2,251,679	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
	43,216	43,216
Total	2,294,895	2,064,895
<b>Total</b>	2,389,895	2,104,295

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 \$2,456M (2019: \$2,176M).

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.



Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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## 15. LOANS AND BORROWINGS (CONT'D)

### *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 2020 is 4.07% (2019: 4.39%). Interest payments are made monthly in arrears at rates ranging from 0.96% to 4.49% (2019: 1.85% to 4.49%).

### *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 2020 year was 4.56% (2019: 4.70%), 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.

Information about the Authority's exposure to interest rate, foreign currency and liquidity risks is included in Note 17.

Central SEQ Distributor-Retailer Authority

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

For the year ended 30 June 2020

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### **I 6. 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; 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 7, 8, 10, 12 and 17.

The Authority's derivative financial assets and liabilities, which are measured at fair value on a recurring basis, are categorised as Level 2 measurements using discounted cash flows methodology. For forward exchange contracts, market quoted forward exchange rates are used as inputs, discounted based on applicable yield curves derived from market quoted interest rates and the credit risk of various counterparties, at the reporting date.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 16.2 Categorisation of assets and liabilities measured at fair value (cont'd)

	Notes	Level 1		Level 2		Level 3		Total carrying amount	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Financial assets</b>									
Derivative financial instruments	17	-	-	14	-	-	-	14	-
<b>Total financial assets</b>		-	-	14	-	-	-	14	-
<b>Property, plant and equipment</b>									
Land	8	-	-	-	-	66,043	65,584	66,043	65,584
Buildings	8	-	-	-	-	12,719	11,730	12,719	11,730
Water supply network	8	-	-	-	-	2,237,313	2,146,689	2,237,313	2,146,689
Sewerage network	8	-	-	-	-	3,144,025	3,003,575	3,144,025	3,003,575
<b>Total property, plant and equipment</b>		-	-	-	-	5,460,100	5,227,577	5,460,100	5,227,577
<b>Other assets</b>									
Defined benefit plan	10.3	-	-	-	-	3,186	4,456	3,186	4,456
Renewable energy certificates	7	285	-	-	-	-	-	285	-
<b>Total other assets</b>		285	-	-	-	3,186	4,456	3,471	4,456
<b>Other liabilities</b>									
Employee benefits - long service leave	12	-	-	-	-	20,780	19,169	20,780	19,169
<b>Total other liabilities</b>		-	-	-	-	20,780	19,169	20,780	19,169

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 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.

### *Derivative financial instruments*

	2020 \$'000	2019 \$'000
<b>Derivative assets</b>		
Forward exchange contracts	14	-
<b>Total</b>	14	-

The Authority uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

### *Hedge accounting*

On initial designation of a derivative as a hedging instrument, the Authority documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy for undertaking the hedge transaction. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in profit or loss. The Authority has designated all of the derivative financial instruments into hedge relationships as cash flow hedges, as they meet the criteria for hedge accounting. The hedge ratio is one, due to the notional value of the hedged item being hedged equating to the notional value of the hedge instrument.

### *Cash flow hedges*

The Authority's foreign exchange contracts (FEC) in Swedish Krona (SEK) are accounted for as cash flow hedges. They are used to hedge exposure to variability in forecast cash flows where the transaction is a firm commitment. Initial recognition of the derivative is at fair value with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve under equity. Any ineffective portion of the derivative is recognised immediately in profit or loss. Sources of ineffectiveness include the effect of credit risk on the hedging instrument and the mismatch of the timing of settlements between the hedged item and the hedging instrument. The amount accumulated in the cash flow hedge reserve is reclassified to the carrying value of the hedged item in the same period that the hedged transaction occurs. If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions are no longer expected to occur.



Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 17. FINANCIAL INSTRUMENTS (CONT'D)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

<b>Cash flow hedges</b>	<b>SEK FECs</b>	<b>Total</b>
<b>2020</b>	<b>\$'000</b>	<b>\$'000</b>
Total carrying amount of the hedging instrument	14	14
Change in value of hedging instrument	14	14
Change in value of hedged item	14	14
Change in value of the hedging instrument recognised in reserve	(14)	(14)
Hedge ineffectiveness recognised in profit or loss	-	-
Amount reclassified from hedge reserve to carrying amount of hedged item	-	-

### *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.

### **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.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 17.1 Financial risk management (cont'd)

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 an application for services or 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 (see 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. Note that the debt is attached to the property and any outstanding balance is normally paid at settlement when the property is sold.	Ageing analysis	<p>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 are available for customers experiencing financial hardship. Exposure to credit risk is monitored on an ongoing basis.</p> <p>As a result of the COVID-19 crisis, the Authority has introduced the Urban Assist Program which provides payment extensions and payment plans to both residential and commercial customers. The hardship program has been extended to include commercial customers. Remissions are also now in place for minimum trade waste charges.</p>
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 (see Note 11) and interest bearing liabilities (see 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.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 17.1 Financial risk management (cont'd)

Risk	Definition	Exposure	Measurement Method	Risk Management Strategies
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 (see 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.
Market risk - foreign exchange rate	Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.	The Authority's foreign currency risk arises from transactions denominated in currencies other than Australian Dollars; consequently, exposures to exchange rate fluctuations arise.	Sensitivity Analysis	The Authority uses forward exchange contracts to manage the foreign currency risk associated with purchases.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 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:

			Current \$'000	More than 30 days past due \$'000	More than 60 days past due \$'000	More than 90 days past due \$'000	Total \$'000
2020	Notes						
Gross trade and other receivables	6		15,870	12,672	13,037	27,020	68,599
Provision for impairment	6		(70)	(22)	(415)	(8,124)	(8,631)
<b>Total</b>			15,800	12,650	12,622	18,896	59,968

			Current \$'000	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						
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>			17,197	9,914	9,256	17,762	54,129

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. The Authority considered the impact of COVID-19 and noted that there is no material impact on the expected credit loss at 30 June 2020. 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

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## 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	2020 Payable in			Total
		<1 year \$'000	1-5 year \$'000	>1 year \$'000	\$'000
Trade and other payables	11	53,325	-	-	53,325
QTC working capital facility	15	95,000	-	-	95,000
Participant loans	15	-	-	43,216	43,216
QTC client specific pool	15	-	-	2,251,679	2,251,679
		148,325	-	2,294,895	2,443,220

Financial liabilities	Notes	2019 Payable in			Total
		<1 year \$'000	1-5 year \$'000	>1 year \$'000	\$'000
Trade and other payables	11	66,021	5,346	-	71,367
QTC working capital facility	15	39,400	-	-	39,400
Participant loans	15	-	-	43,216	43,216
QTC client specific pool	15	-	-	2,021,679	2,021,679
		105,421	5,346	2,064,895	2,175,662

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 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.

		-1%		+1%	
	Net carrying amounts \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>2020</b>					
Cash and cash equivalents	72,845	(728)	(728)	728	728
QTC working capital facility	95,000	(950)	(950)	950	950
QTC client specific pool	2,251,679	22,517	22,517	(22,517)	(22,517)
<b>Overall effect on profit and equity</b>		20,838	20,838	(20,838)	(20,838)

		-1%		+1%	
	Net carrying amounts \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>2019</b>					
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>		19,767	19,767	(19,767)	(19,767)

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 17.5 Market risk – foreign exchange rate

### Sensitivity analysis

The following sensitivity analysis depicts the outcome on net income if exchange rates would change by +/- 10% from the year-end rates applicable to the Authority's financial assets and liabilities. Sensitivity of 10% has been selected as this is considered reasonably possible based on historical exchange rate movements.

2020	Sell AUD \$'000	Average exchange rate \$	-10%		+10%	
			Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Buy SEK</b>						
Within one year	3,794	6.43	(282)	(282)	231	231
Between one and five years	-	-	-	-	-	-
More than five years	-	-	-	-	-	-
<b>Overall effect on profit and equity</b>			(282)	(282)	231	231

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 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 (see Notes 5.2, 14.1 and 15).

The Authority monitors capital using the following ratios:

	2020	2019
Funds from operations to net debt <sup>1</sup>	11%	12%
Net debt to fixed assets <sup>2</sup>	39%	37%

<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 2020, the EBITDA interest coverage ratio was 4.5 times (2019: 4.5 times).



Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 19. LEASES

The Authority has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and INT 4.

From 1 July 2019, a contract is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### *As a lessee*

In 2019, office buildings and warehouses under leases were classified as operating leases and were not recognised in the Authority's Statement of Financial Position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense over the lease term.

Under AASB 16, the Authority recognises a right-of-use asset and a lease liability at the lease commencement date.

### *Right-of-use asset*

The right-of-use asset is recognised at the commencement date of the lease and is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset include the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Right-of-use assets related to lease properties are presented as follows:

	<b>Buildings 2020 \$'000</b>
Right-of-use asset at 1 July 2019	17,574
Depreciation charge for the year	(5,982)
Provision for restoration	2,658
Right-of-use asset at 30 June 2020	<u>14,250</u>

### *Lease liability*

The lease liability is measured at the present value of lease payments (fixed payments, variable payments that depends on an index or rate and lease payments in an option renewal period if the Authority is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Authority is reasonably certain not to terminate early) to be made over the lease term, discounted using the QTC incremental borrowing rate (IBR). The IBR reflects what the Authority 'would have to pay' and is provided by QTC based on the Authority's credit rating.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 19. LEASES (CONT'D)

The Authority's lease liabilities are as follows:

	2020 \$'000
Lease liabilities at 1 July 2019	25,510
Interest charge for the year	904
Payment of principal portion of lease liabilities	(8,020)
Lease liabilities at 30 June 2020	18,394
Current	7,113
Non-current	11,281
	18,394

### *Lease term and extension options*

The Authority determines the lease term as the non-cancellable term of the lease and applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Authority reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Authority has several lease contracts that include extension and termination options. The renewal periods for leases of office buildings and warehouse are not included as part of the lease term as these are not reasonably certain to be exercised at 1 July 2019 and at 30 June 2020. The Authority has estimated that the potential future lease payments should it exercise the extension option would result in an increase in lease liability by \$33.3M.

### *Short term leases and leases of low value assets*

The Authority has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets such as computer equipment and short term leases of office spaces. Lease payments on short term leases and leases of low value assets are recognised as operating lease expense on a straight-line basis over the lease term.

### *Peppercorn lease (concessionary)*

The Authority has a number of assets located on reserve land which is owned by the State Government and reserved for community public purpose such as water and sewerage. The Authority has the right to direct how and for what purpose the reserve land is used throughout the period of use and pays nil for the use of the reserve land, hence, this is considered a peppercorn lease under AASB 16. The Authority elects to measure the reserve land right-of-use asset related peppercorn lease at cost which is nil at 1 July 2019.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 19. LEASES (CONT'D)

*Amounts recognised in the Statement of Comprehensive Income*

	2020 \$'000
<b>2020 – Leases under AASB 16</b>	
Interest expense on lease liabilities	(904)
Interest income from sub-leasing right-of-use assets	19
<b>2019 – Operating leases under AASB 117</b>	
Lease expense	(7,098)
Sub-lease income presented in 'other revenue'	222

*As a lessor*

When the Authority acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Authority does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The Authority recognised operating lease income of \$100,011 in the Statement of Comprehensive Income.

All leases are classified as an operating lease from a lessor perspective apart from a sub-lease which the Authority has reclassified as finance lease because the lease and sub-lease will expire at the same time.

The following table sets out a maturity analysis of lease receivables showing the undiscounted lease payments to be received after the reporting date.

	\$'000
<b>2020 – Operating leases under AASB 16</b>	
Within one year	175
One to two years	181
Two to three years	188
Three to four years	179
Four to five years	167
More than five years	659
<b>Total</b>	1,549
	<b>\$'000</b>
<b>2019 – Operating leases under AASB 16</b>	
Within one year	178
Between one and five years	966
More than five years	691
<b>Total</b>	1,835

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 20. COMMITMENTS

Commitments contracted but not recognised as liabilities are as follows:

	2020 \$'000	2019 \$'000
<b>Capital</b>		
Within one year	113,726	135,582
Between one and five years	88,921	6,219
More than five years	-	-
	202,647	141,801
<b>Other</b>		
Within one year	80,820	156,472
Between one and five years	49,682	46,167
More than five years	-	-
	130,501	202,639

## 21. CONTINGENCIES

	2020 \$'000	2019 \$'000
<b>Contingent assets</b>		
Reimbursement of costs associated with damage claim, the maximum exposure is:	887	1,650
<b>Contingent liabilities</b>		
Compensation claims associated with subcontractor's charge claim, personal injury, property damage and potential liability from infrastructure charges refund, the maximum exposure of which is:	1,605	10,417

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 (2019: nil) 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 2020

### 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.

	2020 \$'000	2019 \$'000
Standpipe bonds, security deposits and unclaimed money	3,228	3,093

### 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.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 23.1 Key executive management personnel (cont'd)

Position	Responsibilities	Contract classification and appointment authority	Dates position held
Chief Executive Officer	Corporate governance, stakeholder management, Board secretariat, risk and insurance, strategic planning and delivery, performance management, external reporting and publications, assurance, resilience and emergency management, legal counsel and land services, industrial relations, facilities management and innovation.	Board appointed Band A Contract	From 2 July 2012
General Counsel and Board Secretary	Governance and secretarial assistance to the Board, advisory role to the Chief Executive Officer and the Board, compliance with statutory obligations, provision of legal advice, management and operation of quality management systems, management of assurance, insurance, risk and resilience, improvement in quality systems, enterprise leadership of employee relations and management of land assets.	Board appointed Band A Contract	From 10 January 2011
Chief Financial Officer	Financial management and reporting, billing and collections, accounts payable, payroll and procurement.	Board appointed Band A Contract	From 12 February 2018
Executive Leader Planning	Servicing strategies, infrastructure planning, asset management, product and service strategies, and demand management.	Board appointed Band A Contract	From 1 December 2013
Executive Leader Commercial Customers	Management of commercial, industrial and trade waste customers, development services, development of commercial opportunities and commercial laboratory services.	Board appointed Band A Contract	From 1 July 2014
Executive Leader Customer and Community	Customer engagement and insights, management of retail customers, contact centre and customer advocacy, community engagement and support, and marketing and media.	Board appointed Band A Contract	From 2 September 2013 to 4 November 2019

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 23.1 Key executive management personnel (cont'd)

Position	Responsibilities	Contract classification and appointment authority	Dates position held
Executive Leader Service Delivery	Management and optimisation of water and wastewater network and customer operations, and day-to-day management of retail customer relationships, management and assurance of customer billing and metering, bringing together control centre, faults and emergencies, schedule and dispatch, contract centre functions to enable identification and early resolution of customer issues, and planned and responsive network maintenance.	Board appointed Band A Contract	From 27 April 2020
Executive Leader Operations and Service Delivery	Infrastructure delivery and maintenance, network operations, sewage treatment and environmental management, and incident management.	Board appointed Band A Contract	From 3 November 2014 to 5 December 2019
Chief Information Officer	All aspects of the ICT environment including strategy and architecture, program development and delivery, operations, security and information management.	Board appointed Band A Contract	From 26 September 2016
Executive Leader People and Safety	Corporate culture, leadership development, recruitment and retention, learning and development, HR services, internal communications, change management and safety and wellbeing.	Board appointed Band A Contract	From 22 September 2014 to 22 November 2019
Chief Experience Officer	Enterprise leadership of customer, people and positive safety culture, design and implementation of employee and customer experience, human resources services and solutions, internal communications and brand management.	Board appointed Band A Contract	From 5 May 2020
Executive Leader Governance	Strategic direction and leadership for the office of the Chief Executive Officer, executive Board support, enterprise level governance frameworks, development of corporate strategy and performance reporting on strategy, effective management of shareholders, corporate communications, enterprise leadership of property management, innovation and research and development, records management, corporate policies and internal audit.	Board appointed Band A Contract	From 31 October 2013

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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## 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. From 1 July 2019, with the exception of the Chief Executive Officer, the contracts do not provide for performance-related cash payments.

In April 2019 the Board approved changes to key executive management contracts 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 relevant personnel received a one-off increase of 10.95% to their remuneration, consistent with 66.6% of the maximum performance-related payment. The CEO received a one-off adjustment of 8.25% of remuneration. The final performance-related payment relating to FY2019 was paid in October 2019. Both the FY2019 performance-related payments and the FY2020 one-off increases in the total remuneration are included in the FY2020 total remuneration.

The annual review of remuneration of key executive management personnel increased by 2.6% (2019: 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 provided for within individual contracts of employment.
- Contracts of employment provide 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 2020

## 23.2 Remuneration (cont'd)

Total fixed remuneration is calculated on a "total cost" basis as below. Key executive management personnel remuneration is not expected to increase in 2021.

2020						
Position	Short term		Long term employee benefits \$'000	Post employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
	Monetary benefits* \$'000	Non-monetary benefits \$'000				
Chief Executive Officer	724	3	18	27	-	772
General Counsel and Board Secretary	359	3	9	25	-	396
Chief Financial Officer	392	3	10	24	-	429
Executive Leader Planning (to 17 November 2019), Executive Leader Operations and Service Delivery (acting from 18 November 2019 to 30 April 2020) and Special Adviser to the CEO (from 1 May to 30 June 2020)	393	3	10	25	179	610
Executive Leader Commercial Customers and acting Executive Leader Customer and Community (from 4 November 2019)	382	3	10	25	-	420
Executive Leader Customer and Community (to 1 November 2019)	245	3	6	18	-	272

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 23.2 Remuneration (cont'd)

2020						
Position	Short term		Long term employee benefits \$'000	Post employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
	Monetary benefits* \$'000	Non-monetary benefits \$'000				
Executive Leader Service Delivery (from 27 April 2020)	67	1	2	4	-	74
Executive Leader Operations and Service Delivery (to 4 December 2019)	231	1	6	11	-	249
Chief Information Officer	410	3	10	24	-	447
Chief Experience Officer (From 5 May 2020)	44	-	1	3	-	48
Executive Leader Governance and acting Executive leader People and Safety (from 25 November 2019 to 4 May 2020)	312	3	8	24	-	347
Executive Leader People and Safety (to 21 November 2019)	242	1	6	-	-	250
<b>Total remuneration</b>	<b>3,801</b>	<b>27</b>	<b>96</b>	<b>211</b>	<b>179</b>	<b>4,314</b>

\*Included within the short term monetary benefits is an amount of \$368,279 relating to performance payments associated with the 2019 financial year. Excluding the performance payments for the 2019 financial year, the total remuneration would be \$3,945,684.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 23.2 Remuneration (cont'd)

2019						
Position	Short term		Long term employee benefits \$'000	Post employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
	Monetary benefits* \$'000	Non-monetary benefits \$'000				
Chief Executive Officer	651	3	16	25	-	695
General Counsel and Board Secretary	349	3	9	25	-	386
Chief Financial Officer	323	3	8	24	-	358
Executive Leader Planning	355	3	9	25	-	392
Executive Leader Commercial Customers	317	3	8	25	-	353
Executive Leader Customer and Community	288	3	7	24	-	322
Executive Leader Operations and Service Delivery	387	3	10	25	-	425
Chief Information Officer	331	3	8	24	-	367
Executive Leader People and Safety	302	3	8	25	-	338
Executive Leader Governance	267	3	7	22	-	299
<b>Total remuneration</b>	<b>3,570</b>	<b>30</b>	<b>90</b>	<b>244</b>	<b>-</b>	<b>3,934</b>

## 23.3 Performance payments

The aggregate amount of performance payments made during the financial year, under the previous remuneration framework and with respect to the previous financial year was \$368,279 (2019: \$350,580).

A performance payment may be paid annually to the Chief Executive Officer depending upon satisfaction of key criteria and is capped at 15% of total fixed remuneration. The amount payable is tied to the achievement of pre-determined organisational and individual performance targets as agreed by the Board. Determination of the amount will not occur until October 2020 with payment expected before 30 October annually. 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 2021.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 23.4 New key executive management personnel from 1 July 2020

The Authority adopted a new target operating model from 1 July 2020. This model considers the Authority's processes, governance, people and capabilities, measures, ways of working, data and digital systems and structure. The new key executive management structure will consist of the following:

Position	Responsibilities
Chief Executive Officer	Corporate governance, stakeholder management, Board secretariat, risk and insurance, strategic planning and delivery, performance management, external reporting and publications, assurance, resilience and emergency management, legal counsel and land services, industrial relations, facilities management and innovation.
Executive Leader Legal and Risk	Governance and secretarial assistance to the Board, advisory role to the Chief Executive Officer and the Board, compliance with statutory obligations, provision of legal advice, management and operation of quality management systems, management of assurance, insurance, risk and resilience, improvement in quality systems, enterprise leadership of employee relations and management of land assets.
Chief Financial Officer	Financial management and reporting, collections, accounts payable, payroll and procurement, long-term financial sustainability.
Executive Leader Integrated Solutions	Relationship management with key strategic partners and stakeholders, government and regulators in relation to infrastructure development, long-term strategy development and planning, feasibility, design and procurement of infrastructure solutions (including new infrastructure and major asset upgrades) and proactive management of infrastructure and network through asset intelligence and analytics enablement.
Executive Leader Environmental and Industrial	Effective relationship management of industrial partnerships and key commercial relationships, including developers, commercial water customers and trade waste customers, safe operation and maintenance of treatment plants, new commercial opportunities development related to effluent, recycled water, bio-solids and energy, and growth in Scientific Analytic Services.
Executive Leader Service Delivery	Management and optimisation of water and wastewater network and customer operations, and day-to-day management of retail customer relationships, management and assurance of customer billing and metering, bringing together control centre, faults and emergencies, schedule and dispatch, contract centre functions to enable identification and early resolution of customer issues, and planned and responsive network maintenance.
Chief Experience Officer	Enterprise leadership of customer, people and positive safety culture, design and implementation of employee and customer experience, human resources services and solutions, internal communications and brand management.
Chief Digital and Information Officer	Development and delivery of digital strategy, enterprise architecture, digital transformation and IT projects, leadership and operation of information and data analytics, systems and governance, management of IT vendors and procuring IT products and services in close collaboration with Finance, operation, maintenance and support of IT systems, and design, development, operation and maintenance of operational technology, in close collaboration with Integrated Solutions and Service Delivery.
Executive Leader Corporate Affairs	Strategic direction and leadership for the office of the Chief Executive Officer, executive Board support, enterprise level governance frameworks, development of corporate strategy and performance reporting on strategy, effective management of shareholders, corporate communications, enterprise leadership of property management, innovation and research and development, records management, corporate policies and internal audit.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 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.

The Board Members who were paid directly or indirectly were:

	Salary and fees*		Superannuation		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Bronwyn Morris <sup>2</sup>	108	65	10	6	118	71
John Cotter <sup>1</sup>	66	65	6	6	72	71
Graham Thomsen <sup>1</sup>	66	65	6	6	72	71
Julie-Anne Schafer <sup>1</sup>	66	53	6	5	72	58
Kathy Hirschfeld <sup>1</sup>	66	26	6	2	72	28
Bruce Leslie	54	53	5	5	59	58
Mark Gray (appointed 1 July 2019)	54	-	5	-	59	-
Phillip Strachan (appointed 1 July 2019)	54	-	5	-	59	-
Geoff Harley (appointment ended 30 June 2019)	-	106	-	10	-	116
Len Scanlan (appointment ended 30 June 2019)	-	65	-	6	-	71
Kerian McNamara (resigned 27 November 2018)	-	22	-	2	-	24
	534	520	49	48	583	568

<sup>1</sup>Additional monthly rate of \$969 (2019: \$954) was paid to Committee Chairpersons.

<sup>2</sup>Bronwyn Morris replaced Geoff Harley as Board Chairperson effective 1 July 2019.

\*A CPI increase of 1.6% (2019: 2.1%) was applied during the financial year and monthly rates set at \$9,014 (2019: \$8,872) for the Board Chairperson and \$4,507 (2019: \$4,436) for the Board Members.

### 24.2 Loans to key management personnel

There are no loans to key management personnel and their related parties during the financial year.



Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Revenue</b>												
Utility charges	6,201	5,372	3,356	3,172	311	428	294	287	300	285	10,462	9,544
<b>Total revenue</b>	6,201	5,372	3,356	3,172	311	428	294	287	300	285	10,462	9,544
<b>Expenses</b>												
Supplies and services	3,502	2,934	27	19	72	23	24	13	42	65	3,667	3,054
Finance and borrowing costs	-	-	-	-	672	693	669	690	630	648	1,971	2,031
Income tax equivalents	66,071	73,259	9,499	10,533	702	778	810	898	642	712	77,724	86,180
Participation returns	135,161	130,060	19,433	18,700	1,436	1,381	1,657	1,595	1,313	1,264	159,000	153,000
Land tax	3,640	3,175	523	457	39	34	45	39	35	30	4,282	3,735
Stamp duty	136	88	19	13	1	1	2	1	1	1	159	104
<b>Total expenses</b>	208,510	209,516	29,500	29,722	2,922	2,910	3,207	3,236	2,663	2,720	246,803	248,104
<b>Receivables</b>												
Utility charges	1,778	287	1,021	8	137	147	73	6	90	81	3,099	529
Accrued developer contributions	2	315	-	-	-	-	-	-	-	-	2	315
Income tax equivalents	4,484	-	645	-	48	-	55	-	43	-	5,275	-
Other receivables	1,356	1,073	6	5	1	1	-	7	-	2	1,363	1,088
<b>Total receivables</b>	7,620	1,675	1,672	13	186	148	128	13	133	83	9,739	1,932
<b>Payables</b>												
Finance and borrowing costs	-	-	-	-	56	58	56	57	52	54	164	169
Income tax equivalents	-	372	-	54	-	4	-	5	-	3	-	438
Participation returns	67,581	65,030	9,716	9,350	718	691	828	797	657	632	79,500	76,500
Land tax	3,640	3,175	523	457	39	34	45	39	35	30	4,282	3,735
Stamp duty	136	88	19	13	1	1	2	1	1	1	159	104
Other payables	151	193	6	6	19	16	10	8	41	39	227	262
<b>Total payables</b>	71,508	68,858	10,264	9,880	833	804	941	907	786	759	84,332	81,208
<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 2020

### 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:

	2020 \$'000	2019 \$'000
Operating ratio	22%	24%
Capital replenishment ratio	x 2.41	x 2.05
Debt to revenue ratio	166%	153%

### 26 SUBSEQUENT EVENTS

To date, no events have occurred subsequent to balance date that materially impact on these financial statements.

Central SEQ Distributor-Retailer Authority

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 27 NEW AND REVISED ACCOUNTING STANDARDS

AASB 16 Leases is 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 Changes in significant accounting policies
- Note 3 Expenses
- Note 7 Other assets
- Note 11 Trade and other payables
- Note 19 Leases

A number of other new standards and interpretations are also effective from 1 July 2019 but do not have any material impact on the Authority's financial statements as follows:

- Interpretation 23 Uncertainty over Income Tax Treatments
- 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*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2020. The Authority does not plan to early adopt any standards or interpretations. The following amended standards and interpretations are not expected to have a significant impact on the Authority's financial statements:

- AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform*
- AASB 2019-5 *Amendments to Australian Accounting Standards- Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*

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 2020

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## Certificate of the Central SEQ Distributor-Retailer Authority For the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to section 62 (1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* 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 Urban Utilities) for the financial year ended 30 June 2020 and of the financial position of the Authority at the end of that year; and
- (iii) we acknowledge responsibility under section 7 and section 23 of the *Financial and Performance Management Standard 2019* 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



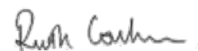
Date: 17/08/2020

**Louise Dudley**  
BCom, CA, GAICD  
Chief Executive Officer



Date: 17/08/2020

**Ruth Coulson**  
BCom, CA, GAICD  
Chief Financial Officer



Date: 17/08/2020



## 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 2020, 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 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, 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 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 Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### 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 2019 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. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- 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.

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.

### **Statement**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

- a) I received all the information and explanations I required.
- b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



### Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.

A handwritten signature in black ink, appearing to read 'Vaughan Stemmett', written over a horizontal line.

Vaughan Stemmett  
as delegate of the Auditor-General

17 August 2020

Queensland Audit Office  
Brisbane

# APPENDICES

## COMPLIANCE LETTER TO MINISTER

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Office of the Board Chair  
Level 2, 15 Green Square Close  
Fortitude Valley QLD 4006  
GPO Box 2765  
Brisbane QLD 4001

11 September 2020

Hon. Dr Anthony Lynham, MP  
Minister for Natural Resources, Mines and Energy

Dear Minister Lynham

***Urban Utilities 2019/20 Annual Report***

I am pleased to present the *Annual Report 2019/20* for the Central SEQ Distributor-Retailer Authority trading as 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 219 of the document.

Yours sincerely

**Bronwyn Morris AM**

Board Chair  
Central SEQ Distributor-Retailer Authority trading as Urban Utilities

# APPENDICES

## 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 218
Accessibility	• Table of contents • Glossary • Public availability • Interpreter service statement • Copyright notice • Information Licensing	ARRs – section 9.1 ARRs – section 9.2 <i>Queensland Government Language Services Policy</i> ARRs – section 9.3 <i>Copyright Act 1968</i> ARRs – section 9.4 <i>QGEA – Information Licensing</i> ARRs – section 9.5 Page 7 Page 220 Page 4
General information	• Introductory Information • Machinery of Government changes • Agency role and main functions • Operating environment	ARRs – section 10.1 ARRs – section 10.2, 31 and 32 ARRs – section 10.2 ARRs – section 10.3 Page 8 Not applicable Page 8-11 Page 8-19
Non-financial performance	• Government's objectives for the community • Other whole-of-government plans / specific initiatives • Agency objectives and performance indicators • Agency service areas and service standards	ARRs – section 11.1 ARRs – section 11.2 ARRs – section 11.3 ARRs – section 11.4 Not applicable Not applicable Page 45-107 Page 58-59
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Governance – risk management and accountability	• Risk management • Audit committee • Internal audit • External scrutiny • Information systems and recordkeeping	ARRs – section 14.1 ARRs – section 14.2 ARRs – section 14.3 ARRs – section 14.4 ARRs – section 14.5 Page 130 Page 116-117 Page 130 Page 130 Page 132
Governance – human resources	• Strategic workforce planning and performance • Early retirement, redundancy and retrenchment	ARRs – section 15.1 Directive No.04/18 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2 Not applicable
Open Data	• Statement advising publication of information • Consultancies • Overseas travel • Queensland Language Services Policy	ARRs – section 16 ARRs – section 33.1 ARRs – section 33.2 ARRs – section 33.3 Page 133 data.qld.gov.au data.qld.gov.au data.qld.gov.au
Financial statements	• Certification of financial statements • Independent Auditor's Report	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1 FAA – section 62 FPMS – section 46 ARRs – section 17.2 Page 213 Page 214-216

FAA Financial Accountability Act 2009  
 FPMS Financial and Performance Management Standard 2019  
 ARR Annual report requirements for Queensland Government agencies

# APPENDICES

## GLOSSARY

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### **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.

### **EAMS**

Enterprise Asset Management Solution

### **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*.

### **PMA**

Program Management Approach

### **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.

### **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.

### **STP**

Sewage Treatment Plant

### **SUV**

Sports Utility Vehicle

### **TOM**

Target Operating Model

### **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.



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For more information visit

**[urbanutilities.com.au](http://urbanutilities.com.au)**

or call **13 26 57**

**Urban Utilities**

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