



# 2015/16 ANNUAL REPORT

ENRICH QUALITY OF LIFE

# OUR PERFORMANCE HIGHLIGHTS FOR 2015/16

**99.93%** 

OF PROPERTIES DID NOT EXPERIENCE AN UNPLANNED INTERRUPTION TO THEIR SEWERAGE SERVICE (PAGE 25)

**9.4%** 

INCREASE IN CUSTOMER COMMENDATIONS (PAGE 31)

**93%**



OF CALLS TO OUR GENERAL ENQUIRY NUMBER RESOLVED AT FIRST POINT OF CONTACT (PAGE 25)



**7.8/10**

SATISFACTION SCORE FROM OUR KEY COMMERCIAL CUSTOMERS (PAGE 26)



**\$36.4M**

SAVED IN EFFICIENCIES (PAGE 48)

**32%**

REDUCTION IN WATER QUALITY INCIDENTS (PAGE 46)

# \$205.7M

INVESTED IN  
INFRASTRUCTURE  
(PAGE 49)



## 3,700

NEW CONNECTION  
APPLICATIONS  
PROCESSED

## 9,083



NATIVE TREES  
PLANTED ACROSS  
14 SITES  
(PAGE 37)

## 151

NEW IDEAS  
GENERATED BY  
EMPLOYEES  
(PAGE 48)



## 39



INNOVATIONS  
APPROVED FOR TRIAL  
OR IMPLEMENTATION  
(PAGE 48)

## 8.7/10

SHAREHOLDER  
SATISFACTION SCORE  
AGAINST TARGET OF  
7.8/10 (PAGE 36)

# ABOUT THIS REPORT

The *Queensland Urban Utilities 2015/16 Annual Report* details our performance between 1 July 2015 and 30 June 2016, and documents our progress against the outcomes specified in our *2015-20 Corporate Plan* and *2015/16 Operational Plan*. To reflect our strategic direction, this report is structured around our four strategic pillars (see page 8).

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

## Readership

This report aims to communicate comprehensive information to satisfy the needs of individuals and groups who are affected by, or have an interest in, our activities, including:

- our customers,
- the communities we serve,
- current and future employees,
- our shareholders,
- government,
- developers,
- other utilities,
- research and development partners,
- business and industry, and
- current and future suppliers.

## Glossary and index

A full glossary explaining the meaning of words and acronyms can be found on page 146. For ease of navigation, refer to the index on page 147.

## Reporting requirements

This report has been prepared in accordance with the *Annual report requirements for Queensland Government Agencies*, issued by the Queensland Government in June 2016.

The letter of compliance and the compliance checklist can be found on page 144.

## 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 this annual report, please contact us on 13 14 50 and we will arrange an interpreter to communicate the report to you effectively.



当您需口译员时，请致电 13 14 50。

اتصل على الرقم 13 14 50 عندما تكون بحاجة إلى مترجم فوري.

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

If you would like to provide feedback on this report, please contact us via:

### Website

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

### Head office

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

### Phone

13 26 57 (7am – 7pm weekdays)

### Email

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

### Twitter

@UrbanUtilities

### Facebook

Queensland Urban Utilities

ISSN: 1838-5575

© Queensland Urban Utilities 2016

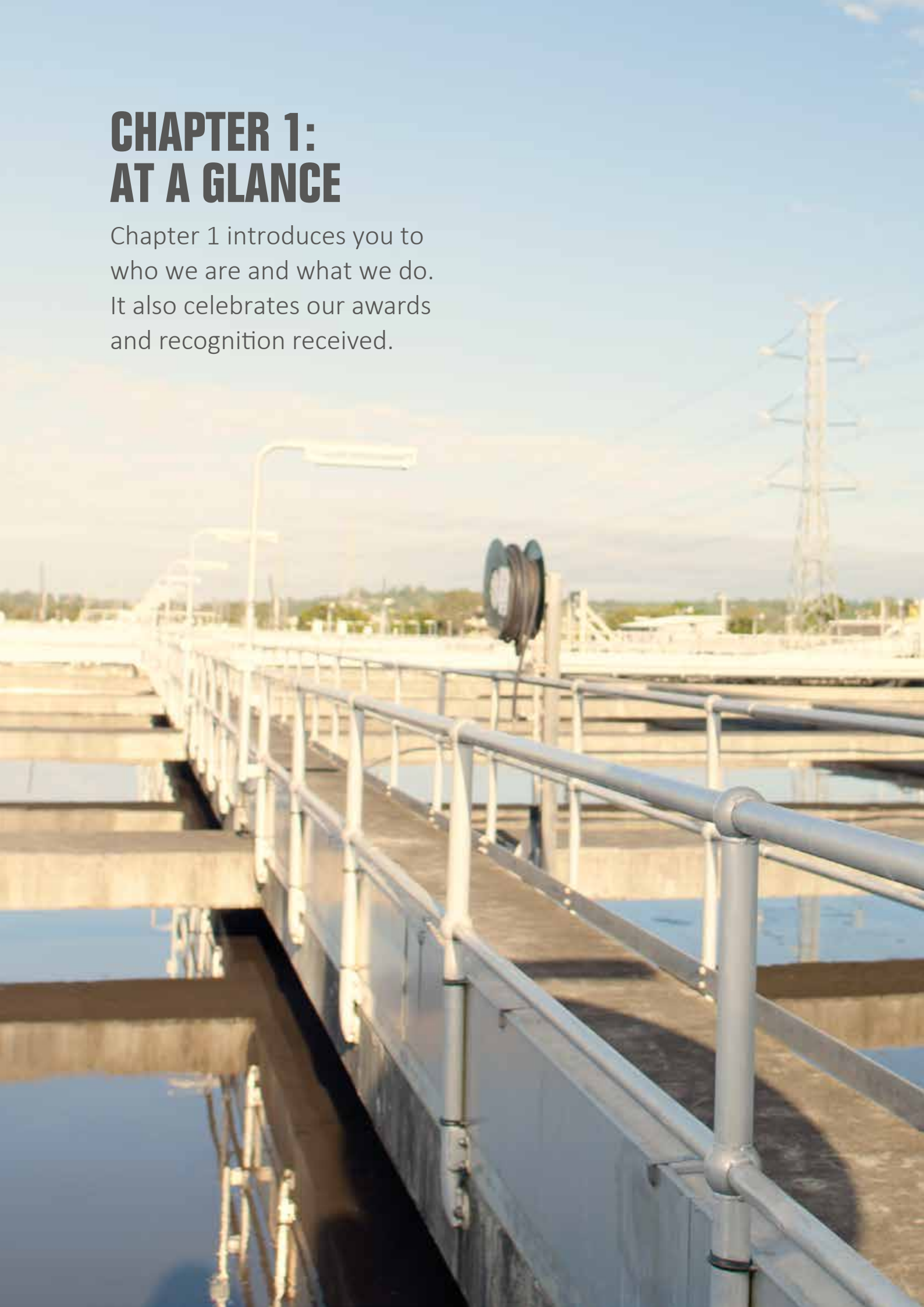
# TABLE OF CONTENTS

<b>Our performance highlights for 2015/16</b>	<b>2</b>
<b>About this report</b>	<b>4</b>
<b>Chapter 1: At a glance</b>	<b>6</b>
Our history	8
Who we are	8
What we do	8
Our strategic focus	8
Our values	9
Our key partners	9
A snapshot of our business	10
Awards and recognition	13
<b>Chapter 2: Our leadership</b>	<b>14</b>
Chairman's foreword	16
Chief Executive Officer's foreword	17
Our Board	18
Our Executive Leadership Team	20
<b>Chapter 3: Our performance</b>	<b>22</b>
Customer	25
Shareholders and Communities	36
Operational Excellence	46
People	56
<b>Chapter 4: Our corporate governance</b>	<b>64</b>
Our governance structure	66
Our shareholders	67
Our Board	67
Our executive advisory groups	71
Our plan for the future	72
Our controls and assurance	76
Accountability and transparency	78
Managing our human resources	78
Other disclosures	81
<b>Chapter 5: Our financial performance</b>	<b>82</b>
Chief Financial Officer's report	84
Our audited financial statements	88
<b>Appendices</b>	<b>142</b>
Compliance letter to Minister	144
Compliance checklist	145
Glossary	146
Index	147



# CHAPTER 1: AT A GLANCE

Chapter 1 introduces you to who we are and what we do. It also celebrates our awards and recognition received.





# CHAPTER 1: AT A GLANCE

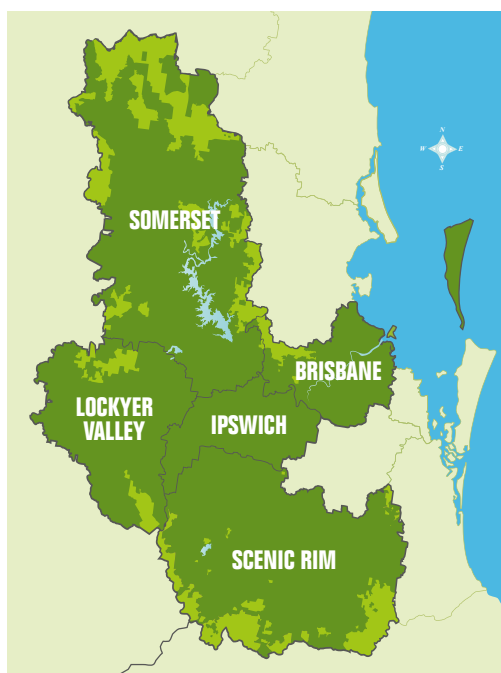
## Our history

In 1863 the *Brisbane Water Works Act* was introduced to bring order and improvement to the quality of South East Queensland's water supply. 1866 marked the construction of Enoggera Dam, the foundation of Brisbane's first safe water supply scheme, while the early 1920s saw the sewerage of the Brisbane metropolitan district, the first sewer system with true environmental credentials. The City of Ipswich connected to the metropolitan water supply scheme in 1922, with sewerage commencing in 1940. From the early 1930s, water services were established in the Lockyer Valley, Scenic Rim and Somerset local government areas. Over the decades, the industry has continued to innovate and, in turn, improve quality of life.

## Who we are

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*.

Queensland Urban Utilities was formed through the amalgamation of the water and sewerage business units of our shareholders: the councils of Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset.



## What we do

We are responsible for delivering drinking water, recycled water and sewerage services to over 1.4 million customers in South East Queensland.

Our 14,384km<sup>2</sup> geographic area is made up of five local government areas of our shareholders: the councils of Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset, and equates to around two-thirds of South East Queensland.

We operate in a unique environment where we serve the same customers and communities as our shareholders.

We provide our services through the management of an extensive water and sewerage network (refer page 10).

Figure 1: Our geographic area.

## Our strategic focus

### Our purpose

Enrich quality of life.

### Our vision

We will be recognised for our excellence in water and sewerage services that meet the evolving needs of our customers and enhance our communities.

### Our strategic pillars

Our strategic pillars provide focus for the objectives and strategies that will enable us to achieve our purpose and vision. For 2015/16, our strategic pillars were:

- Customers

We understand our customers and deliver a quality service that meets their evolving needs.

- Shareholders and Communities

We understand our shareholders' aspirations and are accountable to them and their communities.

- Operational Excellence

We innovate to drive operational excellence to achieve outcomes at the lowest long-term cost.

- People

We are safe, adaptable and capable, and committed to achieving our vision and living our values.



## Our values

The values our teams and employees embrace every day as they work towards achieving of our purpose and vision.



Figure 2: Our values.

## Our key partners

Our key partners in the South East Queensland water and sewerage industry are shown below.

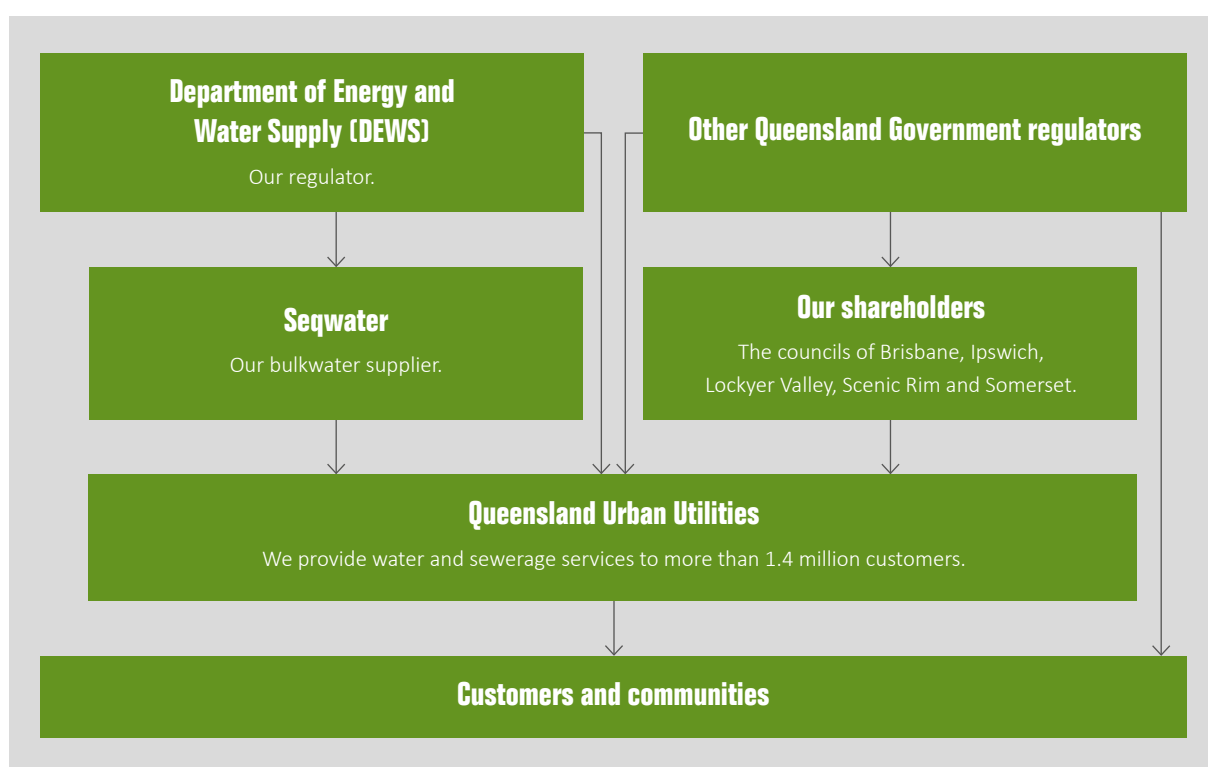
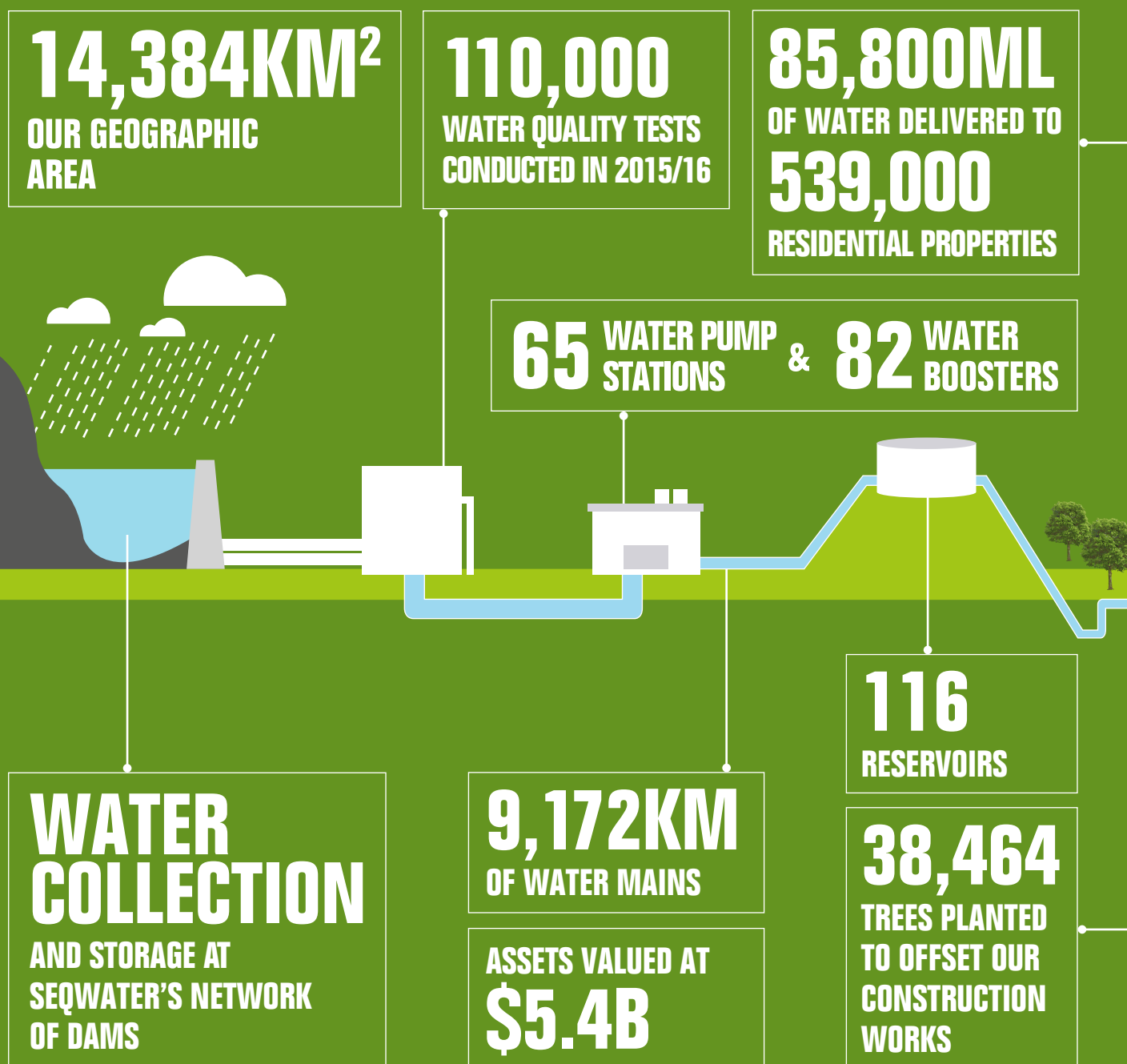


Figure 3: Our key partners.

# CHAPTER 1: AT A GLANCE

## A snapshot of our business

There's more to providing quality water and sewerage services than you think.



**45,430ML**  
OF WATER DELIVERED TO  
**37,000**  
NON-RESIDENTIAL  
PROPERTIES

**9,417KM**  
OF SEWERAGE  
MAINS

**27,800**  
TESTS IN 2015/16 TO  
ENSURE THE QUALITY  
OF WATER RELEASED  
INTO WATERWAYS

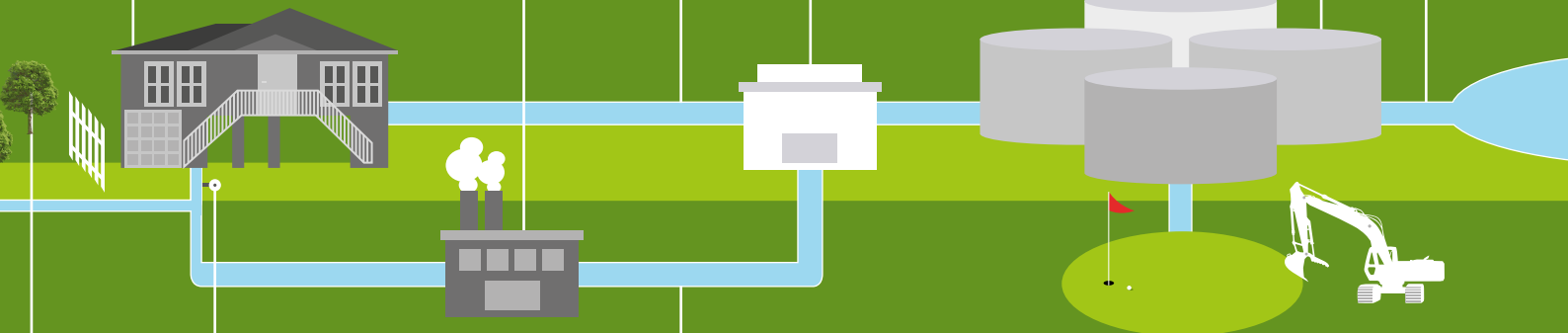
**332**  
SEWAGE PUMP  
STATIONS

**29**  
SEWAGE TREATMENT  
PLANTS

**1.853M**  
METER READINGS  
TAKEN IN 2015/16  
& 2.320M WATER  
AND SEWERAGE  
ACCOUNTS ISSUED

**110,231ML**  
OF SEWAGE COLLECTED,  
TRANSPORTED AND TREATED

**8,827ML**  
OF RECYCLED  
WATER DELIVERED  
TO COMMERCIAL  
CUSTOMERS



# CHAPTER 1: AT A GLANCE





## Awards and recognition

### Winner

- Nina Du Thaler (Chief Information Officer) named Utilities/Media Chief Information Officer of the Year at the 2016 iTnews Benchmark Awards
- 2016 Healthy Waterways Award (Water Services category) for our Energy Crop Trial (see page 54)
- Australasia's Best Shared Services Team at the 2016 Shared Services and Outsourcing Excellence Awards
- 2016 Special Achievement in GIS (SAG) Award, an internationally recognised award, for our delivery of Q-Hub (see page 53)
- 2015 Australian Water Association (Queensland) Program Innovation Award for our Innovation Program
- 2015 Project of the Year (New Installation) for our Woolloongabba Sewer Upgrade at the Trenchless Australasia No-Dig Down Under Awards
- 2015 Project of the Year (Rehabilitation) for our S1 Main Sewer Upgrade at the Trenchless Australasia No-Dig Down Under Awards
- International Project Management Achievement Award presented to Steve Gibson (Program Director Wastewater Network) at the International Project Management Association World Congress in Panama City
- Silver Award in the Australasian Reporting Awards for our 2014/15 Annual Report

### Finalist

- 2016 Healthy Waterways Award (Water Services category) for our Flood Resilience Program
- 2015 Australian Water Association (Queensland) Research Innovation Award for our Waste-to-Energy initiative and our Innovation Centre
- 2015 Australian Water Association (Queensland) Program Innovation Award for our Beaudesert Nutrient Offsets Project
- 2015 Australian Water Association (Queensland) Infrastructure Project Innovation Award for our Woolloongabba Sewer Upgrade
- 2015 Australian Water Association (Queensland) Young Water Professional of the Year (Courtney Brown, Trade Waste Officer)
- 2015 Australian Water Association (Queensland) Water Professional of the Year (Colin Hester, Manager Commercial Water and Trade Waste)

**concealedleak**  
insurance cover

**Protect yourself from paying for concealed water leaks**

**\$16** for just **/year**

**TO BUY COVER GO TO**

[concealedleakinsurance.com.au](http://concealedleakinsurance.com.au)

# CHAPTER 2: OUR LEADERSHIP

Chapter 2 introduces you to  
our Board and our Executive.





# CHAPTER 1: OUR LEADERSHIP



## Chairman's foreword

This year Queensland Urban Utilities has realised many milestones and achievements, as highlighted below.

### Operating independently of our shareholders

Following the establishment of Queensland Urban Utilities six years ago, we continued to receive IT support and real property data from Brisbane City Council. With the introduction of independent systems, we achieved full support separation from our shareholders.

### Increased shareholder satisfaction

Over the last 12 months, we have worked hard to establish a solid working relationship with our shareholders – through our Stakeholder Relations team, regular contact at officer level, and yearly Board meetings in each of our shareholder regions. We recently established a shareholder portal which allows our shareholders easy, online access to a range of information about Queensland Urban Utilities.

We are pleased that these efforts have resulted in a shareholder satisfaction of 8.7 out of 10 (see page 36).

### Delivering efficiencies

There has been significant cultural change in our organisation over the past six years, as well as continuous business process transformation. This is in response to the needs of our customers, shareholders and stakeholders. In June, we completed the outsourcing of our planned maintenance services to Utilita Water Solutions. With Utilita's experience and the expertise of our own employees we will be able to deliver maintenance efficiencies at a lower cost to our customers.

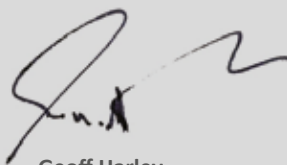
I can also report that our operational efficiency program has delivered a total of \$86.2 million in efficiencies since its launch three years ago (see page 48).

### Smarter infrastructure delivery

This year we invested \$205.7 million in capital works to improve the reliability and sustainability of our water and sewerage network. In the last six years, we have realised \$220 million of savings in our infrastructure investment program through more efficient planning and procurement (see page 48).

I would like to thank our shareholders for their support over the past six years, our management team, and my fellow Board members for their commitment to a continued program of transformation.

Queensland Urban Utilities looks forward to the future with confidence – continuing our focus on customer service, technical innovation, and financial sustainability and providing a critical public health and environmental benefit to the community.



**Geoff Harley**  
Board Chairman





## Chief Executive Officer's foreword

Queensland Urban Utilities is a business that looks and operates differently today compared to six years ago when we were first formed. The last 12 months marked a year of innovation, growth and positive cultural change.

### Transformation through innovation

Launched in late 2013, our award-winning Innovation Program continues to evolve and gain recognition both nationally and internationally.

I am proud that, subsequent to being ranked 10th in BRW's Top 10 Most Innovative Companies list for 2014/15, we continue to be recognised for innovative approaches to enhancing our services and products. This recognition is the result of embedding a culture of innovation right across the business. Through innovation we have been able to deliver over \$5 million in operational savings, as well as safer work practices, improved environmental outcomes and better customer service (see page 13).

### Keeping the workplace safe

We remain committed to providing the systems that create a safe place of work for our employees and contractors.

To that end, I am pleased to report that during 2015/16 we successfully completed the third external audit of our safety management system. The recertified system demonstrates and reaffirms our organisational approach and commitment to safety for everyone, everywhere, every day (see page 57).

### Becoming a Utility of the Future

We successfully launched our aspirational plans to become a 'Utility of the Future' – an organisation that thinks about the future and acts accordingly. We recognise that our customers, shareholders and the community expect that our water and sewerage services will continue into the future and be sustainable, affordable, reliable and resilient for the generations of tomorrow (see page 52).

Through the 'Utility of the Future' work we will continue to improve our information, strategies and investment decisions to help us better understand and meet the evolving needs of our customers.

### A positive and constructive workplace

We continued to be put a great deal of focus on becoming a more positive and constructive workplace. Through our Building the Blue culture program we have continued to build our leaders' self-awareness, willingness to learn, and communicate with their team members through our program of leadership development workshops, forums, tools and information. It recognises that leaders must first look within and build their own self-awareness before they can effectively lead their teams (see page 58).

I would like to thank the Board, the Executive Leadership Team, and our employees for their continued commitment to enriching the quality of life of our customers and supporting the liveability of our shared communities.

A stylized, handwritten signature in black ink, appearing to read 'Louise Dudley'.

**Louise Dudley**  
Chief Executive Officer



Left to right: John Cotter, Geoff Harley, Paul Emmerson, Phil Kesby, Diana Eilert, Dennis Cavagna, Len Scanlan and Bernard Ponting.

## Our Board

The Queensland Urban Utilities Board is responsible for setting and overseeing our strategic direction. It also provides guidance to our Executive Leadership Team on high-order operational matters. Complete biographies of our Board members are available on our website.

For information on our Board committees, including responsibilities and membership, please see Chapter 4.

### Geoff Harley (Chairman)

**LLB, FAICD**

Geoff was appointed the Chairman of the Queensland Urban Utilities Board on 5 October 2012.

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

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

### Bernard Ponting (Deputy Chairman)

**LLB (Hons), GDiP Legal Practice, Solicitor of the Supreme Court of Queensland, GAICD**

Bernard was appointed to the Queensland Urban Utilities Board member on 25 June 2010 and was the Chair of the Queensland Urban Utilities People and Safety Committee. A solicitor with more than 35 years' experience, Bernard currently practises under the firm name of Bernard Ponting & Co, which focuses on commercial, corporate and administrative law.

Bernard's term on the Queensland Urban Utilities Board concluded on 30 June 2016.

### Dennis Cavagna

**BEcon, GDiP Financial Planning, GAICD, FCA**

Dennis was appointed to the Queensland Urban Utilities Board on 25 June 2010 and is currently the Chair of the Queensland Urban Utilities Strategic Asset Management Committee.

Dennis has an extensive background in business and financial management, and has held a number of leadership positions within the Victorian water industry, including Managing Director of South East Water. Dennis is a member of the VicRoads Audit Committee.

# CHAPTER 1: OUR LEADERSHIP

## John Cotter

**FAIM, GAICD, BRTP, CPP**

John was appointed to the Queensland Urban Utilities Board on 1 January 2014.

John is a qualified town and regional planner with over 15 years' experience in major property and infrastructure projects. He has led major project teams across Australia through concept, business case and delivery phases.

John is currently the Managing Director of Initiative Capital, which funds public and private partnerships across Australia. John is a director with Phosphate International and the Lady Bowen Trust, a graduate member of the Australian Institute of Company Directors, and a member of the RNA Council.

## Diana Eilert

**BSc (Maths), MCom (Financial and Marketing), GAICD**

Diana was appointed to the Queensland Urban Utilities Board on 25 June 2010 and is currently the Chair of the Queensland Urban Utilities Finance and Pricing Committee. Diana is a professional Non-Executive Director and is presently appointed to the Boards of ASX-listed companies Navitas, Networks NSW (electricity "poles and wires" for NSW), AMP Life, Super Retail Group and the Sydney Festival.

Diana's 25-year executive career includes Group Executive roles with Suncorp and Citibank, and strategy leadership roles with consulting firms AT Kearney and IBM.

Diana has significant digital experience and was previously Non-Executive Director on the Boards of realestate.com.au and digital businesses "onthehouse" and "Our Deal."

## Paul Emmerson

**BCom, LLB, Solicitor of the Supreme Court of Queensland, GAICD**

Paul was appointed to the Queensland Urban Utilities Board on 25 June 2010 and was the Chair of the Queensland Urban Utilities Audit and Risk Committee.

Paul is a solicitor, certified practising accountant and registered tax agent. His knowledge of the South East Queensland region, along with his long-standing involvement in numerous businesses, regional developments, community organisations, and major projects of regional significance contributed to his winning the 2009 inaugural Lockyer Valley Regional Council Citizen of the Year award.

Paul is currently Treasurer of the Regional Development Australia Ipswich and West Moreton Committee.

Paul's term on the Queensland Urban Utilities Board concluded on 30 June 2016.

## Phil Kesby

**Cert Const (Hons), Licensed Builder (NSW and QLD), GAICD**

Phil was appointed to the Queensland Urban Utilities Board on 25 June 2010.

Phil has more than 35 years' experience in the infrastructure delivery and property industries. In 2008, he established a successful practice providing strategic guidance to his clients in the fields of infrastructure, relationship management, and stakeholder engagement.

Phil is currently the Chairman of the Queensland Building and Construction Commission.

## Len Scanlan

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

Len was appointed to the Queensland Urban Utilities Board on 25 June 2010.

Len was Auditor-General of Queensland from 1997 until 2004. During this time, he was also the Chief Executive Officer of the Queensland Audit Office.

Len has since pursued a successful career as an independent consultant.

Len is currently appointed to a number of Boards including the Queensland Building and Construction Commission. He is also a member of the Electoral Commission of NSW.





Left to right: Richard Petterson, Tracey Moore, Glenn Smith, Nina Du Thaler, Mark Letica, Louise Dudley, Justin Poulus, Ian Hall, Paul Belz and Darryl Rowell.

## Our Executive Leadership Team

Our Executive Leadership Team is responsible for the deployment of strategy and the day-to-day service delivery and operations of Queensland Urban Utilities. Complete biographies of our Executive Leadership Team are available on our website.

### Louise Dudley

**Chief Executive Officer**

**BCom, CA, GAICD**

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

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

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

### Paul Belz

**Executive Leader Planning**

**MBA, BEng**

Paul is responsible for service strategies, infrastructure planning, capital inauguration, development assessment, and environmental and water quality strategy across Queensland Urban Utilities' geographic area.

Paul has more than 20 years' experience in the water and sewerage industry across a wide spectrum of disciplines. His main areas of expertise are in planning, asset management, and operations.

Paul is the Executive Sponsor of the Strategic Asset Management Committee.

### Nina Du Thaler

**Chief Information Officer**

**BInt, MBA, GAICD, FAIM**

Nina is responsible for managing all aspects of the organisation's information, communication and technology (ICT) environment. She has played a critical role in establishing the five-year strategic ICT vision and roadmap to enable the business to transform. Nina's extensive experience in ICT spans the state and local government, tertiary education, emergency services and not-for-profit sectors.



# CHAPTER 1: OUR LEADERSHIP

## Ian Hall

**Executive Leader Commercial Customers**  
**BEng (First Class Honours), GAICD, MIEEE**

Ian has more than 25 years' experience in fields spanning engineering, project and change management, commercial management, business development, and government liaison.

Prior to joining Queensland Urban Utilities, Ian held the position of State Sales Manager at Telstra, managing large commercial customer accounts across Queensland.

## Mark Letica

**Executive Leader Governance**  
**BCom, GIA (Cert)**

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

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

Mark is Chairman of the Customer and Community Reference Group and Executive Sponsor of the Audit and Risk Committee.

## Tracey Moore

**General Counsel and Board Secretary**  
**BA LLB (Hons), MA (Hons)**

Tracey is responsible for providing legal advice to the organisation (including right to information and Crime and Misconduct Commission matters), secretarial assistance to the Board, policy development and implementation, management of the organisation's insurance and corporate risk portfolio and its land access and tenure services.

Tracey has significant experience in infrastructure delivery in both the public and private sectors. Tracey is also an experienced probity advisor and contract lawyer.

## Richard Petterson

**Executive Leader Operations and Service Delivery**  
**BE (Civil), Grad Cert Eng Man, GAICD**

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

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

## Justin Poulus

**Executive Leader Customer and Community**  
**BComm**

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

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

## Darryl Rowell

**Chief Financial Officer**  
**BCA, MBA, CPA**

Darryl is responsible for Queensland Urban Utilities' financial activities and shared services, which includes transactional accounting, collections, billing, and business support administrative services.

Prior to joining Queensland Urban Utilities, Darryl held the role of Group Manager Business Performance and Analysis with Energex.

## Glenn Smith

**Executive Leader People and Safety**  
**ADip Bus, MAHRI**

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

Glenn's extensive experience in human resources and industrial relations spans both corporate and operational functions across a range of industries.

Glenn was previously Vice President of Human Resources and External Affairs at Pacific Aluminium (Rio Tinto).

# CHAPTER 3: OUR PERFORMANCE

Chapter 3 highlights our performance for the year.







Chapter 3 documents our performance for 2015/16, based on our *2015-20 Corporate Plan*. Our performance is aligned to and presented based on our strategic pillars, which form the core of our strategic framework.

Our strategic framework (see page 72) aligns the work of every employee to our purpose and vision. Our strategic pillars (see page 8 for our strategic pillars for 2015/16) provide focus for the objectives and strategies that will enable us to achieve our purpose and vision.

The information presented in this chapter highlights how we have performed against each strategic pillar:

- Have we achieved the targets we set for each strategic success measure?
- How have we delivered against the strategies and objectives?
- What were our key challenges and highlights?
- What were our significant achievements? These are presented as case studies.



# CHAPTER 3: OUR PERFORMANCE

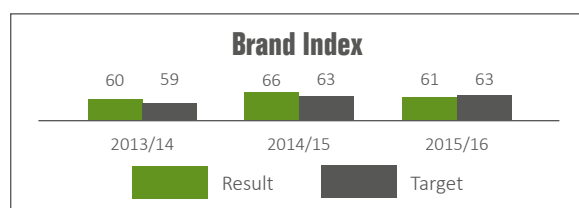
## Customer

We understand our customers and deliver a quality service that meets their evolving needs.

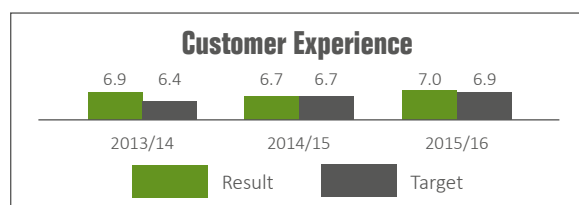
### Performance against strategic success measures

Measure	Unit	2015/16 result	2015/16 target	2015/16 target Achieved?
Brand index	Score out of 100	61	63	Partially
Customer experience	Score out of 10	7.0	6.9	Yes
Water services reliability	% properties where unplanned water interruption is restored within 5 hours	93.3%	92%	Yes
Sewerage services reliability	% properties receiving an uninterrupted sewerage service	99.93%	99.74%	Yes
First call resolution	% general enquiry calls resolved at first point of contact	93%	85%	Yes

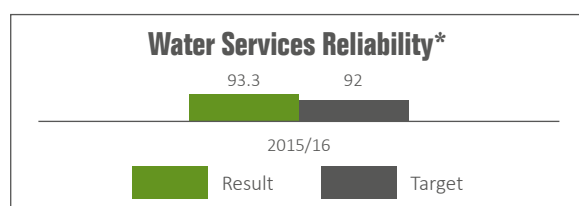
### Year-on-year performance against strategic success measures



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

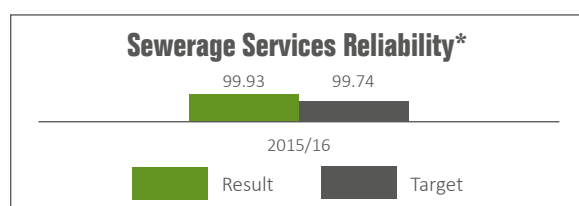


Our **customer experience** score is a measure of our customers' satisfaction following a recent interaction with us. Interactions can include a call to the Contact Centre, engaging with workers in the field or using our website.



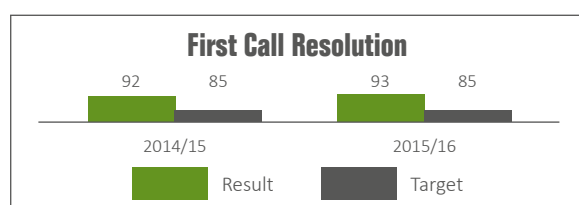
Our **water services reliability** is a measure of the reliability of water services we provide to our customers every minute of every day. It measures the percentage of our customers who do not experience an unplanned interruption, or if they do, they are interrupted for less than five hours.

\* Measure introduced in 2014/15, with performance results first recorded in 2015/16.



Our **sewerage services reliability** is a measure of the reliability of sewerage services we provide to our customers every minute of every day. It measures the percentage of our customers who do not experience an unplanned interruption to their sewerage service.

\* Measure introduced in 2014/15, with performance results first recorded in 2015/16.



Our **first call resolution** performance refers to the effectiveness of our Contact Centre to resolve calls to our General Enquiries number at the first point of contact.

# CHAPTER 3: OUR PERFORMANCE

## Performance against key customer outcomes

### **Our key customer outcomes from our *2015-20 Corporate Plan* were:**

- We understand our residential and business customers, and align our services to meet their respective needs and expectations.
- Our customers value the services we provide, and consider them to be safe, reliable and essential.
- Our customers can interact with us through a variety of communication channels at any time of day, and receive the highest standard of service.
- We build trust in our brand and engage with our customers and communities through targeted education and support programs.

## How we performed against our key outcomes in 2015/16

### **Responding to customers' needs**

- Received a satisfaction score of 7.8 out of 10 from our key commercial customers, which reflects how closely we are working with our large commercial, water reliant and developer customer segments to understand and support their needs (see page 32).
- Developed Concealed Leak Insurance, to be introduced in 2016/17, which allows our residential customers to protect themselves from excessive water bills in the event of a concealed leak (see page 31).
- Installed 26 new standardised tanker filling stations for commercial and residential customers in regional areas, increasing access to water, improving safety, and providing streamlined payment options.
- Based on our consultation with customers, improved the way we support our customers who experience an unplanned interruption to their water or sewerage supply (see page 33).
- Continued to roll out our CustomerCARE training and support program, which has resulted in a 9.4% increase in customer commendations (see page 31).
- Introduced Q-Hub and Q-Care, which are new systems designed to improve the services we provide to customers, particularly when they have an enquiry or experience an unplanned interruption (see page 53).

### **Digital solutions**

- Expanded our suite of customer-focused digital solutions to make it easier for our customers to self-serve. A key enhancement included the development of a personalised website portal where customers can make secure online payments, retrieve past statements, and manage their contact details in real time.
- Launched a trial SMS Alert Service for our customers affected by planned water main replacement works in selected Brisbane suburbs (see page 31).
- Developed our Billing Strategy, which provides a five-year plan to understand and deliver a customer-focused online billing experience.
- Continued to utilise social media as a two-way customer engagement channel. Our customers view this channel as an efficient and effective method of receiving information and asking questions, which was reflected in the steady increase in our followers on Facebook, Twitter, Instagram and LinkedIn.

### **Keeping our customers informed**

- Hosted five information and feedback sessions for 450 development industry members to encourage two-way communication and strengthen relationships, ultimately supporting growth and economic development across our communities.

- Continued to promote our 'Turn to Tap' campaign, which is designed to educate our customers on the economic, health and environmental benefits of drinking tap water (see page 34).
- Launched our 'Don't Flush That' campaign to gain customers' support to reduce the flushing of items that cause blockages in our sewerage system, and ultimately impact the sewerage service our customers receive (see page 34).
- Published our second *Drinking Water Quality Management Plan Report*, which highlights the importance we place on the provision of high quality drinking water to our customers.

## Performance against Customer Service Standards

Specific to our Customer strategic pillar 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.

Indicator	Service standard	2011/12 result	2012/13 result	2013/14 result	2014/15 result	2015/16 result	Achieved?
<b>Water quality</b>							
Annual chemical compliance with <i>Australian Drinking Water Guidelines</i> health limits	All relevant schemes compliant	N/A	N/A	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	N/A	N/A	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	N/A	N/A	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	Yes
Water quality complaints	≤8 per 1000 properties	5.2	3.2	2.7	2.5	1.7	Yes
Water quality incidents	≤10 per 1000 properties	0.04	0.03	0.04	0.03	0.03	Yes
<b>Water supply</b>							
Water pressure	Urban area ≥210 kPa Trickle feed areas (and private booster) ≥100 kPa	Queensland Urban Utilities undertakes ongoing electronic and manual monitoring of the water network to ensure water supply pressure and volume standards are met. Where an issue is detected or a complaint received, it is investigated and corrective action is undertaken.					N/A
Water volume	Urban areas ≥25 L/min Trickle feed areas ≥3.2 L/min						

# CHAPTER 3: OUR PERFORMANCE

Indicator	Service standard	2011/12 result	2012/13 result	2013/14 result	2014/15 result	2015/16 result	Achieved?
Customer service							
Calls answered (% within 30 seconds)	80%	83%	76%	67%	72%	80%	Yes
Service connections							
Standard connection decisions completed and standard notice issued	% completed within 10 business days from properly made application	Commenced 1 July 2014 in line with legislated changes to the management of new developments.			100%	100%	Yes
Continuity of supply							
Number of unplanned water supply interruptions	≤100 per 1000 properties per annum	48	62	95	91	67	Yes
Restoration of water supply	≥90% unplanned interruptions restored within 5 hours	89%	88%	94%	94%	95%	Yes
Response to incidents							
Urgent water & sewerage	80% within 1 hour	98%	93%	83%	80%	80%	Yes
Non-urgent water & sewerage	80% within 24 hours	96%	92%	69%	76%	67% <sup>†</sup>	No
Notification of interruptions							
Notification of planned water and sewerage interruptions	48 hours notice given	N/A	N/A	96%	99%	100%	Yes

Table 1: Our service performance measured against our Customer Service Standards.

† On average Queensland Urban Utilities receives around 35,000 service related customer enquiries per year that require a crew to attend. Approximately 60% of these enquiries are categorised as non-urgent water jobs, or about 58 per day. While we achieved our standard for the non-urgent sewerage component, our continued commitment to prioritise urgent water jobs means we did not achieve the water component of the non-urgent response service standard.

Although we did not meet the non-urgent service standard, there was no interruption to customers' service. In addition, the results for our water services reliability and sewerage services reliability scores were ahead of target. Moreover, the Faults and Emergencies customer satisfaction score of 8.4/10, and achieving our corporate customer experience score suggests that we met customer expectations.

In 2015/16, as part of the ongoing commitment to enhance customer service, we undertook significant research to better understand customers' expectations. The outcomes of this research will inform improvements to our service standards, focusing on providing services that meet the evolving needs of our customers.



## Our challenges

### Improving customer awareness of our sewerage services

In 2015, the Water Services Association of Australia (WSAA) conducted a *Customer Perceptions Survey*, which captured responses from customers across 20 water utilities, including Queensland Urban Utilities. The purpose of the survey was to gain an understanding of how customers perceive water utilities in comparison to other sectors. Overall, we ranked close to or just above the national average for most indicators, including affordability, delivering value for money, and being an efficient and well-managed water utility. However, of the 400 Queensland Urban Utilities customers surveyed, only 54% were aware that we are responsible for sewerage services. This was the lowest level of awareness across the water utility sector (the highest being 85%), and can be attributed to our relative infancy.

Recognising this as an opportunity to improve our relationship with our customers, we expanded our 'Don't Flush That' campaign to improve customer awareness of the sewerage services we provide and in turn enhance our overall brand value.

### Supporting our key commercial customers' operational requirements

The market within Queensland Urban Utilities' geographic footprint is dynamic. Many of our business customers are either expanding to accommodate growth or rationalising sites to realise efficiencies and remain competitive. To deliver a level of service that aligns with the needs of our customers, we strive to remain flexible and to be an enabler of future growth and economic development.

One example of this was in the lead-up to Christmas 2015, when Primo – Australia's largest smallgoods producer and also one of our key commercial customers – advised of the need to increase the volume of trade waste it discharges in order to meet its customers' demand. Our challenge was to effectively manage the increased trade waste flows at a time when capacity at our nearby Oxley Creek Sewage Treatment Plant (STP) would be temporarily limited due to essential maintenance work.

Intent on meeting Primo's requirements, our commercial account management, network planning, trade waste, sewage treatment and environmental management teams worked collaboratively to develop and implement an interim solution for managing the increased waste flows.

The solution involved temporarily using a nearby sewage pump station to divert peak waste flows to an alternative STP. By thinking outside the box, we were able to satisfy Primo's needs, avoid additional operational costs from tankering the waste, and ensure that environmental standards were met.



This was a fantastic outcome for Primo. Queensland Urban Utilities' constructive approach helped us not only service our customers but also employ extra seasonal workers and inject a considerable amount into the Queensland economy.

**Scott Moloney**  
Primo's National Engineering Manager

### Improving the customer experience

Delivering a positive customer experience requires us to understand our customer segments well enough to consistently and proactively meet their respective needs and expectations. While we have a long journey ahead of us, we continue to deliver incremental improvements, as reflected in our steadily increasing customer experience scores.

In 2015/16, we delivered a number of improvements:

- Delivered our Faults and Emergencies Customer Experience Project to improve how we respond to customers who experience an issue or interruption to their water or sewerage service (see page 33).
- Built on our CustomerCARE Program to provide our people with the right systems, processes and training to help them deliver great customer experiences (see page 31).
- Delivered a number of programs and initiatives to help strengthen our relationships with our largest commercial customers (see page 32).
- Held Customer Experience Council (see page 71) meetings, which provide a monthly forum for senior leaders to review customer analytics, survey feedback and trends, and discuss and prioritise customer experience opportunities and challenges.
- Continued to support our Customer Innovation Group, which encourages frontline customer-facing employees to suggest and deliver innovative ideas to improve the customer experience.

# CHAPTER 3: OUR PERFORMANCE

While we exceeded our customer experience target, we still have some challenges to overcome, as outlined below.

- We updated our billing system from property-based to customer-based to improve our service to and understanding of our customers. Moving forward, our challenge will be to address gaps in the data to ensure we have accurate and current information.
- We know that customers have a low level of engagement with us about our products and services. We are now focusing on improving our engagement with customers during interactions and being more proactive in our approach (See faults and emergencies case study on page 33).
- There is a rising cost of communicating with customers through traditional channels such as mail, while to meet the increased expectations in self-service and digital communications requires significant investment.

In 2016/17, we will continue to improve our information, strategies and investment decisions to help us better understand and meet the evolving needs of our customers.

## **Working proactively to prevent wet weather overflows**

Our network includes more than 9,000 kilometres of sewerage infrastructure servicing both our residential and commercial customers. As with all large sewerage networks around the world in comparable sub-tropical climates, customers can sometimes be impacted by sewage overflows during wet weather events.

We recognise the disruption and impact that an overflow can have on our customers. We are committed to working directly with our impacted customers and their representatives to develop solutions, including in some instances, within the customer's private property, to address the situation as soon as possible.

In 2015/16, we implemented a range of programs to help reduce the impact of wet weather overflows including:

- prioritisation of network upgrades in low-lying areas where wet weather overflows occur most often,
- reviewing and amending maintenance of our sewerage infrastructure, including closed circuit television inspections to ensure pipes are clear of blockages and damaged pipes are repaired, and
- smoke testing in problem areas to identify where stormwater is entering the sewerage system and contributing to overflows.

During 2015/16, we finalised 94 private property solutions to protect customers previously affected by wet weather overflows. We have also:

- Addressed flood prone, frequent wet weather overflow suburbs by installing 150 overflow relief gully caps to prevent overland flow of stormwater entering the sewerage network via private drainage.
- Installed *Rain Stoppers* in over 80 sewer maintenance hole (manhole) lids to prevent stormwater infiltration.
- Repaired over 100 sewer maintenance holes (manhole) to prevent stormwater infiltration.

In addition to the above, we have introduced the role of Customer Engagement Officer, dedicated to delivering a positive one-on-one experience to further support customers impacted by severe wet weather events. Given our customer focus, this role has improved how we prioritise jobs, using a holistic customer approach.

## Our highlights

### Expanding our product offering to minimise the risk of water leaks

We understand that water leaks can cause distress for our residential customers, both financially and emotionally. In 2015/16, we invested considerable effort into implementing two innovative products to help minimise the occurrence of leaks and the associated economic risks.

- AquaTrip is a leak detection system that acts like a safety switch for the customer's water supply. It continuously monitors the flow of water into the customer's property and automatically shuts off supply if it detects continuous flow beyond a pre-selected period of time (thereby indicating the occurrence of a leak, burst pipe or even a tap left running). Residential customers will be able to purchase AquaTrip through our website from July 2016, the cost of which will include installation into an existing property. Builders and developers will be able to purchase AquaTrip for integrating into new homes during construction.
- Concealed leak insurance (see page 13) provides coverage to residential water supply customers for the cost of water usage charges arising from a concealed leak at their insured property. For \$16 per year, the insurance provides cover up to \$10,000 annually, including reimbursement up to \$200 for the cost of a registered plumber call out charge to identify and locate the leak. An excess of \$50 applies for each and every claim. This innovative insurance concept was made possible by Queensland Urban Utilities, in conjunction with Willis Towers Watson (the insurance broker) and QBE Australia (the underwriting insurer).

### Supporting our people to deliver a positive customer experience

As reflected in our strategic direction, we aspire to truly understand our customers and deliver a quality service that meets their evolving needs. To move closer to realising this goal, we have continued to roll out our CustomerCARE Program, the objective of which is to provide our people with the right systems, processes and training to help them deliver great customer experiences.

In 2015/16, we expanded the program to include employees and contractors throughout the business. Regardless of their role, we encourage all employees to consider the customer impacts in everything they do.

To date, over 1,200 employees and contractors have completed our CustomerCARE foundation training.

In 2015/16, we enhanced our CustomerCARE Program by:

- piloting our new conflict resolution training for employees who handle complex customer files,
- involving leaders in our new 'Transition to Customer Focus for Leaders' program to improve the way they make customer-focused decisions that balance customer expectations, risk and cost,
- delivering 'CustomerCARE for Contractors' training for contractors who provide services on our behalf, and
- hosting the second annual CustomerCARE *CEO Recognition Breakfast*, where we recognised the 32 employees who received four or more customer commendations throughout the year.

The success of our CustomerCARE program is evident in the overall number of customer commendations received for excellence in customer service, with 313 received in 2015/16 (a 9.4% increase on 2014/15).



#### What our employees thought of our CustomerCARE training

- "Overall, it was stimulating, engaging and helpful for my role." **Contact Centre**
- "I enjoyed the session. It's good to understand how the customer sees us." **Insurance**
- "It was a good reminder about walking in our customers' shoes!" **Marketing**
- "I learnt new ways of handling customers, like not to get defensive when we hear an angry voice." **Finance**

### Using SMS to communicate with customers in real time

Customers expect us to be effortless to deal with, which is why we continue to improve the ease with which they can interact with us. In the past two years, we've introduced a number of self-serve options through our website, and also increased our two-way communication via social media.

# CHAPTER 3: OUR PERFORMANCE

To make it even easier for customers to engage with us, we ran a trial SMS alert service from December 2015 to June 2016. This trial gave customers the opportunity to receive real-time SMS notifications about planned water outages in their street, as well as updates on construction works in their area.

The trial invited around 7,000 customers in the Brisbane suburbs of Camp Hill, Carina and Carina Heights to register to receive the alerts. Overall, 15% of those customers opted in, with anecdotal feedback being positive and encouraging.

Moving forward, we hope to use proactive SMS alerts to engage with customers in real-time about a variety of matters, especially unplanned water outages.

## **Strengthening relationships with our key commercial customers**

Our Key Commercial Accounts (KCA) team was formed in 2014/15 to provide dedicated account management services to our largest commercial customers. This commitment to building strong, mutually-beneficial relationships contributed to the achievement of an overall KCA satisfaction score of 7.8 (out of 10).

In 2015/16, we continued to develop our ability to building strong, mutually-beneficial relationships through a number of new initiatives:

- Executed a proactive meeting program, which saw the KCA team conduct over 500 on-site customer visits.

These visits increased our engagement with key commercial customers and, in turn, improved our understanding of their respective needs and expectations.

- Continued to identify and implement opportunities that generated mutual benefits with a number of our customers. For example, we continued our partnership with a leading soft drink producer, which involves taking their high-strength waste to generate electricity to power our sewage treatment plants.
- Delivered improved business efficiencies by continuing to roll out our smart meter trial with our largest water users, helping them to understand their water consumption. A smart meter is a device that allows a customer to monitor their water consumption and proactively detect onsite leaks.
- Introduced a customer resilience pilot project, the objectives of which are to partner with our customers in the shopping, accommodation and entertainment portfolio to build their supply chain resilience and the resilience of our network.
- Held six industry events spanning a range of industry sectors covering various topics including network resilience, water quality, infrastructure planning, recycled water, cultural leadership and contingency.
- Initiated process improvements across multiple internal departments to support the delivery of differentiated service levels matched with the needs of our largest commercial customers.

## **Looking forward**

### **Where we are focusing our improvement in 2016/17**

- Increasing our customer and community engagement and awareness of our services.
- Improving our customers' experience when they deal with us.
- Increasing our support of key commercial customers and developers.
- Introducing new products and services to meet our customers' evolving requirements.
- Continuing to improve our billing and our understanding of our customers' preferred billing experience.





## CASE STUDY

### Designing our products and services with our customers in mind

At Queensland Urban Utilities, we're taking steps to create a proactive, customer-focused culture, which is why we are embracing Customer-Based Design – an approach that focuses on the needs and expectations of customers at each stage of the design process. It allows us to work with customers to 'co-design' our products, services and systems to maximise both business and customer value, and ensures we are solving problems and embracing opportunities that really matter to our customers.

To date, we have trained 15 employees from around the business in Customer-Based Design, and have applied the approach to a number of key projects including our Faults and Emergencies Customer Experience Project. This project involved 70 customers and 50 employees who helped redesign our responsive maintenance works process, which in turn has improved how we respond to customers who experience an issue with their water or sewerage service.

As part of the project, we engaged customers in their homes and mapped their journeys to better understand their service experience and what opportunities there were to improve. Customers and employees were also involved in a series of workshops to design an ideal service. Through that process, customers told us they would like our service to be more proactive with increased communication at key points in the journey. A supporting research study confirmed five keys drivers of customer satisfaction that we will continue to focus on: professional workforce, timely arrival of field crews on site, worksites left in a safe and neat condition, overall responsiveness to the issue, and efficient field crew work. An ongoing survey has been implemented to monitor our progress with customer satisfaction, which is currently sitting at 8.4/10 for faults and emergencies.

During 2016/17, we will focus on how we can improve the customer experience for our planned maintenance and customer billing.

#### Customers who took part in the project said:

"It's nice to see QUU talking to us and taking their customers seriously."

"It's interesting that a company like QUU is doing this. They are the only provider, but it's great that they are talking to customers and they want to be better."



## CASE STUDY

### **‘Don’t Flush That’ and ‘Turn to Tap’: encouraging positive behaviour change**

Our sewerage network plays a vital role in the health and wellbeing of our communities, however being underground means it is out of site, rendering it a forgotten service. Through our Don’t Flush That campaign, which was launched in September 2015, we are striving to increase awareness of our sewerage network and the role it plays in society, as well as encourage behaviour change amongst our customers in terms of what should and shouldn’t be flushed.

Each year, we remove around 120 tonnes of wet wipes from our sewerage network – a problem that has been exacerbated since the proliferation of ‘flushable’ wipes. Our Don’t Flush That campaign focuses on raising awareness and educating customers about the costly damage that wipes, amongst other things, can cause to both our network and to their household plumbing.

The campaign’s key messages – “Only flush the three P’s. Pee. Poo. Paper” and “Don’t flush wipes, they block pipes” – featured on digital billboards in prominent locations, as well as on websites, and on posters in the toilets of shopping centres, the airport and entertainment venues.

On social media, our Don’t Flush That videos attracted unprecedented levels of engagement, indicating a high level of relevancy amongst our social community. Overall, the videos were viewed over 124,000 times and invited a number of questions about what should and shouldn’t be flushed.

In addition to our Don’t Flush That campaign, we continued to promote our Turn to Tap program, which encourages customers to swap bottled water for tap water and, in turn, create a better future for the environment, their health, and their hip pocket.

In 2015/16, we expanded the program by partnering with cafes across our service territory to provide bottled tap water to customers, and installed four tap water stations at South Bank Parklands. We also continued our involvement with the Tangalooma EcoMarines program, which saw thousands of school students design a Turn to Tap bag tag featuring a reminder to school students to pack a reusable water bottle, enabling a generational change in the consumption of water.

#### **Customer feedback on our ‘Don’t flush that’ campaign**

“Great to see positive initiatives from such a large organisation!”

“Thank you for your relevant and interesting stories. I particularly like your constant reminders of what not to flush. It’s a shame that people don’t know this.”



# Not so flushable after all.

Wipes, even those labelled 'flushable',  
don't break down in sewer pipes  
and can lead to blockages which are  
expensive to clear.

**Only flush the three P's. Pee. Poo. Paper.**

[www.urbanutilities.com.au/dontflushthat](http://www.urbanutilities.com.au/dontflushthat)

# CHAPTER 3: OUR PERFORMANCE

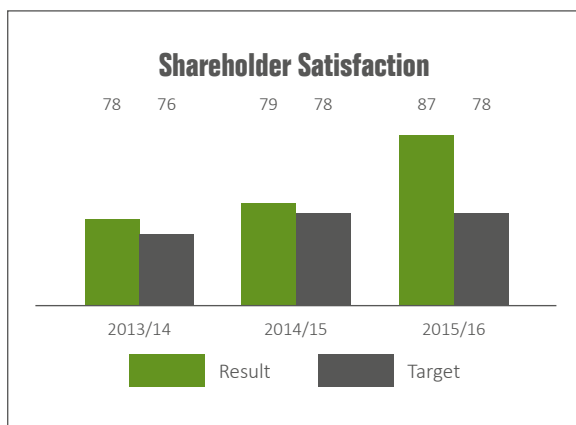
## Shareholders and Communities

We understand our shareholders' aspirations and are accountable to them and their communities.

### Performance against strategic success measures

Measure	Unit	2015/16 result	2015/16 target	2015/16 target Achieved?
Shareholder satisfaction	Score out of 100	87%	78%	Yes

### Year-on-year performance against strategic success measures



Our **shareholder satisfaction** score indicates our shareholders' contentment with our overall performance as the provider of water and sewerage services to our shared customers and communities.



TURN  
**TOTAP**  
QUEENSLAND URBAN UTILITIES

Turn to tap to create a better future  
for the environment, your health and  
your hip pocket.

[www.urbanutilities.com.au/turntotap](http://www.urbanutilities.com.au/turntotap)





## Performance against key shareholder and community outcomes

### **Our key shareholder and community outcomes from our *2015-20 Corporate Plan* were:**

- We provide a standard of service that is supported by our shareholders and reflected in our shareholder satisfaction score.
- We work with our shareholders to understand their priorities and develop appropriate solutions.
- We build and foster strong and open relationships with our shareholders and stakeholders, and work together to build a sustainable water and sewerage industry that enriches our communities.
- We support our communities through involvement in local events.

## How we performed against our key outcomes in 2015/16

### **Enhancing support to shareholders**

- Achieved a shareholder satisfaction score of 87%, which reflects our focus to deliver solutions that meet both their needs and needs of our communities.
- Launched our new shareholder portal, which provides our shareholders with tailored, online information relevant to their regions (see page 40).
- Received approval from shareholders for our *2016-21 Corporate Plan*, reflecting their support of our five-year strategic direction (see page 72).

### **Supporting our communities**

- Continued to have representation on a number of cross-collaborative water-industry committees including the SEQ Strategy and Planning Committee, the Regional Safety Committee, and the Water Services Association of Australia Asset Management Committee. Being part of such committees allows us to have an influence on the strategic direction and operational performance at a regional and national level.
- Became a participant in the Australian Water Partnership (AWP), which is an initiative of the Department of Foreign Affairs and Trade. As a participant, we will share our experience and expertise to improve sustainable water management across Indo-Pacific countries including India, Indonesia, Laos, Cambodia and Papua New Guinea.
- Continued our innovative partnership with the Bulimba Creek Catchment Coordinating Committee to rehabilitate our work sites, reinforcing our commitment to working with local groups to improve our communities. This year, we planted over 9,000 native trees across 14 sites.
- Launched a Pilot Vocational Placement Program to engage and inspire youth in our regional areas to pursue a career in the water industry (see page 41).
- Proudly supported over 50 community-based events and projects through sponsorship, participation, one-off donations and in-kind donations (see pages 44-45).

### **Community engagement**

- Continued to engage with customer and community representatives at our quarterly Customer and Community Reference Group meetings. These valuable meetings give us the opportunity to engage in open and honest two-way dialogue about a range of issues including pricing, infrastructure planning, service reliability, innovation and sustainability.
- Continued to proactively engage with customers and communities on our capital works projects to ensure they remained informed at every stage and that their experience was positive (see page 43).
- Published our inaugural *2014/15 Annual Performance Report*, supporting the State's regulatory reform improvements aimed at reducing the cost to provide water and sewerage services.

# CHAPTER 3: OUR PERFORMANCE

## Our shareholders and strategic stakeholders

We recognise that effective stakeholder management is critical to enabling the organisation's sustainability, growth and success.

We work closely with our shareholders (see chapter 4) to ensure our strategic direction is aligned with their aspirations and goals, and that our service delivery meets customers' needs at a sustainable cost.

Our solid relationship with the federal, state and local governments (see page 9) allows us to keep abreast of legislation and regulations and ensure we continually fulfil our responsibility to protect the environment and support sustainable practices.

Our relationship with fellow South East Queensland water industry participants, suppliers, innovation bodies and environmental groups allows us to collaborate at a local level to work towards common goals.

We continue to seek input from customer and community representatives on relevant policy, planning and service standards through consultation with our Customer and Community Reference Group.

### What's the difference between shareholders and strategic stakeholders?

Our shareholders are those with a financial share in our organisation. We are jointly owned by five shareholders: Brisbane City Council, Ipswich City Council, Lockyer Valley Regional Council, Scenic Rim Regional Council, and Somerset Regional Council.

Our strategic stakeholders are those with an interest in our organisation, directly or indirectly, who can influence the achievement of our purpose and vision. We have a vast group of stakeholders, which includes all levels of government, customers, employees, developers, regulators, and industry groups. It is important to note that our shareholders are also considered stakeholders as we work closely with them to achieve mutually beneficial outcomes for our shared customers and communities.

### Stakeholder groups and their key interest areas

Stakeholder group	Key interest areas
Shareholders	<ul style="list-style-type: none"><li>• Strategic direction and infrastructure delivery</li><li>• Business performance</li><li>• Sustainability</li><li>• Economic development</li></ul>
Customers and community	<ul style="list-style-type: none"><li>• Water and sewerage services</li><li>• Public health</li><li>• Customer service</li><li>• Environmental impact</li><li>• Billing</li><li>• Financial hardship</li><li>• Community relations</li><li>• Corporate and charitable support</li><li>• Capital works and infrastructure maintenance</li></ul>
Developers and industry groups	<ul style="list-style-type: none"><li>• Customer service</li><li>• Research and development</li><li>• Partnerships</li><li>• Infrastructure delivery</li><li>• Economic development</li></ul>
Regulators and Government	<ul style="list-style-type: none"><li>• Legislative compliance</li><li>• Public health</li><li>• Environmental management</li><li>• Financial management</li><li>• Sustainable policy and legislation</li><li>• Economic development</li></ul>
Other Stakeholders <ul style="list-style-type: none"><li>– innovation bodies</li><li>– water industry</li><li>– suppliers</li><li>– environmental groups</li></ul>	<ul style="list-style-type: none"><li>• Research and development partnerships</li><li>• Collaborative activities</li></ul>



## Stakeholder engagement tools

To ensure appropriate and effective engagement with each stakeholder group, we use a range of tools, including, but not limited to:

- direct engagement and communication,
- dedicated point of contact from our Stakeholder Engagement Team,
- Annual Report and corporate and operational Plans,
- Quarterly Reports to shareholders,
- annual Shareholder Satisfaction Survey,
- Board meetings in each Shareholder region,
- Special General Meeting,
- Customer and Community Reference Group,
- media coverage,
- *In the Pipeline* residential newsletter, distributed quarterly,
- regular social media updates,
- website,
- marketing collateral- fact sheets, flyers, signage,
- quarterly bill account communications,
- focus groups,
- community events,
- information sessions,
- industry forums, and
- the shareholder portal.

# CHAPTER 3: OUR PERFORMANCE

## Our challenges

### Ensuring a smooth transition for new elected representatives

In March 2016, following the Queensland Local Government election, 11 new elected representatives were appointed to four of our shareholding councils. In mid-April, a further three elected representatives were appointed to our fifth shareholding council following a delayed postal vote election in Lockyer Valley.

In the months following the election, we had an opportunity to continue to build and strengthen our relationships with reappointed Councillors and to establish and form strong relations with newly elected representatives.

One way in which we have achieved this is through our Councillor Relationship Manager who had an opportunity to meet one-on-one, and collectively, with a number of newly elected representatives to discuss the services that we deliver and how we support the communities they represent.

Our Chairman and Chief Executive Officer also had the opportunity to meet our two newly elected Mayors in Lockyer Valley and Scenic Rim ahead of our regional Board meetings, which will occur across all shareholder regions before the end of 2016.

We produced a regional specific fact sheet that was issued to all elected representatives following the election. The fact sheet outlines how we have supported, and continue to support the liveability of their cities and townships through our continued investment in water and sewerage infrastructure, community sponsorships and our efficiency programs that have maintained downward pressure on pricing.

Our first Special General Meeting since the election to be held in August 2016 will also allow the Board to deepen its relationship with shareholders.

## Our highlights

### Introducing our shareholder portal

We are committed to fostering open and transparent relationships with our shareholders, and offer a suite of engagement tools through which we can engage on matters of importance (see page 39). In May 2016, we added to this suite by launching a dedicated shareholder portal, which gives our shareholders the ability to efficiently access online a range of information about Queensland Urban Utilities at their convenience. The secure web-based platform provides data on our performance, financials, and current network upgrades, and has been tailored to each council region to ensure a customised experience.

We envisage the portal will continue to grow with the business and that shareholders will see the service evolve over time. The portal is just another way we are working closely with our shareholders and consolidating our role as a valued and trusted partner.

### Supporting our communities through sponsorship

In 2015/16, we invested over \$130,000 in 50 different programs and events supporting education, communities, industry, innovation and the environment (see pages 44-45).

To ensure we align ourselves with appropriate initiatives, we assess all sponsorship requests using a standard set of evaluation criteria to determine the strength of the opportunity and how it relates to Queensland Urban Utilities' overall objectives.

Our most recent sponsorship deal was secured in May 2016, when we joined forces with Brisbane and Ipswich's first mobile laundry service for the homeless, Orange Sky Laundry. The van, which is custom fitted with two industrial washers and driers, provides a free laundry service at parks and drop-in centres in Bowen Hills, New Farm, Fortitude Valley and Spring Hill as well as Queens Park in Ipswich.

Orange Sky Laundry is making a big difference by providing those without access to a washing machine with the dignity of being able to wear freshly cleaned clothes. We are proud to support this innovative organisation whose vision is a world where people who are homeless are positively connected with the community.



### **Introducing school children to our underground network**

The \$17 million Kenmore-Jindalee new cross river pipeline upgrade will replace the infrastructure damaged in the 2011 floods, ensuring the sustainability of the network in Brisbane's western suburbs.

The project involves installing new water and sewer mains inside a tunnel that will be bored 10 metres beneath the Brisbane River, starting on Mount Ommaney Drive, Jindalee, and extending cross-river to Kingfisher Park, Kenmore. The 540m cross-river tunnel will be built using micro-tunnelling technology, guided by a laser navigation system.

As a novel way of involving the children in the project, we invited 350 Year 3 students from four local primary schools (Kenmore, Kenmore South and Jindalee State Schools, and Our Lady of the Rosary Primary School) to devise a name and design for the tunnel boring machine to be used during construction works.

One student creatively combined Kenmore and Jindalee to suggest 'Kenji' as the winning name, while another student won the design element with his red and yellow flame motif. Both the name and design will be painted on the tunnel boring machine.

Hosting the competition was an ideal opportunity to introduce children to the water and sewerage network in a fun, interactive way, and influence the next generation in how a quality water and sewerage service is a vital part of life.

### **Inspiring our workforce of tomorrow**

In March 2016, we partnered with the Department of Education, Training and Employment to host the inaugural Water Inspirations Day in Scenic Rim. The purpose of the event, which forms part of our wider pilot Vocational Education Program, was to educate high school students on the variety of career options available within the water industry, and to inspire them to pursue future opportunities with us through work experience, training programs or eventual employment.

Twenty students from Beaudesert State High School, Flagstone Community College, and Park Ridge State High School were taken on a tour of our Beaudesert Sewage Treatment Plant before taking part in a range of interactive activities including carrying out a water quality test, using a water diviner to locate underground pipes, and calculating water pressure requirements for homes and businesses.

## **Looking forward**

### **Where we are focusing our improvement in 2016/17**

- Increasing our shareholders' visibility of our performance and information relating to their key interests and concerns.
- Increasing our engagement with stakeholders on matters that affect our strategic direction.

## **Remembering Mayor Steve Jones**

We were saddened to hear of the sudden passing of Mayor Steve Jones in February 2016. Mayor Jones was one of our founding shareholding Mayors and was instrumental in the establishment of Queensland Urban Utilities in 2010. He was also influential in the response and recovery from the 2011 Lockyer Valley floods that devastated parts of our service territory.

In recognition of his service to his community and support for Queensland Urban Utilities, we were pleased to donate \$1,000 to Buy a Bale, a campaign he supported that provides stock feed to farmers in drought in regional Queensland.



## Supporting international communities in need

We are dedicated to enriching quality of life, and not just in our own backyard. Since our formation six years ago, we have been a strong advocate of WaterAid's initiatives to help transform the lives of some of the world's poorest communities. As a water and sewerage services provider, we are acutely aware that fresh water and adequate sanitation underpin health and livelihoods, and yet hundreds of millions of people live without these basic human rights. To support WaterAid in the delivery of its life-changing water, sanitation and education projects, we are proud to champion a number of fundraising initiatives every year.

In 2015/16, we:

- Hosted WaterAid Golf Day, which raised over \$23,000.
- Hosted the second annual Queensland WaterAid breakfast, at which a number of tables were sold to the premier 2016 Queensland WaterAid Ball.
- Participated in the WaterAid Water Innovators Challenge, an international challenge for water utilities. This involved 10 of our employees volunteering their time to devise a solution to a real-life water issue being faced in Cambodia. Along with lending their knowledge and skills to the cause, the team also raised over \$9,000 to go towards WaterAid projects.
- Supported our employees who have given their time to make a difference in some of the world's poorest communities. Queensland Urban Utilities was proud to support one of Control Room Officers who took a 'working holiday' in Cambodia to sink and build a water well in a remote village. We also continue to support the decision by one of our employees to take time out and do volunteer work with ACCI Vietnam, a non-government organisation that works with disadvantaged communities to help break the poverty cycle.



## CASE STUDY

### Involving the community in our capital works projects

As an essential services provider, we are committed to upgrading and improving the reliability of our infrastructure, while remaining sensitive to the needs and expectations of our customers, the community and shareholders. Construction impacts such as noise, odour and altered traffic arrangements are often unavoidable, therefore it is essential we engage with our customers in a meaningful way to minimise any impacts and deliver a positive customer experience.

Our Community Engagement team adopted this approach during pre-works completed as part of our Wickham Street Sewer Upgrade. This work which was carried out over four weeks, involved constructing a 20m-deep access shaft in the busy Brunswick Street Mall, Fortitude Valley, which is home to cafes, restaurants, nightclubs, retail businesses and residential apartments.

To ensure all stakeholders were well informed prior to and during the works, we conducted face-to-face meetings with the local councillor and Brisbane City Council's City Malls department, hand-delivered project introduction letters to businesses, engaged in digital communication with neighbouring apartment building managers, posted updates on social media, conducted doorknocks to inform of night works, and engaged with emergency services and taxi companies on traffic disruptions.

Demonstrating our sensitivity to customers' needs, we constructed the access shaft with a pile boring rig rather than traditional shaft construction to reduce the footprint of the construction works and reduce the impact on the businesses and residents in the Brunswick Street Mall and surrounds. We also used innovative double height sound barriers to dampen the noise from the rig. To further minimise noise impact, particularly on lunchtime trade at cafes and restaurants in the Mall, we ceased drilling work between 11.30am to 1.30pm daily.

Upon completion of the works, we asked impacted stakeholders to complete a satisfaction survey. On average, we found that:

- respondents rated the professionalism of our workforce and contractors a 7.7 out of 10 (with 10 being 'excellent'), and
- 85% of respondents believed the project team effectively managed construction-related impacts, rating their performance as 'excellent' or 'good'.



# CHAPTER 3: OUR PERFORMANCE

## Supporting community events

In 2015/16, Queensland Urban Utilities supported over 50 events, projects and initiatives through participation, sponsorship or in-kind donations. Below is a snapshot of just a few events we supported this year.

**JUL 2015**



### Somerset Rail Trail fun run

Supported the Diabetes Australia fundraising event by distributing drinking water and water bottles to runners.

**JUL 2015**



### Scenic Rim Winter Harvest Festival

Sponsored the festival during Eat Local Week and distributed free, reusable bottles to encourage festival goers to stay hydrated.

**AUG 2015**



### The EKKA – 3 P's education

Raised awareness of our sewerage services.

**AUG 2015**



### Wheel Make a Change

Ian Hall, Executive Leader Commercial Customers, raised money for the Cerebral Palsy League.

**SEP 2015**



### Ipswich City Council Father's Day Fishing Fest

Distributed reusable water bottles and promoted our Turn to Tap campaign.

**OCT 2015**



### Safety week event – King George Square

Showcased a number of our safety innovations and how we are improving safety within the business.

**OCT 2015**



### Get Ready Qld Pop Up Town

Joined other utilities and agencies to promote summer preparedness.

**OCT 2015**



### WaterAid Golf Day

Raised a record \$23,700 to help WaterAid provide access to safe water and sanitation in third world countries.

**NOV 2015**



### World Toilet Day

Raised awareness and money for WaterAid.

**JAN 2016**



### Somerset Regional Council – Australia Day Festival

Promoted our Turn to Tap campaign by handing out reusable water bottles.

**MAR 2016**



#### **MS Street Slider**

Donated merchandise to help raise funds for multiple sclerosis.

**MAR 2016**



#### **World Science Festival**

Sponsored this Brisbane-based schools event, during which 400 Year 7 students explored the concept of water security.

**MAR 2016**



#### **Mater 5kms Springfield**

Distributed drinking water to runners and promoted our Turn to Tap campaign.

**MAR 2016**



#### **Clean Up Australia Day**

Sponsored a clean-up event at the Port of Brisbane.

**APR 2016**



#### **Connect to your Creek Week 2016**

Promoted our Turn to Tap campaign, including the environmental benefits of using a reusable water bottle.

**MAY 2016**



#### **Mother's Day Classic**

Distributed drinking water to runners and promoted our Turn to Tap campaign.

**MAY 2016**



#### **Ipswich EnviroForum**

Sponsored this annual Ipswich City Council event, which focuses on sustainable water management.

**MAY 2016**



#### **Mater 5kms South Bank**

Distributed drinking water to runners and promoted our Turn to Tap campaign.

**JUN 2016**



#### **Healthy Waterways Awards**

Continued our long-term sponsorship of these awards, which celebrate those who make a genuine and lasting contribution to the protection of our waterways.

**JUN 2016**



#### **Vinnie CEO Sleepout**

Our executives, Ian Hall, Nina Du Thaler and Paul Belz raised money for the St Vincent de Paul Society's homeless services.



# CHAPTER 3: OUR PERFORMANCE

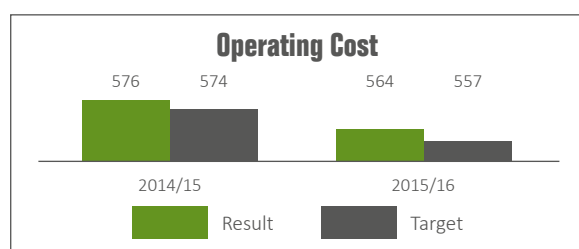
## Operational Excellence

We innovate to drive operational excellence to achieve outcomes at the lowest long-term cost.

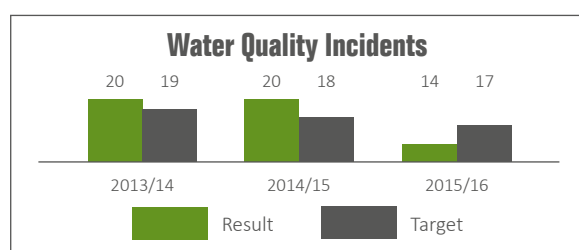
### Performance against strategic success measures

Measure	Unit	2015/16 result	2015/16 target	2015/16 target Achieved?
Operating cost	\$ per property	\$564	\$557	Partially
Return on asset	%	7.6%	6.3%	Yes
Capital infrastructure program	% delivered against budget	100.2%	100% (+/-5%)	Yes
Energy generation from waste	'000MWh from cogeneration	10.77	18.9	No <sup>†</sup>
Water quality incidents	Number reported to water supply regulator	14	17	Yes
Research and development investment	% of revenue	0.229%	0.239%	Partially

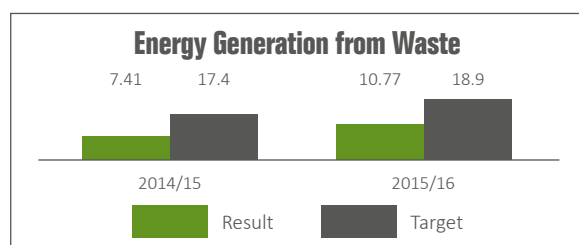
### Year-on-year performance against strategic success measures



Our **operating costs** are those that relate to our day-to-day operations, including employee costs, insurances, electricity and rent. This excludes State Government bulk water costs passed onto customers. We then divide the total figure by the number of properties we serve.

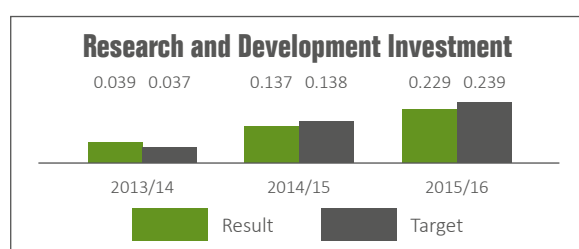


Our **water quality incidents** represent the number of times a water quality sample fails to meet the *Australian Drinking Water Quality Guidelines*, resulting in the immediate reporting of the incident to the regulator. For reference, each year, we complete over 100,000 water quality tests across our water network (see page 10).



Our **energy generated from waste** measures the volume of electricity we generate from the waste by-products of our sewage treatment.

<sup>†</sup> For an explanation, see page 50 'Cogeneration.'



Our **research and development investment** measures the percentage of revenue we use to invest in the research and development of innovative solutions to improve our service delivery.

## Performance against key operational excellence outcomes

### **Our key operational excellence outcomes from our *2015-20 Corporate Plan* were:**

- We are financially sustainable through our robust investment planning process and focus on operational efficiencies.
- Our return on assets represents the efficient management of our assets to support long-term growth and development at the lowest sustainable cost.
- We value the health of the natural environment and work closely with stakeholders to deliver positive and sustainable environmental outcomes.
- We innovate to reduce costs and improve services to customers.

**Only flush the three P's.**

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

# CHAPTER 3: OUR PERFORMANCE

## How we performed against our key outcomes in 2015/16

### Delivering efficiencies

- Building on the work undertaken in 2013/14 and 2014/15, we continued to challenge the way we plan and deliver investment to replace and upgrade infrastructure. This work has realised \$220 million in infrastructure investment efficiencies, exceeding the target of \$200 million set for 2018/19.
- Continued to mature our integrated, outcome based rolling program model of infrastructure delivery (see page 51).
- Delivered \$36.4 million in operational efficiencies as part of our Enterprise Excellence Program. Since its launch three years ago, this program has delivered \$86.2 million in efficiencies.
- Entered into a contract with Utilita Water Solutions to support the delivery of our planned asset maintenance works from 1 July 2016. Utilita's specialised skills in asset management will assist in delivering efficiencies and reducing our cost to serve (see page 51).
- Saved 2,273ML of water through the use of innovative leak detection software, reducing both our impact on the environment and our cost to serve.
- Our water sampling and analytical services business, Scientific Analytical Services Laboratory, successfully implemented its Business Development Strategy, achieving increased earnings and revenue targets. The strategy included expanded organic testing services and the provision of environmental monitoring and consulting services in marine and freshwater sciences.

### Safe and reliable services

- Delivered a 16% reduction in water main breaks and a 25% reduction in sewerage main breaks and chokes, supporting our strong service reliability scores.
- Improved the way our Contact Centre receives and dispatches customers' jobs to our field crews, ensuring they receive all relevant information and are prepared before arriving on site to undertake the work. This has improved our response and resolution times, reduced costs and enhanced the customer experience.
- Developed and embedded a proactive mains flushing program for prescribed areas, driven by data analysis of dirty water complaints. This attributed to a 32% reduction in water quality complaints for 2015/16 (see page 51).

- Continued to build organisational capability to respond to cyber security threats, and mitigate and respond to cyber security issues.

### Pursuing innovative solutions

- Introduced Q-Hub, an integrated web mapping application that consolidates our geospatial data into a single, real-time picture, providing us with real-time operational intelligence (see page 53).
- Implemented initiatives to improve how we manage and pay our suppliers, helping to build stronger relationships with our suppliers and support our focus on reducing costs.
- Held eight CEO Innovation Hour workshops, with 105 innovation proposals presented to the CEO and a panel of Executives and Senior Managers across the business. These workshops support our focus to create a culture that supports the identification and incubation of new innovations.
- Established 'Accelerate IT', a new innovation concept group with a focus on trialling and prototyping innovative ICT solutions. The group, which commenced in September 2015, has considered 15 ICT innovations, with 11 progressed.
- Continued to partner with external organisations to conduct research and development pilots and trials. For example, we are working with the University of Queensland on four different projects housed within our Innovation Centre, including the cultivation of annamox to provide cost-effective nitrogen removal from our sewage treatment process.
- Invested and participated in the trials of three international water technologies as part of our involvement with the *Water Services Association of Australia Technology Advisory Group* (TAG). The trials help identify new technology solutions that support operational excellence and provide an opportunity to collaborate with other South East Queensland utilities to support a sustainable water industry.
- Commenced comprehensive engagement with all employees across the business to consider what Queensland Urban Utilities needs to do to become a utility of the future (see page 52).

## Major infrastructure projects completed or progressed in 2015/16

In 2015/16, we invested \$205.7m to improve the reliability and sustainability of our water and sewerage network. The table below shows the key infrastructure works projects that we completed, progressed or commenced during 2015/16.

The balance of the \$205.7m investment has been directed to the renewal, enhancement and replacement of existing infrastructure across our service territory.

Region	Project Name	2015/16 Investment \$m	Total Project Investment \$m	Commenced	Estimated Completion
Brisbane	S1 & S18 Main Sewer Rehabilitation	10.0	78.9	2015/16	2018/19
	Bulimba Creek Trunk Sewer Stage 2 Upgrade	5.6	57.2	2015/16	2018/19
	Oxley STP Bioreactors Stages 1 to 4 Flood Recovery	13.0	24.0	2014/15	2015/16
	Rochedale Water Infrastructure Upgrade	0.8	22.9	2015/16	2018/19
	Bartleys Hill / Wellers Hill Zone Connection including River Crossing	1.7	21.6	2015/16	2017/18
	Oxley STP Flood Resilience Program	11.4	16.3	2014/15	2016/17
	Fortrose Street Sewer Rising Main Rehabilitation	3.6	8.8	2014/15	2016/17
	Jindalee Water Trunk Main Replacement	2.5	8.5	2014/15	2015/16
	Luggage Point STP Dewatering Upgrade- Portions A, B and C	0.2	3.7	2015/16	2016/17
	Wickham Street Sewer Upgrade	0.9	8.4	2015/16	2017/18
Ipswich	Ipswich glass reinforced plastic Water Mains Replacement	1.5	10.9	2014/15	2016/17
	Ipswich Bulk Water Meters Implementation Program	1.2	6.5	2015/16	2017/18
	Rosewood Sewerage Scheme Upgrade- Stages 1 and 2	0.2	5.1	2012/13	2015/16
	Ipswich Water Supply Resilience Improvements	0.8	2.1	2015/16	2016/17
	Bundamba STP Drying Beds Rehabilitation	1.2	1.2	2015/16	2015/16
Lockyer Valley	Laidley STP Interim Enhancement Upgrade	0.3	5.1	2015/16	2017/18
	Pike St / Alexander St Pump Station (SP421) Upgrade	0.5	0.7	2015/16	2015/16
	Lockyer Valley STPs and Kalbar STP Hypo Tank Replacement	0.4	0.5	2014/15	2015/16
Scenic Rim	Rathdowney Reservoir- Stage 1	1.5	3.5	2014/15	2015/16
	Bromelton State Development Area Stage 1 Trunk Water Main	0.4	6.6	2015/16	2016/17
	Upstream Aratula STP- Gravity Sewer Upgrade- Stage 2	0.8	1.1	2014/15	2015/16
Somerset	Kilcoy Water Mains Augmentation (From Saleyard Reservoir and Within Network)	0.6	4.3	2014/15	2015/16
	Lowood Catchment Upgrade (Eagle Rise Development) Stage 1	1.1	1.9	2014/15	2016/17
	Kilcoy STP Augmentation- Stage 1	1.5	2.3	2014/15	2016/17

Table 2: Key infrastructure projects 2015/16.

# CHAPTER 3: OUR PERFORMANCE

## Our challenges

### Repairing third party damage to our historic S1 main sewer

The S1 is our biggest sewer which runs from Coronation Drive to Luggage Point, through the Brisbane CBD. It transports over 60% of Brisbane's sewage.

In February 2016 we explored third party damage to the S1, requiring our project team to work around-the-clock to repair the damage. Due to the uncertainty of the damage, entry into the pipeline was prohibited for safety reasons.

To assess the extent of the damage, a closed circuit television camera was inserted into the pipeline, which confirmed a hole had been drilled through the sewer and that a retaining wall rock bolt cable had been inserted. This posed the challenge of how to cut the rock bolt cable remotely and remove it without inflicting further damage.

The innovative solution was to use a robot cutter. Once the rock bolt cable was successfully cut and removed, the damage was repaired.

Demonstrating their commitment to the 650,000 residents serviced by the sewer, the project team went above and beyond to complete this complex repair task as efficiently as possible, with no impact on customers' sewerage services.

### Protecting our assets from future flood events

The January 2011 flood event in South East Queensland inflicted substantial damage on our core infrastructure and significantly disrupted our services. Five of our sewage treatment plants (STP), as well as many of our sewage pump stations (SPS), were impacted due to inundation of mechanical, electrical and control equipment.

To help mitigate flood risk moving forward, our Board approved an \$85 million Flood Resilience Program to be delivered over five years (due to be completed June 2018).

The scope of work was to provide flood resilience by raising or otherwise flood-proofing selected assets at the Oxley Creek, Bundamba, Fairfield, Esk and Karana Downs STPs to a flood level equivalent to the January 2011 flood height, plus 300mm. Specifically, we:

- relocated switchboards to sit above identified flood levels, which included raising the boards from their current locations, moving them to higher ground, or constructing new platforms,
- procured spare critical components of switchboards to enable accelerated, partial recovery after a flood event,
- procured mobile switchboards that are stored off site and available for rapid deployment, and
- modified the civil infrastructure (such as watertight doors and bunding) to reduce the likelihood and consequence of flooding.

Our investment in the Flood Resilience Program also exemplifies our commitment to protecting and enhancing waterway health. By flood-proofing selected assets at our key STPs and SPSs, we have significantly reduced the risk of our infrastructure becoming inoperative in the event of a flood, thereby limiting the environmental and public health impacts associated with flood events.

### Cogeneration

Working towards maximising our cogeneration output for 2015/16, we have installed and commissioned a new cogeneration facility at our Oxley Creek Sewage Treatment Plant. Cogeneration is the generation of biogas from a waste by-product by injecting waste into our digesters, which we use in our operations to offset our energy costs.

Flood resilience works have forced several shutdowns of the cogeneration facility to accommodate this works. These delays, along with operational delays in the first part of the year have reduced cogeneration. With the flood resilience works nearing completion and improving plant run time enabling a 45% increase in output for 2015/16, we are in a good position for 2016/17.



## Our highlights

### Restructuring the way we deliver our planned maintenance services

In our ever-changing business environment, we work hard to ensure our services remain affordable for our customers and valued by our community and shareholders. With this in mind, we established a Maintenance Service Model Review (MSMR) project to review how we structure our business to best deliver our planned maintenance services. As part of this review, we made the decision to engage Utilita Water Solutions (Utilita) to work with us to deliver our planned maintenance services from 1 July 2016. We also negotiated a contract that ensures our impacted civil field and mechanical, and electrical trades employees will have ongoing employment with Utilita.

The decision to engage Utilita was taken after an exhaustive competitive procurement and due diligence process, and was based on their proven track record in the Australian and New Zealand water industry, and because they are specialists in asset management, operations and maintenance services. When Utilita's expertise is combined with our own employees' knowledge of our assets, their experience, their specialised skills and their outstanding safety record, this new arrangement will enable the delivery of maintenance efficiencies at a lower cost to our customers.

### Integrated program management

Integrated program management approach (PMA) is a transition from an annualised, asset-centric infrastructure delivery approach to an integrated outcome based rolling program model of delivery. This approach integrates the full asset lifecycle from planning and infrastructure delivery to asset operation and maintenance, using contemporary benefits (outcomes) focused management. The outcome is the right asset delivered at the right time, for the right cost.

This transition is a three year journey. During 2015/16 we achieved the following progress:

- Established the governance framework.
- Established benefits management framework.
- Established high-level process and procedure.
- Implemented new ICT solution to support PMA outcomes.
- Updated our capital works five-stage gate process.

- Incorporated improvements from the Enhanced Condition Assessment Program (ECAP) initiative, providing better understanding of the condition of our assets.
- Established new procurement panels.

The PMA Blueprint provides the framework for our desired 'future state' and enables material change from asset-centric, annually focused, outputs based approach to outcomes and benefits focused approach.

### Reduction in water quality complaints

Water quality performance for 2015/16 has seen a 30% reduction in water quality incidents and 32% reduction in water quality complaints.

These results can be attributed to a number of key proactive measures during 2015/16:

- Developed a Drinking Water Quality Management System to improve our current management of water quality. This new management system was audited in May 2016, passing with only minor improvements identified.
- Continued to undertake TapRoot® investigations for water quality incidents, with the identified improvements reflected in the reduced number of incidents.

For 2015/16, all schemes were compliant with the *Australian Drinking Water Guidelines* for both bacteriological and chemical analysis.

### Taking our Innovation Program to the world stage

Launched in late 2013, our award-winning Innovation Program continues to evolve and gain recognition both nationally and internationally.

In 2015, we were invited to join 39 water utilities from around the world as a participant in the *Water Research Foundation (WRF) Project – Fostering Innovation within Water Utilities*. The objectives of the project are to characterise innovation activities within water utilities, define the value proposition for innovation, and develop an organisational framework for fostering innovation.

At the inaugural WRF project workshop, held in Los Angeles in December 2015, our Innovation, Research and Development Manager was invited to share insights on the cultural aspects and collaborative outcomes of our Innovation Program. The feedback received from peers was overwhelmingly positive, with a number of utilities indicating their desire to replicate our structured approach.

# CHAPTER 3: OUR PERFORMANCE

As a result of our international engagement, we have developed mutually beneficial relationships with a number of water utilities and industry representative from around the globe.

## Becoming the utility of the future

We understand the basic role quality and reliable water and sewerage services play in fostering healthy and liveable communities, which is reflected in our purpose: *to enrich quality of life*.

It is the expectation of our customers, shareholders and the community that these essential services will continue into the future and be sustainable, affordable, reliable and resilient for the generations of tomorrow.

This commitment underpins our aspiration to be a utility of the future – an organisation that thinks about the future and acts accordingly.

Internal engagement commenced in September 2015 and included ‘market place’ presentations to our leaders, interviews and workshops with employee workgroups, a Leaders’ Forum and series of localised employee engagement events. Based on the insights collected through this internal engagement, the Utility of the Future discussion paper was finalised in March 2016 and made available for employee feedback.

With employee engagement complete we are now preparing for external consultation. In 2016/17 we will engage with our shareholders and key stakeholders to form our utility of the future concept. This concept will be used to provide clarity regarding where we need to improve and transform in the future to be considered a utility of the future.

## Looking forward

### Where we are focusing our improvement in 2016/17

- Continuing our journey to understand the utility of the future.
- Investigating alternate solutions for sustainable, long-term water and sewerage services to customers and communities.
- Continuing to refine our capital investment and delivery efficiencies.
- Continuing to enhance our remote visibility and control of our water and sewerage networks, as well as building our capability to predict issues, to improve the reliability of our services and reduce costs.
- Continuing to review corporate processes and deliver efficiencies to reduce costs and improve services.
- Understanding what we need to do to become a digitally-enabled business.
- Revising our decision making to ensure we progress the growth opportunities that support our strategic direction.
- Continuing to develop sewage treatment waste into sustainable products.
- Understanding how we can become an environmental leader.



## CASE STUDY

### Streamlining the way we view our spatial data

Driven by our commitment to customer service, operational excellence and innovation, we have taken our spatial capability to the next level with the development of Q-Hub. Q-Hub is an online portal that makes the most out of our assets and people by connecting legacy data and our geospatial data into a single, real-time picture, providing us with immediate operational intelligence to deploy our workforce and manage our water and sewerage networks.

Whether it's a field worker using their tablet to view a map of the network, a control room operator coordinating the activities of a maintenance crew in the field, or our contact centre employees delivering emergency update information, they are all able to view the same information and speak the same language.

Q-Hub also allows employees to visualise hotspots in the network; areas where there are multiple jobs affecting multiple customers, indicating a potentially wider issue that requires further action. They can also see where the closest and most suitable crew is – based on proximity, skill sets and equipment on board – and dispatch them accordingly.

In some instances, our customers experience water outages when parts of the network are turned off for repairs. Previously, because we could not be certain which customers would be affected, our employees would have to doorknock the entire street or even suburb. Now our operators can use Q-Hub to trace back from the impacted asset that has been switched off and identify the exact customers who need to be notified.

Q-Hub's success was highlighted when our Chief Information Officer, Nina Du Thaler, was named Utilities/Media CIO of the Year, at the 2016 ITNews Benchmark Awards, for her and her team's work on the project. We were also selected to receive a 2016 Special Achievement in GIS (SAG) award. This award is given to organisations around the world to recognise outstanding work with GIS technology. The SAG awards are personally selected by Jack Dangermond, President of the Environmental Systems Research Institute, from over 100,000 organisations internationally.



### Celebrating success in innovation

Nina Du Thaler, Chief Information Officer, celebrates being named Australia's Chief Information Officer of the Year. This award also recognises the hard work that Nina and teams of people across Queensland Urban Utilities undertook to launch our innovative Q-Hub portal.



## CASE STUDY

### Reducing our environmental footprint through innovation

Queensland Urban Utilities' revolutionary Energy Crop trial is a prime example of how we have embraced innovation to deliver operational excellence and reduce our impact on the natural environment.

In an Australian-first, we are using effluent (treated wastewater) from our Toogoolawah and Boonah Sewage Treatment Plants (STP) to irrigate a total of four hectares of onsite Pongamia trees that were planted especially for the trial (1.6ha at Toogoolawah and 2.4ha at Boonah). The Pongamia plant was chosen as it produces seeds with a higher quality and quantity of oil than other biodiesel crops (35-55% of the seed is oil), which can then be converted into biofuel.

Once fully established, the plantation is expected to produce around 12,000 litres of biodiesel each year – enough to run 24 of our fleet vehicles, representing savings of approximately \$14,000 per annum.

In the six months we have been irrigating the crops, we have re-used approximately 60,000L of effluent and prevented 839kg of nitrogen and 415kg of phosphorous from entering local waterways. On an annual basis, we expect to prevent 1,400kg of nitrogen and 700kg of phosphorous from entering the waterways.

Along with the oil produced by the Pongamia seeds, there is the potential for us to make use of several other by-products including:

- pods, which can be harvested and used as fuel wood,
- seed cake (produced from the oil extraction process), which can be used in anaerobic digesters to produce biogas for power generation, and
- glycerine, which can be used as an energy source in co-digestion processes.

This innovative trial was recognised by the broader water industry when it won the Water Services category at the 2016 Healthy Waterways Awards.







# CHAPTER 3: OUR PERFORMANCE

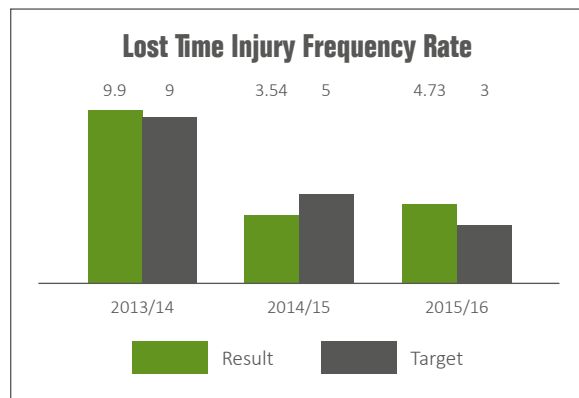
## People

We are safe, adaptable and capable, and are committed to achieving our vision and living our values.

### Performance against strategic success measures

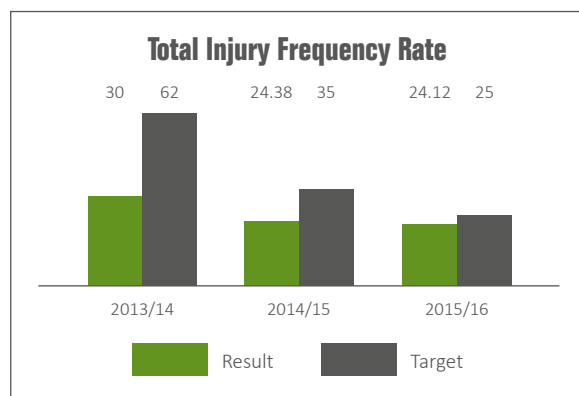
Measure	Unit	2015/16 result	2015/16 target	2015/16 target Achieved?
Lost time injury frequency rate	Rate	4.73	3	No <sup>†</sup>
Total injury frequency rate	Rate	24.12	25	Yes
Employee engagement	Score out of 100	56	57.5	Partial

### Year-on-year performance against strategic success measures

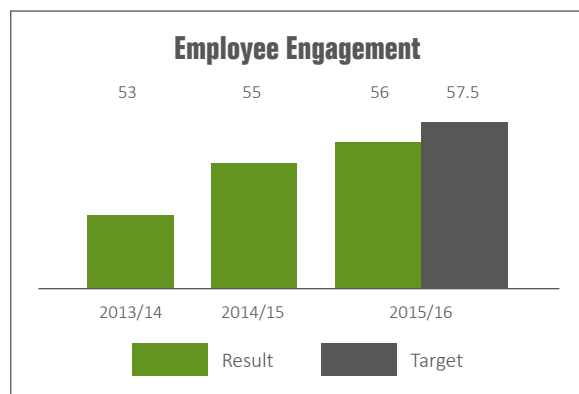


Our **lost time injury frequency rate** is a measure of the number of injuries where at least one shift is lost. It is calculated by dividing the number of lost time injuries by the number of hours worked during the financial year. The total is multiplied by 1,000,000 to make the statistic easier to interpret.

<sup>†</sup> See explanation on page 59 'Safety.'



Our **total injury frequency rate** is a measure of the number of injuries incurred. It is calculated by dividing the total number of injuries by the number of hours worked during the financial year. The total is multiplied by 1,000,000 to make the statistic easier to interpret.



Our **employee engagement** score is based on the Korn Ferry™ Hay Group's Employee Effectiveness Survey, and indicates how effectively we stimulate our employees' enthusiasm for their work and direct it toward our success. It includes their commitment to Queensland Urban Utilities, and their willingness to 'go the extra mile' to help us succeed.

## Performance against key people outcomes

### Our key people outcomes from our *2015-20 Corporate Plan* were:

- We continue to improve our systems to create a healthy and safe working environment for all.
- We are dedicated to working with our leaders to give them the necessary skills and confidence to constructively lead our people to deliver positive outcomes.
- We are committed to creating a culture that encapsulates our values and embraces organisational change.

## How we performed against our key outcomes in 2015/16

### Ensuring a safe working environment

- A third external audit reaffirmed and recertified our safety management system. This demonstrates our ongoing commitment to provide the systems that support creating a safe place of work for our employees and contractors.
- In collaboration with university researchers, we tested and validated the Self-Determined Safety Motivation Scale enabling us to gain unique insights into the relationship between the safety motivation and behaviours of our workforce and our organisational safety climate and culture (see page 63).
- Building on last year's launch of the 'Personal Big 5' program, we filmed the next instalment of our workplace health and safety documentary series. The new episode explores the five people, things and experiences which motivate a Queensland Urban Utilities contractor to stay safe at work.
- Continued to introduce proactive programs to prevent injuries from routine field and office-based activities (see page 61).
- Implemented our new Drug and Alcohol Program to ensure that risks associated with impairment due to the effects of drugs and alcohol are adequately managed to minimise harm to people, property or environment.

### Cultivating a constructive culture

- Through our **Building the Blue** culture program realised a significant improvement in our constructive culture.
- Continued to build our leaders' self-awareness, willingness to learn, and ability to coach and communicate with their team members through our program of leadership development workshops, forums, tools and information (see page 58).
- We implemented mobile/in-the-field capability to capture information on field crew performance, improving our ability to provide feedback and coach and support our field-based employees.
- Continued to recognise and reward outstanding employee performance through **URBANLEGEND** – a dedicated program designed to foster collaborative, performance-orientated attributes across our workforce.

### A workforce for the future

- Through our culture and leadership programs, we enabled leaders to encourage and support the identification and incubation of innovative solutions to help us improve how we deliver services to customers, reduce our costs and improve the environment. During 2015/16 we continued to see increased participation in our Innovation and Research and Development Program.
- Continued to promote the water industry as an attractive career option through a variety of initiatives including our Women in Leadership program (see page 62), our high school student vocational placement program (see page 41), and offering MBA and university student placement opportunities throughout the organisation.

# CHAPTER 3: OUR PERFORMANCE

## Our challenges

### Culture and engagement

At Queensland Urban Utilities, we recognise that effective leadership is critical to the development of a constructive culture. In 2015/16, we continued to roll out our **Building the Blue** culture program, which aims to build a constructive culture by giving our leaders the right tools to improve their self-awareness, willingness to learn, and ability to coach and communicate more effectively.

The **Building the Blue** culture program is split into the three fundamental areas of leadership development:

- Leading Self.
- Leading Others.
- Leading Queensland Urban Utilities.

The program's focus is for leaders to learn how to be a team player, to take accountability for culture and to be a role model for their team. It recognises that leaders must first look within and build their own self-awareness before they can effectively lead their teams. Programs of development are summarised below:

Programs	Overview	Outcomes	Participation to date
<b>'Leading self'</b>			
<b>Life Styles Inventory 360° Feedback</b>	Provides leaders with an opportunity to look at their thinking and behaviour (red, green and blue styles: Human Synergistics Cirumplex) and gain input from up to 10 colleagues.	<ul style="list-style-type: none"> <li>• Increased role satisfaction.</li> <li>• Improved relationships.</li> <li>• Increased leadership effectiveness.</li> <li>• Reduced likelihood of stress.</li> </ul>	<ul style="list-style-type: none"> <li>• 240+ leader and influencer LSIs administered</li> </ul>
<b>Blue Leader Program</b>	Provides leaders with an opportunity to reflect on and grow their effectiveness as a leader.	<ul style="list-style-type: none"> <li>• Greater awareness and insight of constructive leadership styles.</li> <li>• Increased leadership effectiveness.</li> <li>• Increased personal resilience.</li> <li>• Greater ability to implement changes.</li> </ul>	<ul style="list-style-type: none"> <li>• 200+ leaders and influencers attended</li> </ul>
<b>'Leading others'</b>			
<b>Leadership Framework Program 1 and 2</b>	Teaches leaders accountability for technical aspects of their role, work outputs and the culture of their team.	<ul style="list-style-type: none"> <li>• Understand accountabilities and teamwork model for how to interact to produce meaningful work.</li> </ul>	<ul style="list-style-type: none"> <li>• 100+ leaders attended</li> </ul>
<b>Structural Dynamics (Individual and team)</b>	A theory of how face to face communication works when there are more than two people conversing utilising the Kantor Behavioural Profile.	<ul style="list-style-type: none"> <li>• Increased awareness of own style.</li> <li>• Increase ability to change action style.</li> <li>• Improved relationships with others in team.</li> <li>• Increased team effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>• 75+ individual debriefs</li> <li>• 70+ leader and team attendance at group workshops</li> </ul>
<b>'Leading Queensland Urban Utilities'</b>			
<b>Performance system 'health'</b>	Support for the leader-one-removed relating to their accountabilities in ensuring leadership and cultural effectiveness.	<ul style="list-style-type: none"> <li>• Ensure leadership effectiveness of direct reports.</li> <li>• Establish an effective team structure.</li> <li>• Build future capability.</li> </ul>	N/A
<b>Leader Talent Development</b>	A talent program for executive leaders and their direct reports is currently underway.	<ul style="list-style-type: none"> <li>• Succession program.</li> </ul>	19

These programs are underpinned by performance management, reward and recognition processes which help leaders engage the workforce.

'Leading Queensland Urban Utilities'	Overview	Outcomes
URBANLEGEND	A five-tiered recognition program to encourage employees to behave in line with the values and constructive styles, identify these behaviours in the workplace, and recognise them.	<ul style="list-style-type: none"> <li>• Ability to identify and recognise constructive employee and leadership styles.</li> <li>• Peer to peer recognition, recognition from leaders, recognition from Executives and recognition from Chief Executive Officer.</li> </ul>
Achieving Success	A structured program of employee-initiated conversations with leaders about performance, behaviours and culture.	<ul style="list-style-type: none"> <li>• Fosters open and constructive relationships.</li> <li>• Increased job clarity and satisfaction.</li> <li>• Collaboration.</li> </ul>

## Safety

Over the past year we have continued to focus on improving safety and well-being by working closely with employees in identifying opportunities to improve and build upon the successful implementation of health and safety programs. 2015/16 has seen the successful delivery of a number of programs designed to eliminate those hazards which may impact employees, including:

- successful implementation of a drug and alcohol screening program,
- enhancement of the safe spine program, targeted at reducing manual handling injuries in the field,
- introduction of a tailored ergonomic program,
- converting a number of safety procedures into short video clips, and
- improved reporting process.

Through strong leadership, teamwork and commitment we have continued to improve safety performance by:

- decreasing total recordable injury frequency rate by 20% over the past three years,
- removing 920 hazards from the business, and
- improving overall safety reporting by 50% resulting, in fewer injuries to our employees.

Despite overall performance improving, we had two more lost time injuries compared with 2014/15, which resulted in an increase in our lost time injury frequency rate.

To ensure we get the right balance, we have started a new chapter in our safety journey and have begun to navigate through the complex and innovative field of behavioural safety to support our aspiration of achieving zero harm.

# CHAPTER 3: OUR PERFORMANCE

## Our highlights

### Shining the spotlight on gender diversity and inclusion

At Queensland Urban Utilities, we are on a journey to foster a more diverse and inclusive culture, which is why we joined forces with AECOM, Laing O'Rourke, Aurizon, Robert Walters, Energex and the Queensland Department of Transport and Main Roads to participate in the Leaders in Infrastructure – Diversity & Inclusion 2015 series.

The objective of the four-part series is to enable open discussions about gender diversity and inclusion challenges facing the infrastructure industry. Together, the group has committed to the following actions:

- Participating in an ongoing industry working group, the aim of which is to create a common diversity and inclusion focus across the infrastructure industry, share knowledge, and influence the broader industry. This focus will create traction towards sustainable gender diversity, more inclusive work environments and the cultural shift required at all levels of business to accept and understand the value of these attributes. Three Queensland Urban Utilities representatives participate in this group.
- Taking a whole of supply chain approach with an agreement on flexibility, diversity and inclusion.
- Participating in an industry group mentoring program, known as *mCircles*, which provides cross-organisational mentoring in a group setting. *mCircles* forges relationships amongst all the participating mentees (Queensland Urban Utilities also has three participating mentees), exposing them to a wide set of businesses and providing leadership coaching from a variety of executives in Queensland. We were pleased to host the third *mCircles* session in March 2016, where our Chief Executive Officer, Louise Dudley, presented to the group on her leadership journey and the importance of a constructive culture within an organisation.

### Drug & alcohol testing

In 2015/16, we commenced testing under our drug and alcohol program developed in 2014/15.

Since October 2015, we have conducted nearly 350 tests, including contractors who made up around 10% of the tests.

Around 60% of tests were undertaken at our head office, with the remaining 40% conducted at 20 sites across our service region, ensuring a sample of all employees participated in the testing.

Feedback from employees has been generally positive. In particular, employees who have returned a 'non-negative' result (requiring laboratory-tested confirmation of the result) have appreciated the support provided.

Safety is and will remain a priority at Queensland Urban Utilities. The drug and alcohol program is one part of an integrated program that supports the safety of employees and the general public.



### Proactively preventing workplace illness and injury

We continued to support the well-being of our employees through our health and wellbeing program. During 2015/16, we enhanced the program by offering all employees aged 45+ a free health assessment under our new *Healthy U Assessments* program. This program recognises the trend that Australians aged 45+ are more likely than younger age groups to have long-term health conditions. The assessments, performed by a qualified health professional, give those employees an opportunity to discuss any health concerns. The program also provides additional screening measures and benefits to their medical assessments or GP visits.

In 2015/16, we also enhanced our existing health and wellbeing programs:

- **PERforM:** Launched an online course to complement previous training that teaches employees how to identify, assess and control the risks associated with manual handling.
- **SafeSpine:** Filmed the SafeSpine routines to ensure all employees have easy access to these handy exercises. SafeSpine is an interactive core strength and body conditioning program to reduce injuries at work.
- **Office ergonomics:** Introduced a tailored ergonomics program as a preventative approach to managing the risks in an office-based environment.

#### As part of our continuing 'My Health' program:

- 99 employees participated in the *Healthy U Assessments*.
- 115 employees progressed their claims for partial reimbursement towards the cost of joining a physical activity or healthy eating program.
- 398 flu vaccinations administered to employees, an increase of 118 from 2014/15.
- 320 employees underwent ergonomics assessment.

## Looking forward

### Where we are focusing our improvement in 2016/17

- Continuing to develop a culture that supports the safety of all employees, contractors and the public.
- Continuing to develop and support our leaders to engage employees and achieve our desired culture.
- Reviewing our workforce plan to incorporate diversity and inclusion, and incorporate changes to support our goal to become the utility of the future.



## CASE STUDY

### Harnessing the potential of women at Queensland Urban Utilities

In 2014, we established the Women in Leadership (WIL) group to support, promote and harness the potential of women in our organisation.

Since then, the program has gone from strength to strength, growing from a casual support network to a formal program that offers valuable opportunities to help empower women in the workplace. The group has welcomed male ‘advocates of change’ whose input and knowledge has been highly valued.

In August 2015, WIL commenced a 12-month pilot mentor program for women seeking to grow both professionally and personally. Below, two participants share their empowering experiences.

**Mel Rutherford (Mentee)****Commercialisation Project Manager**

“When the opportunity came up to apply for the mentor program, I really wanted to give it a go. I had two main goals that I wanted to focus on: the first was around leadership skills, the second related to my career – I still didn’t really know what I wanted to be ‘when I grow up’, which was a bit scary considering I’m 30-something! My experience with the Mentor Program so far has been really positive. My mentor, Paul Belz (Executive Leader Planning), provides me with a fresh perspective and new ways of looking at an issue. I’ve had a number of ‘ah-ha’ moments that have been really motivating. It’s a great feeling when you try something new that you’ve learned from your mentor, and it makes such a difference!”

**Liz Henderson (Mentor)****Manager Business Development and Commercialisation**

“I was motivated to become a mentor because I have experienced the benefits of mentoring programs myself and it was time to give back to others. I had a couple of good mentors when I was running my own businesses. Their insight was invaluable to me at the time. I have really enjoyed working with my mentee, Nicola Burgess (Project Manager, Operations). She is a dynamic, self-motivated person and really committed to her goals. In fact, she hit the first major goal within weeks of us commencing our mentorship, which caught us both off guard! I have gained much from my involvement in the program. You always learn about yourself but also new ways of looking at situations when you mentor others.”



## CASE STUDY

### Motivating our employees to change their safety motivations and behaviours

Safety for everyone, everywhere, every day is a core value throughout our business.

While we are proud of the significant reduction in our reported injuries over recent years, we firmly believe our aspiration of zero harm within all our workplaces can only be achieved through continuous innovation and improvement of our all safety systems.

In 2015, we initiated world-leading research into safety motivation and behaviours in collaboration with the University of Southern Queensland.

Building on organisational safety culture models that point to the safer working behaviours of more autonomously motivated employees, we trialled psychometric tools never before used in Australia to help us better understand the type and level of safety motivation and behaviour of our employees.

The commended<sup>1</sup> research identified important relationships between elements of our safety climate and employee safety motivation and safety behaviours. Specifically, it confirmed different safety motivation types have different relationships with compliance and discretionary safety behaviours among our employees.

In particular, we found reward and punishment contingency approaches widely used in many workplaces may tend to be associated with high levels of controlled safety motivation to the detriment of both compliance and discretionary safety behaviours.

In contrast, workplace safety interventions that enhance the capacity of managers to consistently communicate and demonstrate their priority for safety, and foster active collaboration with their employees to improve safety, will likely support and encourage higher levels of employee compliance and participatory safety behaviours. We also found that encouraging more autonomous safety motivation among our employees is associated with stronger safety behaviours of all types.

These valuable insights have improved our understanding of how best to design and evaluate our safety communications such as the PB5 campaign, leadership development, and employee training.

We are continuing to refine and expand our safety motivation and behaviour research in collaboration with leading university researchers and safety regulators with a view to sharing our insights and approaches with industry in the future.

During our bi-annual Leaders Forum held in June 2016, our top 100 leaders were briefed on the outcomes of the research and challenged to reflect on how their leadership of safety was motivating employees to be safe.

<sup>1</sup> Commended by the Australian Psychology Society.

# CHAPTER 4: OUR CORPORATE GOVERNANCE

Chapter 4 explains our management, planning and regulatory functions.









# CHAPTER 4: OUR CORPORATE GOVERNANCE

## Our governance structure

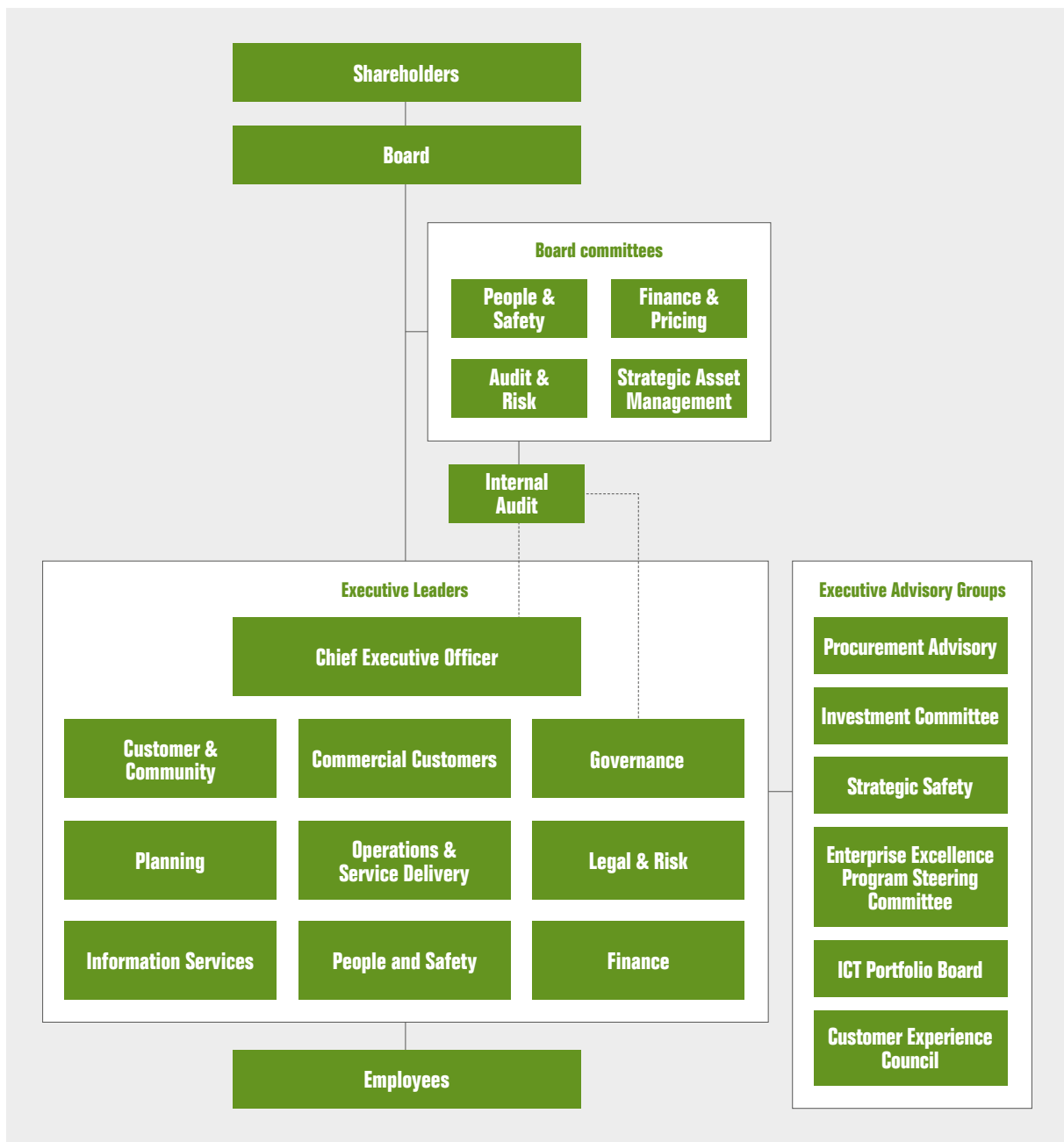


Figure 4: Our governance model as at 30 June 2016.

## Our shareholders

Our shareholders are the councils of Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset.

In accordance with the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, Queensland Urban Utilities formed an agreement (the “Participation Agreement”) with its participating local governments (our shareholders) when it formed in July 2010.

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

Our *Participation Agreement* is available on our website.

## Our Board

### Board structure and functions

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

During 2015/16, members of the Queensland Urban Utilities Board were:

- Geoff Harley (Chairman),
- Bernard Ponting (Deputy Chairman),
- Dennis Cavagna,
- John Cotter,
- Diana Eilert,
- Paul Emmerson,
- Phil Kesby,
- Len Scanlan.

Profiles of each Board member and details of their relevant skills and experience are provided on pages 18-19.

### Role of the Board

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, internal control and reporting systems, and compliance frameworks are in place and are operating effectively.
- Informing and approving our business plans and capital investment plans.
- Approving the annual and long-term budgets including operational and capital expenditure.
- Determining tariffs and pricing.
- Establishing and monitoring a framework to ensure the preparation of accurate financial reports and statements and that they are prepared, certified and tabled in Parliament in accordance with the prescribed requirements.
- 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 and setting remuneration principles for other common law contract roles.
- Reporting to shareholders on the performance and state of the business.

# CHAPTER 4: OUR CORPORATE GOVERNANCE

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

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

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

## Conflict of interest

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

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

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

## Our Board committees

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 Table 3 (see page 70).

## Audit and Risk Committee

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 contingency planning frameworks, processes and deliverables in place.
- Reviewing and endorsing our internal audit plan.
- Reviewing internal audit reports.
- Overseeing the adequacy of our accounting internal control system.
- Reviewing external audit reports.
- Reviewing continuous assurance reports.

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**

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**

The role of the People and Safety Committee is to provide advice to the Board to ensure that 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.

# CHAPTER 4: OUR CORPORATE GOVERNANCE

## Strategic Asset Management Committee

The role of the Strategic Asset Management Committee is to provide advice to the Board on our asset management strategies, policies and systems. The scope of the committee includes all material capital investments (water, sewerage and ICT activities).

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

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

Member	Ordinary Board	Audit & Risk Committee	Finance & Pricing Committee	People & Safety Committee	Strategic Asset Management Committee
Meetings held	11	4	5	5	4
Geoff Harley	10	2	5	5	4
Bernard Ponting	10	-	-	5	-
Dennis Cavagna	10	-	5	-	4
John Cotter	10	4	-	5	-
Diana Eilert	9	-	5	-	4
Paul Emmerson	11	4	-	5	-
Phil Kesby	9	-	-	-	4
Len Scanlan	11	4	5	-	-

Table 3: Board member meeting attendance.



## Our executive advisory groups

During 2015/16, we had six advisory groups assisting the Executive Leadership Team to fulfill its responsibilities.

### **Procurement Advisory Group**

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

### **Investment Committee**

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

### **Strategic Safety Group**

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

### **Enterprise Excellence Program Steering Committee**

The Enterprise Excellence Program (EEP) Steering Committee is responsible for the overall governance of the EEP – the objective of which is to increase the productive capacity of the organisation. The steering committee meets regularly to oversee the status of the program, approve key deliverables and consider issues and risks identified since the previous meeting.

### **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.

### **Customer Experience Council**

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

# CHAPTER 4: OUR CORPORATE GOVERNANCE

## Our plan for the future

### Our strategic planning

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. The results of that scan which informed our 2016-21 strategic direction are summarised in the table below.

<b>Political</b>	Government debt Changing governments Deregulation
<b>Economic</b>	Economic growth Investment Cost of living Asset sales
<b>Social</b>	Urbanisation Elderly population Vulnerability Liveable communities Digital and social media

<b>Technology</b>	Speed of change Real time monitoring Bio & nano technology
<b>Environmental</b>	Extreme events Regulatory pressures
<b>Legal</b>	Flexible regulation Competition Consumer protection
<b>Water industry</b>	Sensitive urban design Energy generation Resource recovery

The above trends are considered when updating our internal strengths and weaknesses, and the external opportunities and threats we face. They form the basis of consultation with our Board and shareholders, who provide the guidance to determine where we need to focus our day-to-day efforts and where we need to improve over the next five years.

Our Board sets our strategic direction, which includes our purpose, vision and strategic pillars (see page 8). This is documented in the five-year Corporate Plan, which is approved by our shareholders.

During 2015/16, our *2016-21 Corporate Plan* was developed and approved by our shareholders, and is available on our website. It includes our revised strategic pillars for 2016-21 (see page 73).

Our Corporate Plan is used to develop our Master Plan, which outlines the actions we need to complete to achieve the objectives and strategies in our strategic pillars.

Finally, our values are embraced by our teams and employees every day, as they work towards achieving of our purpose and vision. Our values are described on page 9.

Incorporating the above elements, our strategic planning framework (Figure 5) aligns the work of every employee to our purpose and vision.

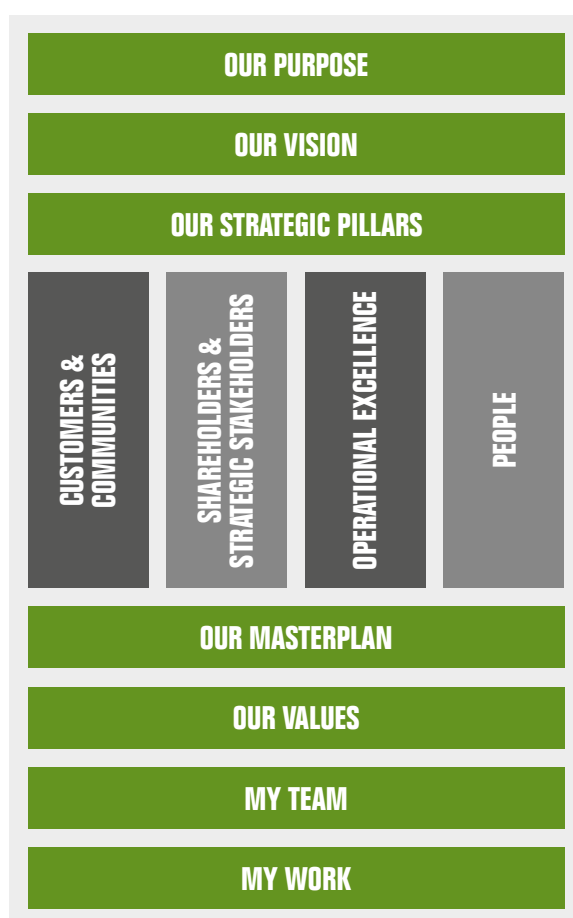


Figure 5: Our strategic planning framework.

In developing our *2016-21 Corporate Plan*, we retained our purpose and vision, and made some changes to our strategic pillars. These changes improve the focus of each pillar, as well as clarifying how we measure success, what we need to keep doing and where we need to improve for each pillar to ensure we can achieve our purpose and vision.

These changes are included in the following summary of our 2016-21 strategic direction.

Strategic pillar	Where we need to improve
<b>Customers and Communities</b> We are easy to deal with, understand our customers and communities, and deliver services that meet their evolving needs.	How we strategically engage with customers and communities on matters that impact how we operate and the services we provide. Our customer data analytics capability to help us better understand our customers' current and future needs. How our services to our commercial customers support their needs. Our digital channel capability to meet customers' evolving needs. How we support our customers when services are interrupted or impacted. How we meter customers, our pricing tariffs, and how we bill customers. Our product and service offerings to meet our customers' and communities' changing needs.
<b>Shareholders and Strategic Stakeholders</b> We partner with our shareholders and strategic stakeholders to achieve mutually beneficial outcomes for our shared customers and communities.	Our shareholder and strategic stakeholder insights through improved data analytics, which will enable us to better engage and collaborate with them. Our engagement with shareholders and strategic stakeholders on strategic matters that contribute to a sustainable water and sewerage industry and sustainable communities.
<b>Operational Excellence</b> Through innovation and a constant drive to work more effectively and efficiently, we provide services that meet the evolving needs of our customers and communities.	The identification and development of alternate water and sewerage solutions and services to support sustainable communities in the future. The identification and implementation of operating and infrastructure investment efficiencies to optimise the cost of providing water and sewerage services. Investment in ICT that improves services to customers, builds capability and reduce costs. Development of new business opportunities to deliver value to customers and improve the sustainability of the business. Delivery of sustainable environmental solutions that support the future needs of communities.
<b>People</b> We are safe, adaptable and capable, and committed to living our values and achieving our purpose and vision.	Our safety mindset, supplementing our safety processes with attitudes and behaviours that support a safe workplace. Our leadership tools and ongoing leadership support for leaders. How we engage with and enable our employees in the on-going improvement of our workplace culture. How we develop the skills to support our future workforce needs.

# CHAPTER 4: OUR CORPORATE GOVERNANCE

## Asset planning and management

Queensland Urban Utilities manages its assets and plans asset delivery to meet the requirements of our customers, agreed levels of service, asset standards and regulations.

Our infrastructure plans include renewal or replacement of old infrastructure, delivery of new infrastructure to service growth and upgrading infrastructure to meet current safety or environmental standards. We approach the management and delivery of our infrastructure to ensure minimal price impacts on our customers, whilst achieving these standards.

Our planning assumptions align with the Queensland Government's *South East Queensland Regional Plan 2010-2031*, the purpose of which is to manage regional growth and change in the most sustainable way and to protect and enhance quality of life.

Of particular importance are the population and housing projections and the guidance they provide for development in the region. In our planning, we also consider the *South East Queensland Water Security Program* being developed by our bulk water service provider, Seqwater.

At a local level, we work with the planning schemes adopted by our five shareholders, Economic Development Queensland, and other Queensland Government authorities. This information provides us with the type, size, location, and timing of future development and growth.

We continue to monitor the needs of our customers and communities through regular consultation and engagement. We have incorporated 'green infrastructure' solutions such as the Beaudesert Nutrient Reduction Scheme, cogeneration of electricity from biogas, and solar photovoltaic panels to produce a better outcome for the environment and our customers.

Our *Water Netserv Plan* provides an overview of our infrastructure planning and development for the next 20 years.

## Connect with us online



Our asset management is based on:

- customer engagement regarding their needs,
- contemporary approaches in whole-of-lifecycle asset management,
- condition assessment of critical assets to identify “on time” rehabilitation and minimising service disruption,
- planning infrastructure delivery over five years with a portfolio approach,
- prioritising infrastructure delivery on the basis of risk and key customer service drivers, and
- the *Water Services Association of Australia Asset Management Benchmarking*, which gives:
  - proven ‘best value’ effectiveness and efficiency to ratepayers/stakeholders,
  - asset performance levels and maintenance deployment aligned to service levels, and
  - an opportunity to leverage processes across all service areas.

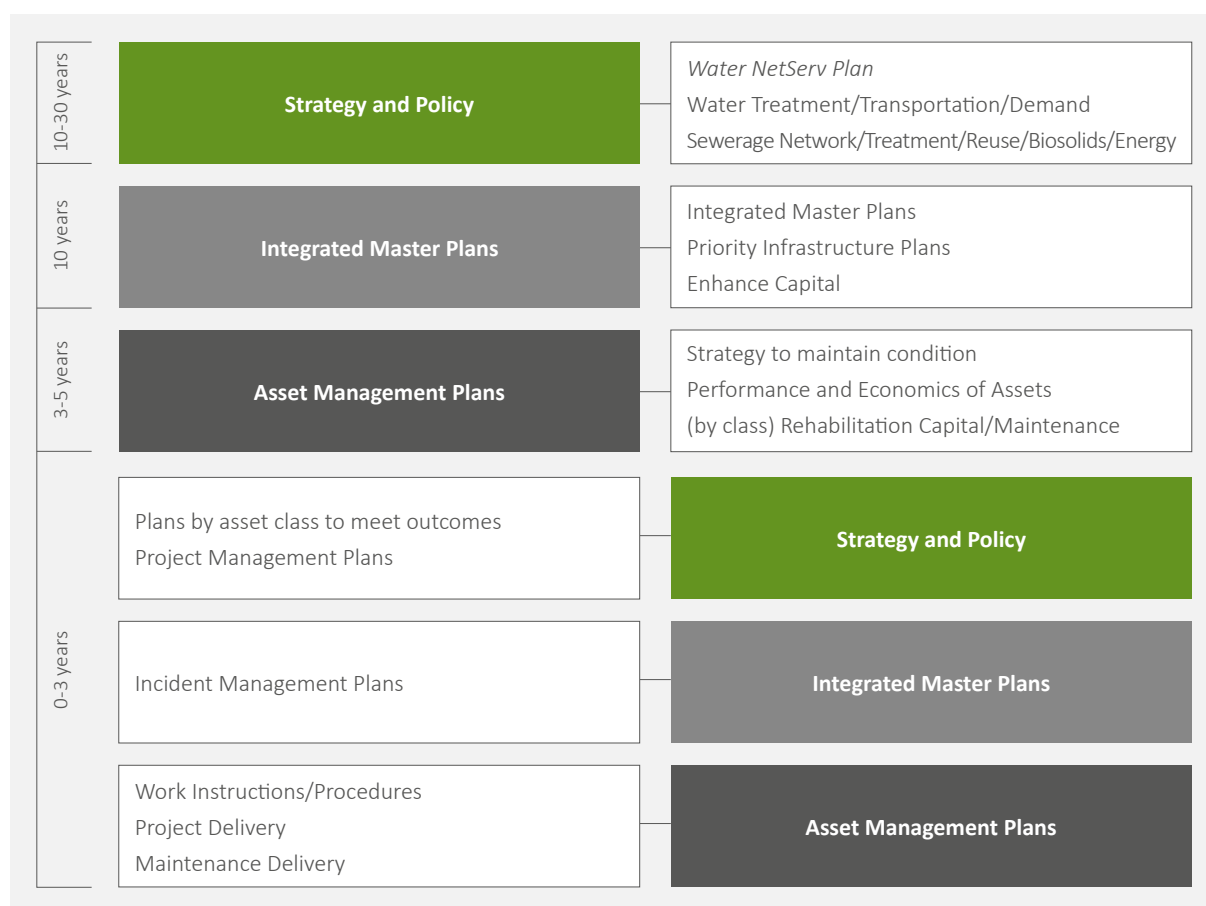


Figure 6: Our approach to infrastructure planning, delivery and maintenance.



# CHAPTER 4: OUR CORPORATE GOVERNANCE

## Our controls and assurance

### Risk management

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

Our risks are managed at the strategic, group and operational levels, and are aligned to our success and performance measures for those 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 72).

The Risk Management Framework also facilitates risk-based planning and decision-making in every decision we make, promotes and supports a risk-focused culture, and improves organisational resilience.

Supporting our risk management is our Corporate Compliance Management System, developed and implemented in accordance with *ISO 19600 Compliance Management Systems – Guidelines*.

### Current strategic risks

Our strategic risks are reviewed by management and approved by our Board every six months. Our current strategic risks are set out below.

Strategic pillar	Strategic risk
Customer and Communities	<p>Failure to deliver water quality that meets operating service standards and public health requirements.</p> <p>Failure to deliver quality services that are reliable, secure and financially viable and meet customer needs.</p> <p>Failure to define the customer experience and support it with business processes that achieve customer expectations, brand objectives and support and engage customers.</p> <p>Commercial customer segments and strategies do not align with the needs of customers and do not deliver benefits.</p>
Shareholders and Strategic Stakeholders	<p>Loss or impairment of shareholder trust or support.</p> <p>Failure to establish and maintain collaborative stakeholder relationships.</p>
Operational Excellence	<p>Asset planning and management strategies do not meet customer service standards, growth requirements and are not deemed prudent and efficient.</p> <p>Failure to maintain financial sustainability.</p> <p>Failure to prevent and manage significant environmental impacts.</p> <p>Failure to implement adaptive solutions relating to the environmental resilience of our infrastructure and service delivery.</p> <p>Failure of internal controls leads to fraudulent or corrupt behaviour.</p> <p>Failure to develop strategies that enable us to implement opportunities or meet the risks of new market entrants.</p> <p>IT security breach leads to extensive business interruptions and/or reputational impacts.</p> <p>ICT roadmap is not delivered on time and is not responsive to operational efficiencies, customer service improvements and strategic growth opportunities.</p> <p>Failure to adopt innovative ideas that meet the evolving needs of customers, supported by targeted investment.</p>
People	<p>Failure to achieve a workplace that supports employee wellbeing.</p> <p>Failure to deliver a culture that achieves constructive behaviours, through improving leadership capabilities that support employee engagement, innovation and the achievement of our purpose and vision.</p> <p>Failure to implement organisational change management effectively.</p>

Table 4: Our current strategic risks.

## 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 140).

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

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

## Internal audit

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

In 2015/16, KPMG provided internal audit services for Queensland Urban Utilities. These services were performed in accordance with an approved Internal Audit Charter. The services were also performed in accordance with the Board approved *2015/16 Internal Audit Plan*. This Internal Audit Plan had regard for, and was prepared based on Queensland Urban Utilities' strategic risk profile, previous audits, and discussions 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 2015/16, Internal Audit undertook seven reviews. The reviews were separated into strategic risk-based reviews, core business process reviews, and information technology reviews.

## Continuous assurance

An achievement realised during 2015/16 was Queensland Urban Utilities' transition to a new continuous assurance data analytics regime supported by KPMG.

The continuous assurance 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, and that audit processes are in place that identify and address non-compliance.

The data analytics-based program provides continuous assurance of strategic and group risks and organisational processes, transactions, systems and controls. These include but are not limited to financial, procurement, system, people and security.

## Fraud control

Queensland Urban Utilities has a *Fraud and Corruption Control Plan*, which is reviewed annually. The plan documents how we will implement the 15 fraud control attributes, recommended by the Queensland Audit Office. These attributes include:

- developing a fraud control strategy,
- implementing fraud awareness training,
- carrying out fraud risk assessments, and
- developing fraud reporting and investigations systems, including our Urban**Disclosure** hotline for reporting potential fraud and corruption matters.

# CHAPTER 4: OUR CORPORATE GOVERNANCE

## Accountability and transparency

### Reporting on performance

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

Progress against our strategic objectives and strategies is tracked and reported to our Executive Leadership Team on a monthly basis and our Board and shareholders on a quarterly basis. It is also the basis for our Annual Report.

Performance against our strategic success measures and customer service measures are reported to our Executive Leadership Team and Board on a monthly basis. This information is also reported to our shareholders on a quarterly basis and included in our Annual Report.

Our operational measures predominately act as lead indicators to our strategic success measures and customer service measures, providing early insight into challenges that may impact the delivery of services to our customers and achievement of our strategic direction. Key operational measures are reported monthly to the Executive Leadership Team, and discussed monthly meetings of our Executive Leadership Team and managers across the business.

Our strategic, customer service and operational performance measures are aligned to industry reporting, enabling us to deliver efficiencies in the management of data and benchmarking our performance against our peers. They also incorporate our customer, shareholder, asset, environmental, financial and employee requirements and strategies.

We also support and comply with various industry and regulatory reporting requirements, 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*, which are both available 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

We have an ongoing commitment to meeting our responsibilities under the *Public Records Act 2002*. Our Record Keeping policy protects our information assets and ensures that our records are the basis for organisational accountability, current and future policy formation and management decision-making. Records kept as archives also form part of our information assets and the state's cultural heritage.

We use TRIM as an electronic document and records management systems, providing secure, effective and efficient management of correspondence, documents and records.

In 2015/16, the following initiatives and activities were completed that supported a consistent approach to recordkeeping:

- Developed and implemented the Strategic Recordkeeping Implementation Plan.
- Upgraded the security model within TRIM.
- Worked with targeted business units to ensure their specific recordkeeping requirements, filing structures and their usage of TRIM complied with our Record Keeping policy.
- Developing a comprehensive quality assurance program to ensure data integrity in TRIM.
- Finalised a Business Case for the Records Management Compliance and TRIM Upgrade project.

TRIM will be upgraded in 2016/17 to ensure active support and ensure added functionality to better meet employee requirements for the longer term.

## Managing our human resources

### Our workforce

During 2015/16, our workforce remained steady with a small increase of 4.5% as at 30 June 2016. These employees were employed in a range of professional and trade roles in permanent full-time, permanent part-time and casual capacities and include employees on enterprise and individual employee arrangements. The total employees exclude agency resources who are employed on short-term basis to meet ad hoc business needs.

95.7% of our permanent employees were employed in full time roles. Supporting our flexible working arrangements, 13% of our female permanent employees were employed in part-time roles.

Diversity and inclusion is important to us. The different behavioural propensities people have and how they work together can help us build our constructive culture. Our leadership gender profile of 30% female leaders – including at the Executive level – in a typically male-dominated industry, shows our support of women in leadership roles. This is further illustrated through our Women in Leadership group (see page 62), and will inform our work in diversity and inclusion in 2016/17.

During 2015/16, our workforce profile by age and tenure remained steady. Having nearly 50% of our workforce with less than five years tenure supports our growth and innovation through the blending of commercial acumen and new ideas from other businesses and industries, mixed with the experience of longer-term employees who transitioned from councils when we formed in mid-2010, and have a strong history of serving their communities.

Finally, as a reflection of our improving culture and the increased satisfaction of our employees through heightened engagement and enabling them to do their job, our retention rate increased during 2015/16. This resulted in a minor decrease in under 25s and reflective increase in 56+ employees, and an increase in average age from 43.5 to 44 years.

(Note: The sum of the separation rate and retention rate is not expected to equate to 100 per cent as they are calculated using different criteria.)

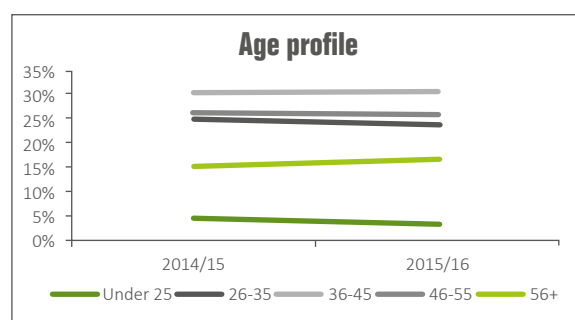
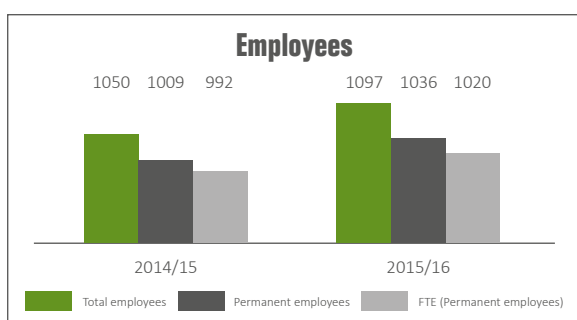
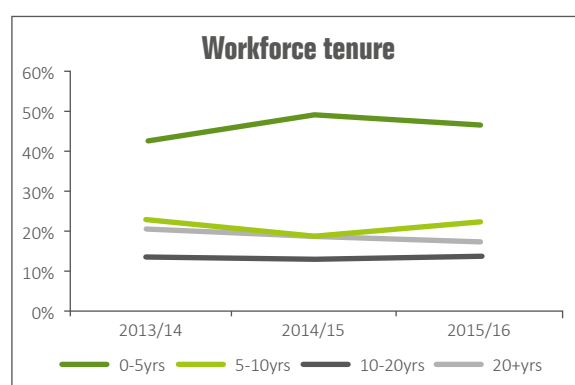
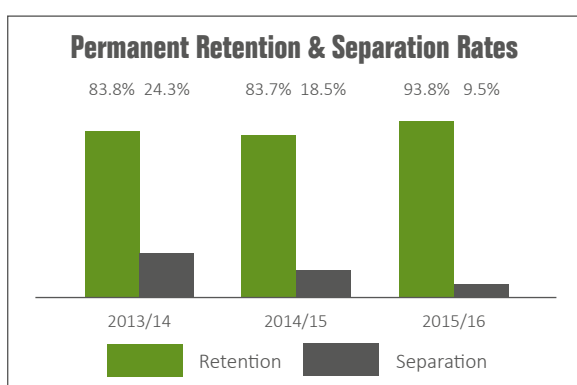
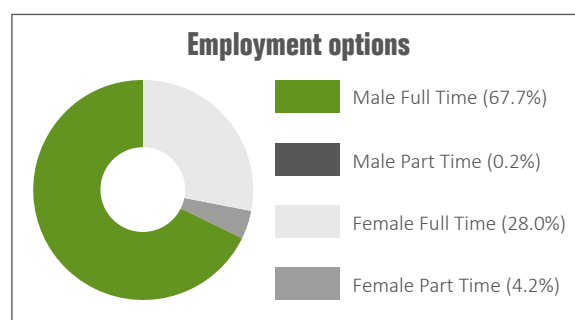
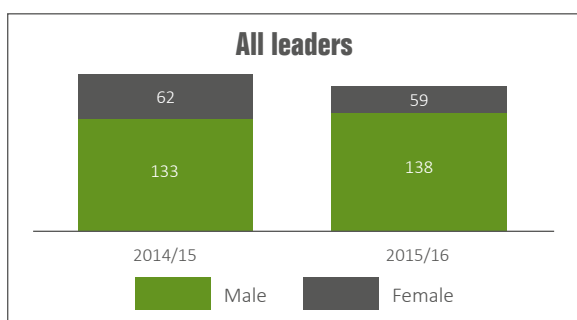


Figure 7: Our workforce profile.

# CHAPTER 4: OUR CORPORATE GOVERNANCE

## Industrial and employee relations

In April 2015, a High Court of Australia decision in relation to Queensland Rail impacted our industrial arrangements leading to a change of jurisdiction from the State to Federal system. The result of this change is that our industrial arrangements are now determined through the *Fair Work Act 2009 (Cth)*, the *National Employment Standards (NES)*, and the *Water Industry Award 2010 (Cth)*.

As a result, the Queensland Urban Utilities Enterprise Bargaining Agreement (2011) became null and void. We have initiated bargaining for new enterprise agreements under the *Fair Work Act 2009 (Cth)*, and have proposed an interest based approach to bargaining.

## Our values

Our Organisational Values support our purpose, vision and the development of a constructive culture for Queensland Urban Utilities. They provide guidelines for employees on what behaviour is expected and how decisions should be made (see page 9).

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

Queensland Urban Utilities' *Code of Conduct* was implemented in the latter half of 2011, with a minor review of content conducted in late 2013. A comprehensive review was conducted in 2014/15 where the *Code of Conduct* was aligned with our values. All employees attended workshops to understand and discuss the revised *Code of Conduct*.

Supporting our *Code of Conduct* is our Respect and Integrity Framework, which sets out the minimum standard for how we should behave and treat each other in the workplace. The framework consists of a group of nominated and trained Respect and Integrity Contact Officers, and mandatory training for team leaders and managers, plus online training for all employees.

## 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.

## Embracing diversity and inclusion

As we invest in building our constructive culture, leaders have been provided with a greater awareness of the diversity of our workforce through tools that highlight different behavioural propensities and an understanding of how different people can work more effectively together in service of the organisation.

Our constructive and inclusive culture promotes the skills and insights of our people regardless of gender, ethnicity, age, flexible work status, sexual orientation or disability, providing equal opportunity to all.

During 2015/16, we progressed initiatives to increase our awareness of diversity and inclusion (see page 79), and will continue to focus on improved diversity and inclusion in 2016/17.

## Promoting a work/life balance

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

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

## Workforce planning, attraction and retention

During 2015/16, we continued to embed our change management framework in all change across the organisation. Key applications include the outsourcing of our planned maintenance work to Utilita (see page 51) and development of the 2016/17 Master Plan.

We continued to refine position requirements in line with current and future skill needs, with our utility of the future work to have a significant influence on our workforce planning.

With the support of specialised recruitment agencies, we successfully attracted and placed employees into the organisation. Positive, independent feedback from successful candidates after their first months at Queensland Urban Utilities has shown that we are delivering on our cultural promise to new candidates.

Over the past 12 months, we've invested significant time and resources into our leadership programs to ensure our employees are engaged and enabled to do their work (see page 58). This, in turn, fosters a more constructive culture, which leads to greater employee attraction and retention.



## Workplace Health and Safety

Our workplace health and safety (WH&S) structure was specifically designed to support consultation and communication on WH&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 committee that sets the strategic direction for all of our WH&S initiatives and is responsible for creating and embedding our safety culture (see page 71).
- Line Committees: These committees bring together employees and management 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, which oversees:
    - Petroleum and Gas Advisory Group.
    - Electrical Safety Advisory Group.
  - Infrastructure Delivery Contractor Advisory Group.

## Other disclosures

Tables 5 and 6 below respectively fulfil State Government disclosure obligations for overseas travel and consultancies.

Name of member and position	Destination and date	Reason for travel	Cost to Queensland Urban Utilities
<b>Louise Dudley</b> Chief Executive Officer	France 4 to 9 May 2016	Attendance at executive education and visiting French international water authorities.	\$10,000.00
<b>Colin Chapman</b> Innovation, Research and Development Manager	United States of America 29 Nov to 4 Dec 2015	Attendance and presentation at the Water Research Foundation (WRF) Project's Fostering Innovation Workshop.	\$3,396.89
<b>Sean Murdoch</b> Manager Control Systems Management and Support	Singapore 8 to 12 Sept 2015	Official Speaker at SCADA World Summit 2015 – Singapore.	\$1,164.60

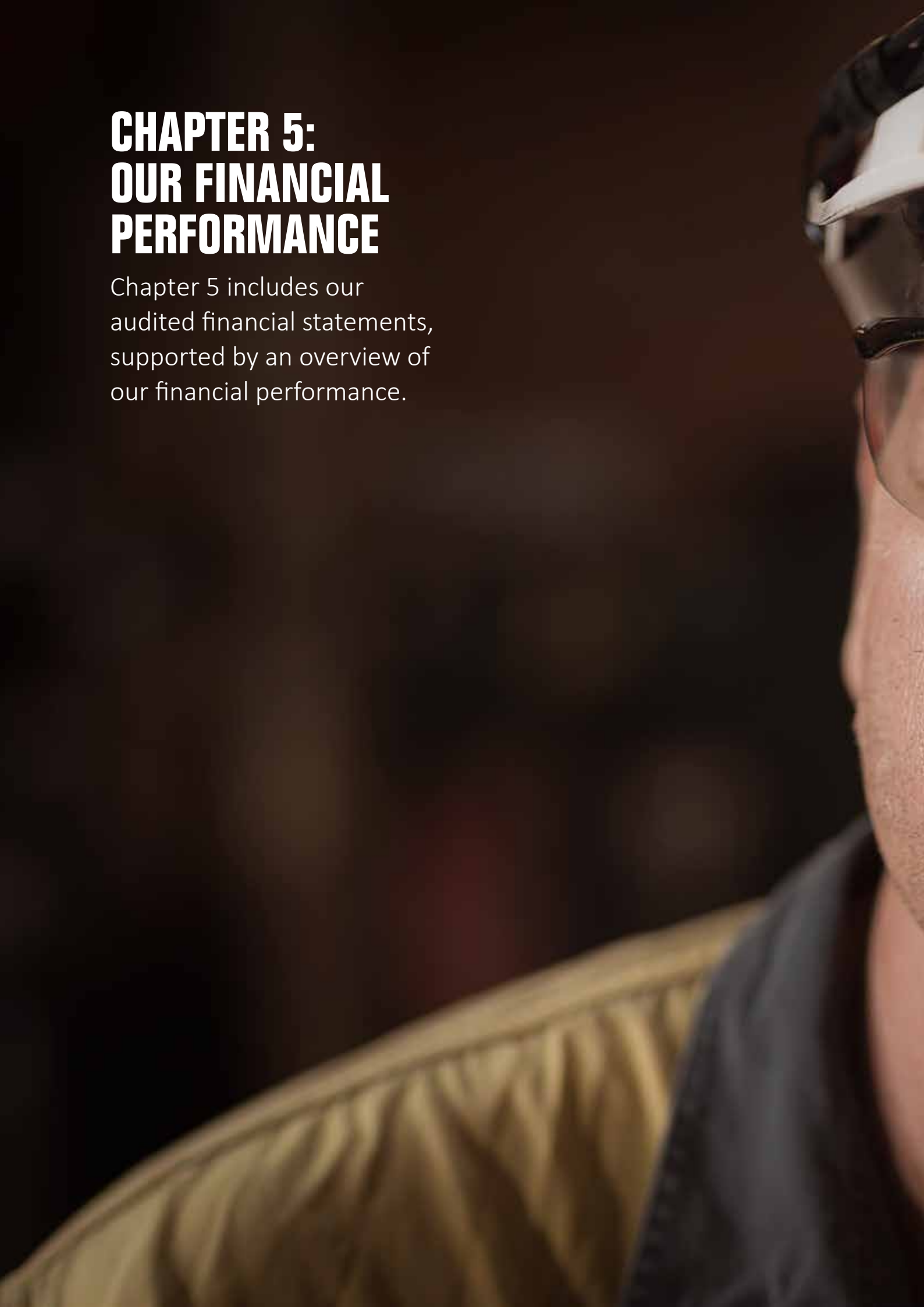
Table 5: Overseas travel.

Consultancies	\$000
Development Services Model	40
Expert Specialist Financial, Treasury and Taxation Advice	41
Information Technology	302
Marketing and Communication Strategy	24
Planning for Infrastructure	1,307
Safety, Culture and Other Human Resource Consultancies	145
Treatment and Environmental Management	360
Other	85
<b>Total</b>	<b>2,305</b>

Table 6: Consultancies.

# **CHAPTER 5: OUR FINANCIAL PERFORMANCE**

Chapter 5 includes our audited financial statements, supported by an overview of our financial performance.





# CHAPTER 5: OUR FINANCIAL PERFORMANCE

## Chief Financial Officer's summary

### Financial highlights at a glance

- Net profit after tax of \$232.2 million, up 23% on 2014/15.
- Revenue of \$1,269.6 million, up 6.4% on 2014/15.
- Operating expenses of \$934.6 million, up 1.6% on 2014/15.
- Capital expenditure (including developer donated assets) of \$341 million.
- Gearing maintained at 37%.

### Financial performance for the year ended 30 June 2016

For the year ended 30 June 2016, Queensland Urban Utilities reported a net profit after tax figure of \$232.2 million, a \$44 million improvement on the year ended 30 June 2015. The result was largely due to a significant increase in developer contributions, with total contributions of \$232.4 million (18% increase on 2014/15).

In addition, operating expenses of \$935 million included bulk water charges of \$374.2 million which increased by \$20.3 million or 5.7% on 2014/15.

Queensland Urban Utilities' five year financial performance summary is detailed below:

\$M	2011/12	2012/13	2013/14	2014/15	2015/16
Revenue	912	951	1,069	1,193	1,270
Operating Expenses	(724)	(808)	(876)	(920)	(935)
<b>Profit Before Tax</b>	<b>188</b>	<b>143</b>	<b>193</b>	<b>273</b>	<b>335</b>
Taxation Expense	(56)	(40)	(60)	(85)	(103)
<b>Profit After Tax</b>	<b>132</b>	<b>103</b>	<b>133</b>	<b>188</b>	<b>232</b>

Table 7: Queensland Urban Utilities' five year financial performance.

### Revenue Summary

As noted from the table above, Queensland Urban Utilities' reported gross revenue for the year ended 30 June 2016 was \$1,269.6 million comprised of the following revenue streams.

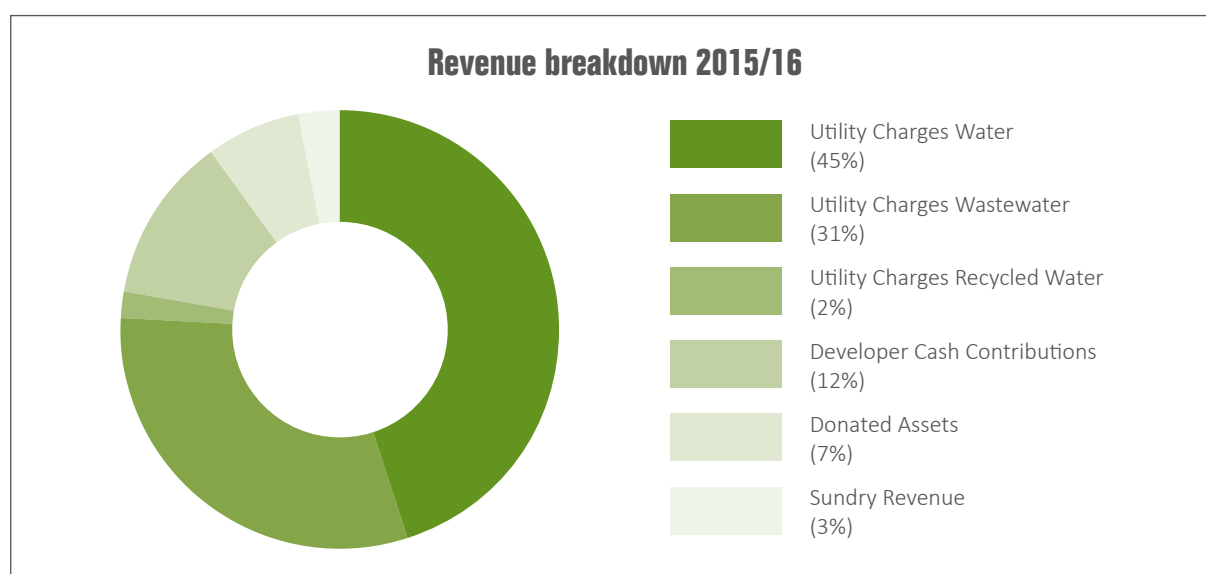


Figure 8: Queensland Urban Utilities' 2015/16 revenue breakdown.

Total utility revenue of \$1,006.5 million was generated through \$575.1 million in water charges, and \$404.4 million in wastewater charges.

Utility charges revenue increased 4.8% on 2014/15 as a result of 7,500 new water connections and 7,400 new wastewater connections and an average price increase of 2.3%. In addition, utility revenue from recycled water increased by \$15.9 million largely reflecting a payment as the result of an early contract termination.

The other significant contributor to Queensland Urban Utilities’ total revenue was developer contributions (both cash contributions and donated assets) which accounts for 19% of total revenue. Revenue from developer contributions generally reflects the level of construction activity within the region and is indicative of the economic environment at the time. The graph below shows the growth and composition of developer contributions over the last five years, which have grown at a compound annual rate of 13% over that period.

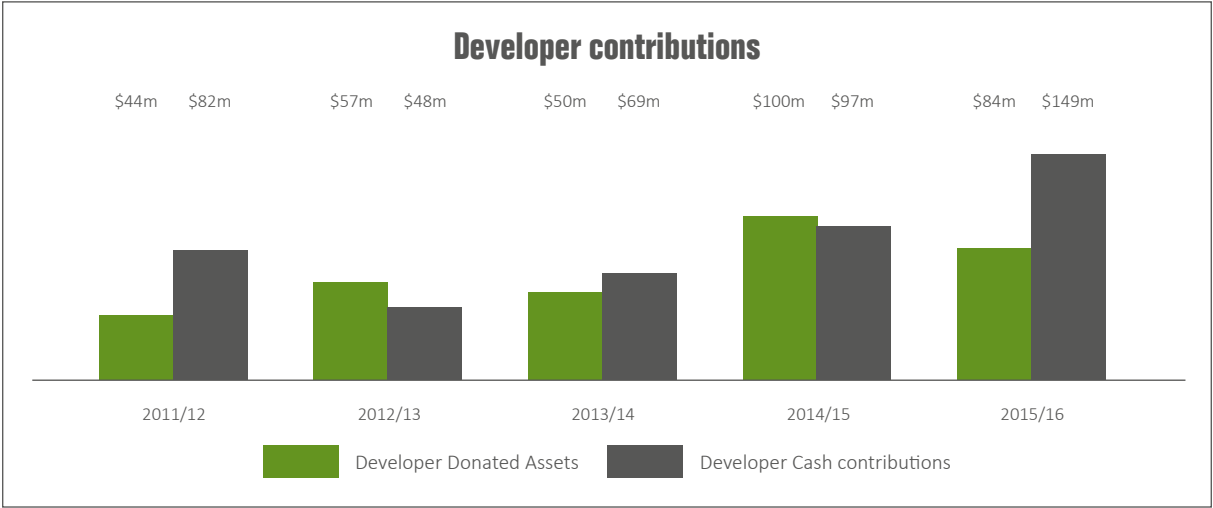


Figure 9: Queensland Urban Utilities’ historical developer contributions.



# CHAPTER 5: OUR FINANCIAL PERFORMANCE

## Operating expense summary

Operating expenses, for the purpose of financial reporting, include bulk water charges which are passed through to customers directly. Bulk water charges were impacted by an average 3.5% price increase imposed by the State Government. As noted below, bulk water charges account for 40% of Queensland Urban Utilities' operating expenses.

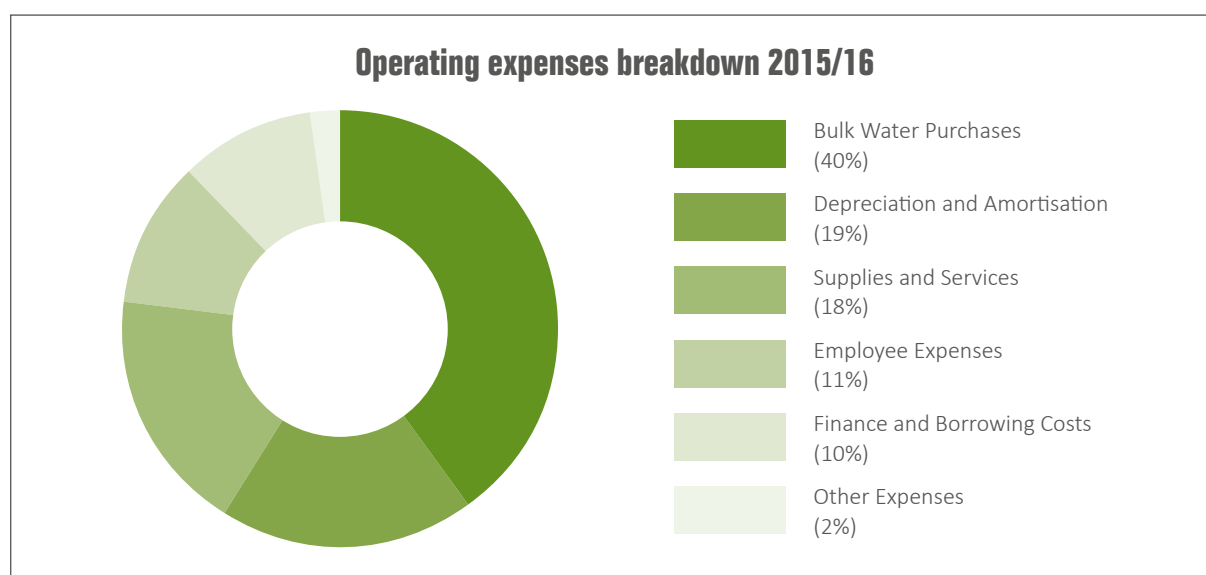


Figure 10: Queensland Urban Utilities' 2015/16 operating expenses breakdown.

Excluding bulk water purchases, operating expenses totalled \$560.4 million which was \$5.9 million lower than 2014/15. The lower operating expenses for the year largely reflected reduced finance and borrowing costs which were 9.6% lower than 2014/15 due mainly to lower interest rates. In addition, employee expenses of \$101.5 million were \$4.8 million lower than 2014/15 due to the restructuring that was undertaken in the prior year.

Capital metrics	2011/12	2012/13	2013/14	2014/15	2015/16
Net Debt (\$m)	1,797	1,964	1,971	1,914	1,929
Gearing <sup>1</sup>	40%	41.5%	39%	37%	37%
Interest Cover <sup>2</sup>	2.7x	2.5x	3.5x	3.5x	4.3x

<sup>1</sup> Net Debt to Fixed Assets

<sup>2</sup> EBITDA Adjusted for Develop Donated Assets and Interest Income

Table 8: Queensland Urban Utilities' five year capital metrics summary.

At 30 June 2016, Queensland Urban Utilities held a net debt level of \$1.929 billion (comprising cash of \$135.8 million and debt of \$2.065 billion) and maintained a gearing level of 37%. The increase in net debt was a result of lower cash holdings with no debt drawdowns occurring during the period.

The increase in developer cash contributions resulted in an improved interest cover ratio of 4.3 times.

All debts covenant requirements during the period were met.

## Sustainability measures

Financial sustainability can be measured in a number of ways. Measures of future financial sustainability can be derived from examining trends in an entity's past and current financial performance and position. In reviewing financial sustainability, Queensland Urban Utilities' assessments include, but are not limited to, the following key ratios:

- Operating Ratio: Provides an indication of the extent to which operational revenues raised cover operational expenses,
- Capital Replenishment Ratio: Provides a comparison of the rate of net spending on assets with depreciation, and
- Debt to Revenue Ratio: Indicates the extent to which its operating revenues (including grants and subsidies) can cover an entity's loans and other borrowings.

As indicated in the graph below, Queensland Urban Utilities' historical performance with regards to the Operating Ratio is reflective of a requirement to generate operating surpluses and hence the positive percentage.

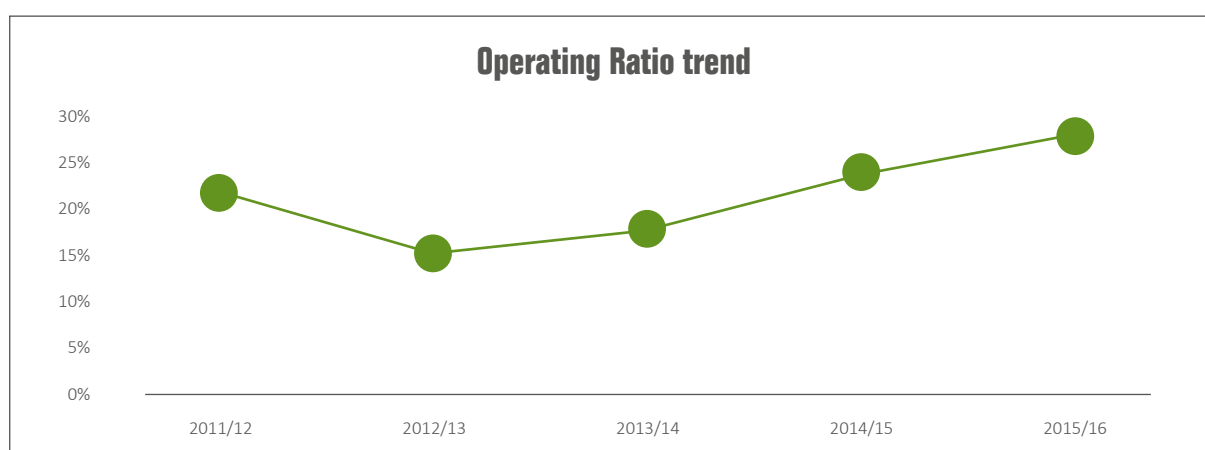


Figure 10: Queensland Urban Utilities' 2015/16 operating ratio trend.

The improving trend from 2012/13 to 2015/16 is a direct result of increased developer activities across this period with higher revenue returns without any significant change to direct operational expenditure.

Queensland Urban Utilities' Capital Replenishment Ratio is a factor of both the average age of infrastructure assets and the level of development and construction activity within the region (which ultimately results in new property connections). The ratio trend of a replenishment factor of greater than 1.5 times, reflects not only the growth in Queensland Urban Utilities' operating regions but the need to ensure that the infrastructure is maintained to appropriate services standards.

	2011/12	2012/13	2013/14	2014/15	2015/16
Depreciation and Amortisation (\$m)	138	147	167	167	176
Capital Expenditure <sup>1</sup> (\$m)	333	371	255	284	341
Capital Replenishment Ratio	2.41x	2.53x	1.52x	1.70x	1.94x

<sup>1</sup> Includes capital expenditure from investing activities and developer donated assets

Table 9: Queensland Urban Utilities' five year Capital Replenishment Ratio summary.

Queensland Urban Utilities reported a Debt to Revenue Ratio for the year of 163% which was a 10 basis point improvement on the prior corresponding period result of 173% driven by the increased revenues.

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

## Our audited financial statements

Central SEQ Distributor-Retailer Authority

## Contents

For the year ended 30 June 2016

<b>Statement of Comprehensive Income</b>	<b>89</b>	16 Property, plant and equipment	107
<b>Statement of Financial Position</b>	<b>90</b>	17 Intangible assets	111
<b>Statement of Changes in Equity</b>	<b>91</b>	18 Key valuation assumptions used	112
<b>Statement of Cash Flows</b>	<b>92</b>	19 Superannuation	113
1 Authority information	93	20 Trade and other payables	118
2 Basis of preparation and statement of compliance	93	21 Employee benefits	118
3 Significant accounting policies	93	22 Other current liabilities	120
4 Utility charges	98	23 Participation returns	121
5 Contributions	98	24 Loans and borrowings	122
6 Fees and charges	99	25 Financial instruments	124
7 Other revenue	99	26 Operating leases	129
8 Supplies and services	99	27 Commitments	130
9 Employee expenses	100	28 Contingencies	131
10 Finance and borrowing costs	101	29 Funds held in trust	131
11 Other expenses	101	30 Key executive management personnel and remuneration	132
12 Income tax equivalent	102	31 Related parties	136
13 Cash and cash equivalents	104	32 Financial sustainability	138
14 Trade and other receivables	105	<b>Management Certificate</b>	<b>139</b>
15 Other current assets	106	<b>Independent Auditor's Report</b>	<b>140</b>

## Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Revenue</b>			
Utility charges	4	1,006,507	959,896
Contributions	5	232,358	196,973
Fees and charges	6	22,837	19,368
Other revenue	7	7,889	17,117
<b>Total operating revenue</b>		<b>1,269,590</b>	<b>1,193,354</b>
<b>Expenses</b>			
Bulk water purchases		374,158	353,869
Depreciation and amortisation	16,17	175,522	167,142
Supplies and services	8	170,581	169,578
Employee expenses	9	101,486	106,323
Finance and borrowing costs	10	94,292	104,330
Loss on disposal of assets		11,774	10,841
Other expenses	11	6,798	8,122
<b>Total operating expenses</b>		<b>934,611</b>	<b>920,205</b>
<b>Profit before income tax equivalent</b>		<b>334,979</b>	<b>273,149</b>
Income tax equivalent	12	102,748	85,351
<b>Profit for the year</b>		<b>232,231</b>	<b>187,798</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Defined benefit plan actuarial gains/(losses)	19	(281)	449
<b>Total other comprehensive income</b>		<b>(281)</b>	<b>449</b>
<b>Total comprehensive income</b>		<b>231,950</b>	<b>188,247</b>

The accompanying notes form part of these statements.

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Statement of Financial Position

As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents	13	135,876	150,783
Trade and other receivables	14	40,539	34,560
Other current assets	15	166,932	170,729
<b>Total current assets</b>		343,348	356,072
<b>Non-current assets</b>			
Property, plant and equipment	16	5,258,490	5,146,019
Intangible assets	17	28,768	24,566
Defined benefit plan	19a	2,884	3,285
<b>Total non-current assets</b>		5,290,142	5,173,869
<b>Total assets</b>		5,633,490	5,529,941
<b>Current liabilities</b>			
Trade and other payables	20	55,367	53,426
Employee benefits	21	32,147	29,966
Other current liabilities	22	82,844	146,559
Income tax payable		33,984	29,387
Participation return	23	85,415	49,952
<b>Total current liabilities</b>		289,758	309,289
<b>Non-current liabilities</b>			
Loans and borrowings	24	2,064,895	2,064,895
Trade and other payables	20	6,110	7,188
Employee benefits	21	2,722	1,964
Deferred tax liabilities	12	132,762	114,946
<b>Total non-current liabilities</b>		2,206,488	2,188,993
<b>Total liabilities</b>		2,496,246	2,498,282
<b>Net assets</b>		3,137,244	3,031,659
<b>Equity</b>			
Contributed equity		2,538,793	2,538,793
Retained earnings		444,428	338,842
Asset revaluation surplus		154,023	154,023
<b>Total equity</b>		3,137,244	3,031,659

The accompanying notes form part of these statements.



## Statement of Changes in Equity

For the year ended 30 June 2016

	Notes	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation surplus \$'000	Total \$'000
<b>Balance as at 01 July 2014</b>		2,538,793	225,400	154,023	2,918,216
<b>Contributions by and distributions to Participants</b>					
Participation return to Participants	23	-	(74,804)	-	(74,804)
<b>Total contributions by and distributions to Participants</b>		-	(74,804)	-	(74,804)
Profit for the year		-	187,798	-	187,798
<i>Other comprehensive income:</i>					
Defined benefit plan actuarial gain	19	-	449	-	449
<b>Total comprehensive income for the year</b>		-	188,247	-	188,247
<b>Balance as at 30 June 2015</b>		2,538,793	338,842	154,023	3,031,659
<b>Balance as at 01 July 2015</b>		2,538,793	338,842	154,023	3,031,659
<b>Contributions by and distributions to Participants</b>					
Participation return to Participants	23	-	(126,365)	-	(126,365)
<b>Total contributions by and distributions to Participants</b>		-	(126,365)	-	(126,365)
Profit for the year		-	232,231	-	232,231
<i>Other comprehensive income:</i>					
Defined benefit plan actuarial gains	19	-	(281)	-	(281)
<b>Total comprehensive income for the year</b>		-	231,950	-	231,950
<b>Balance as at 30 June 2016</b>		2,538,793	444,428	154,023	3,137,244

The accompanying notes form part of these statements.

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Statement of Cash Flows

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
Receipts from customers		956,960	962,395
Developer cash contributions		165,974	93,163
Interest received		4,841	3,906
GST input tax credits from Australian Taxation Office (ATO)		41,207	34,031
GST collected from customers		675	558
		1,169,657	1,094,052
<i>Outflows:</i>			
Employee expenses		(115,231)	(125,668)
Suppliers and services		(504,955)	(475,893)
Finance and borrowing costs		(94,336)	(104,460)
Income tax		(80,215)	(46,981)
GST paid to suppliers		(41,207)	(34,031)
GST remitted to ATO		(675)	(558)
		(836,621)	(787,590)
<b>Net cash provided by (used in) operating activities</b>	13b	333,036	306,462
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Proceeds from sale of plant and equipment		2,875	1,013
<i>Outflows:</i>			
Payments for property, plant and equipment		(259,915)	(184,753)
<b>Net cash provided by (used in) investing activities</b>		(257,041)	(183,740)
<b>Cash flows from financing activities</b>			
<i>Inflows:</i>			
Borrowings	24	471,282	972,309
<i>Outflows:</i>			
Repayment of long-term borrowings	24	(471,282)	(972,309)
Participation rights payments	23	(90,902)	(65,988)
<b>Net cash provided by (used in) financing activities</b>		(90,902)	(65,988)
Net increase (decrease) in cash and cash equivalents		(14,907)	56,735
Cash and cash equivalents at the beginning of the financial year		150,783	94,048
<b>Cash and cash equivalents at the end of the financial year</b>		135,876	150,783

The accompanying notes form part of these statements.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

---

### 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.

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

In return for the net assets transferred to the Authority, each Council participates in the Authority based on its share of the RAB, comprising debt and participation rights as agreed by the five 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 given by Queensland Treasury.

Section 10(1) of the Act states that the Authority expires at the end of 99 years from when it was established on 3 November 2009. On expiration (a) the Authority's assets and liabilities become the assets and liabilities of its participants; and (b) the participants become the successor in law of the assets and liabilities rateably in accordance with their participation rights under the Participation Agreement.

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

The Authority trades as Queensland Urban Utilities and is a "for profit" entity. The registered office is Level 2, 15 Green Square Close, Fortitude Valley, Brisbane, QLD 4006.

### 2. Basis of preparation and statement of compliance

These general purpose financial statements are for the period 1 July 2015 to 30 June 2016 and have been prepared in accordance with:

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

The financial statements were authorised for issue by the Board on 15 August 2016.

### 3. Significant accounting policies

#### (a) Presentation currency and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, zero, unless disclosure of the full amount is specifically required. Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 3. Significant accounting policies (contd)

#### (b) Accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that interpret the application of accounting policies and affect the reported amounts of revenue, expenses, assets, liabilities and the accompanying disclosures. Actual results may differ from these estimates. 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.

Estimates and assumptions with the most significant effect on the financial statements are outlined in the following notes:

Note 3(f) – Fair value measurement

Note 4 – Utility charges

Note 5 – Contributions

Note 14 – Trade and other receivables

Note 16- Property, plant and equipment

Note 17- Intangible assets

Note 18- Key valuation assumptions used

Note 19 – Superannuation

Note 21 – Employee benefits

Note 28 – Contingencies

#### (c) New and revised accounting standards

The Authority did not voluntarily change any of its accounting policies for the year ended 30 June 2016. There are no Australian Accounting Standard changes applicable for the first time that have a material impact on the Authority's financial statements.

AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* provides the withdrawal of AASB 1031 *Materiality* and the transfer of guidance on materiality in AASB 101 *Presentation of financial statements*. This standard has no impact to the Authority.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2016. With the exception of AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*, the Authority does not plan to early adopt any other standards or interpretations. Expected impacts of new or amended standards with future commencement dates applicable to reporting periods commencing on or after 1 January 2016 are set out below:

AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* is effective for reporting periods beginning on or after 1 January 2016. This standard has been adopted by the Authority for this financial year with the main impact of making the financial statements more relevant to users. Under the new requirements:

- Materiality applies to all financial statements, notes and specific minimum disclosures.
- Line items are disaggregated if doing so could impact user's decisions.
- Notes to the financial statements no longer need to follow the order of the line items in the primary financial statements. These can be placed in order of importance and related items can be grouped together.
- Accounting policies are now included in the related note or even relegated to the back of the financial statements.

AASB 1057 *Application of Australian Accounting Standards* is effective for reporting periods beginning on or after 1 January 2016. The AASB has reissued most of its Standards (and Interpretations) that incorporate International Financial Reporting Standards (IFRS) and enable the AASB to issue Australian versions of IFRS more efficiently. As part of this reissuance, the AASB has moved the application paragraphs that identify the reporting entities and general purpose financial statements to which the pronouncements apply to this new standard. The technical application requirements have not been amended, hence, no impact to the Authority.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 3. Significant accounting policies (contd)

#### (c) New and revised accounting standards (contd)

AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* will become effective for reporting periods beginning on or after 1 January 2016. This standard introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. It also clarifies that revenue-based depreciation for property, plant and equipment cannot be used. The Authority does not use a revenue-based approach in depreciating property, plant and equipment and amortising intangible assets, hence, this standard will have no material impact to the Authority.

AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* will become effective for reporting periods beginning on or after 1 January 2017. This standard clarifies that a deferred tax asset (deductible temporary difference) is determined solely by comparing the asset's carrying amount and its tax base at the end of the reporting period. Hence, deferred tax assets may be recognised despite having an expected loss on an entity's tax return. This standard will have no material impact to the Authority.

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* will become effective for reporting periods beginning on or after 1 January 2017. This standard requires additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as effects of changes in fair values). This standard will have no material impact to the Authority.

AASB 9 *Financial Instruments* (December 2014), AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014) and AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) will become effective for reporting periods beginning on or after 1 January 2018.

The main impact of these standards on the Authority is that these will change the requirements for the classification, measurement, impairment and disclosures associated with the Authority's financial assets. Under the new requirements:

- Financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met: (1) the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (2) the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- There will be a new impairment model for financial assets based on an 'expected credit loss' model rather than an 'incurred loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. This will accelerate the recognition of losses. A simplified impairment model applies to trade receivables and lease receivables.
- Amendments to AASB 7 *Financial Instruments: Disclosures* significantly expand the disclosures required in relation to credit risk.

AASB 15 *Revenue from Contracts with Customers*, AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* and AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* will become effective for reporting periods beginning on or after 1 January 2018. The main impact of these standards on the Authority is that they will change the requirements on whether, how much and when revenue is recognised. Under the new requirements:

- There will be a single model that applies to contracts with customers.
- There will be two approaches to recognising revenue: at a point in time and over time.



# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 3. Significant accounting policies (contd)

#### (c) New and revised accounting standards (contd)

- The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

AASB 16 *Leases* will become effective for reporting periods beginning on or after 1 January 2019. The main impact of this standard on the Authority is that a Right-of-Use (ROU) asset and lease liability will be recognised for long-term operating leases in the Statement of Financial Position. Under the new requirements:

- There will be a single lease accounting model for lessees.
- There will be an optional lessee exemption for short-term leases i.e. 12 months or less.
- The lessee will treat a lease modification as a separate new lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration increases in line with the stand alone price of that increase in scope.
- The lessee is required to update the discount rate for a floating interest rate lease whenever the lease payments are updated because of a change in the interest rate used to determine the lease payments.
- The cost associated to restoration obligations under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* will be included in the initial measurement of the right-of-use asset.
- Changes in the measurement of the lease liability under AASB Urgent Issues Group (UIG) Interpretation 1 *Changes to Existing Decommissioning, Restoration and Similar Liabilities* will be treated as adjustments to the carrying amount of the ROU asset.

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.

#### (d) Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Authority and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at fair value. The specific recognition criteria described in notes 4 to 7 must be met before revenue is recorded.

#### (e) 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 Energy and Water Supply. Bulk water purchases are recognised as expenses in the period the water is consumed.

#### (f) Fair value measurement

The Authority measures financial instruments and non-financial assets at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value are disclosed in the following notes:

Note 16- Property, plant and equipment

Note 18 – Key valuation assumptions used

Note 25 – Financial instruments

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.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 3. Significant accounting policies (contd)

#### (f) Fair value measurement (contd)

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.

Except for cash and cash equivalents, none of the valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. 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 18 and 25.

#### (g) Taxation

##### *Goods and services tax*

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax (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 fringe benefits tax to the ATO in accordance with the relevant legislation.

Refer to Note 12 for the income tax equivalent accounting policies and disclosures.

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 4. Utility charges

Utility charges are recognised based on water consumption and fixed service charges billed in the period to which they relate. The Authority issues the utility account statements on a monthly and quarterly basis. An estimation of monthly unbilled water consumption is recorded as revenue based on historical information of the customers' water usage. Outstanding fixed access charges are recorded as revenue while fixed access charges billed in advance are recognised as unearned.

	2016 \$'000	2015 \$'000
Water charges	575,135	550,796
Wastewater charges	404,405	398,087
Recycled water	26,967	11,013
	1,006,507	959,896

### 5. Contributions

#### *Developer contributions*

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 a cash contribution and/or non-cash contribution (donated assets).

#### *Cash contributions*

Developer cash contributions are either received directly by the Authority or collected by the Councils on behalf of the Authority. Amounts collected by the Councils are transferred to the Authority upon receipt. Developer cash contributions for specific assets are recognised as a liability when the asset has not been constructed at reporting date. Developer cash contributions, for assets already constructed or 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.

#### *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 and becomes liable for its ongoing maintenance.

	2016 \$'000	2015 \$'000
Developer contributions – cash	148,792	97,180
Developer contributions – donated assets	83,566	99,793
	232,358	196,973

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 6. Fees and charges

Revenue from fees and charges is recognised upon the delivery of services to customers.

	2016 \$'000	2015 \$'000
Professional fees	8,480	6,846
Property connection fees	7,534	6,385
Other fees	6,823	6,137
	22,837	19,368

### 7. Other revenue

	2016 \$'000	2015 \$'000
Interest income	4,586	4,221
Insurance recovery	494	9,439
Grants and subsidies	42	74
Other revenue	2,767	3,384
	7,889	17,117

### 8. Supplies and services

	Notes	2016 \$'000	2015 \$'000
Materials and services		134,582	126,823
Consultancies and legal fees		2,858	4,223
Directors' fees	31	443	468
Other supplies and consumables		32,698	38,064
		170,581	169,578

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 9. Employee expenses

#### *Employee benefits*

Employee benefits relate to amounts expected to be paid to employees for annual leave, leave in lieu of statutory holidays worked and overtime, long service leave, personal leave, workers' compensation and superannuation.

#### *Superannuation*

The Authority contributes to LGIASuper for employees under both the defined benefit scheme and the accumulation superannuation scheme. The Authority has no liability to or interest in LGIASuper other than the payment of the statutory contribution. Any amount by which either scheme is over or under funded would only affect future benefits of employees and is not an asset or liability of the Authority. Accordingly, there is no recognition in the financial statements of any over or under funding of LGIASuper. Refer to note 19.

#### *Employee related expenses*

Payroll tax and workers' compensation insurance are a consequence of employment, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

	2016 \$'000	2015 \$'000
<i>Employee benefits</i>		
Salaries and wages	98,096	101,222
Employer superannuation contribution	12,137	11,718
Annual leave expenses	8,670	8,332
Long service leave expenses	3,041	1,385
<i>Employee related expenses</i>		
Payroll tax	5,628	5,561
Workers' compensation premium	1,064	1,261
Other employee related expenses	262	233
	128,899	129,712
Less: capitalised costs	(27,413)	(23,390)
	101,486	106,323
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 (MOHR)) is:	1,058 FTE	1,035 FTE



## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 10. Finance and borrowing costs

Finance and borrowing costs include bank charges and interest on bank overdrafts and borrowings.

Finance and borrowing costs directly attributable to a specific capital project are added to the cost of the project and capitalised upon project completion. All other finance and borrowing costs are expensed in the period in which they occur.

Finance and borrowing costs that are not paid in the period in which they are due are accrued as interest payable.

	2016 \$'000	2015 \$'000
QTC finance costs	71,309	31,060
Interest on Participants' debt	20,887	71,076
Bank charges	2,097	2,194
	94,292	104,330

### 11. Other expenses

	2016 \$'000	2015 \$'000
Insurance	3,234	2,997
Land taxes	2,702	2,621
Audit fees (internal and external)*	931	804
Impairment of trade receivables	(768)	937
Other	699	763
	6,798	8,122

\* Total external audit fees paid to the Queensland Audit Office relating to the 2016 financial statements are estimated to be \$270,000 (2015: \$270,000). There are no non-audit services included in this amount.

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

---

### 12. Income tax equivalent

#### *Income tax*

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.

Income tax expense comprises current and deferred income tax. Current and deferred income taxes are 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*

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.

#### *Deferred income tax*

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.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 12. Income tax equivalent (contd)

	2016 \$'000	2015 \$'000
<b>(a) Income tax expense</b>		
Current tax expense	84,773	67,492
Deferred tax expense	17,938	17,859
Adjustments for movement from prior periods	37	-
	102,748	85,351
<i>Reconciliation of income tax expense to prima-facie tax payable:</i>		
Profit before income tax equivalent	334,979	273,149
Income tax equivalent expense at 30%	100,494	81,945
Non-deductible expenditure	12	6
Permanent difference- depreciation on acquired assets	2,495	4,315
Permanent difference- accrued leave provisions	(290)	(1,083)
Permanent difference- co-operative research centres and goodwill	-	189
Timing difference- depreciation on intangible assets	-	(21)
Other	37	-
<b>Total income tax expense</b>	<b>102,748</b>	<b>85,351</b>

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 12. Income tax equivalent (contd)

	Assets		Liabilities		Net	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>(b) Deferred tax assets and liabilities</b>						
Provisions	13,116	12,305		-	13,116	12,305
Accrued expenses	362	1,577		-	362	1,577
Plant and equipment	2,737	450		-	2,737	450
Other	3,087	9,048		-	3,087	9,048
Expenses capitalised for tax	56	60		-	56	60
Accrued income	93	93		-	93	93
Contributed assets		-	(115,040)	(90,933)	(115,040)	(90,933)
Plant and equipment		-	(36,307)	(46,561)	(36,307)	(46,561)
Other		-	(986)	(793)	(986)	(793)
<i>Amounts recognised directly in equity:</i>						
Defined benefit plan		-	120	(192)	120	(192)
<b>Tax asset/(liability)</b>	19,451	23,533	(152,213)	(138,479)	(132,762)	(114,946)
Netting off	(19,451)	(23,533)	19,451	23,533	-	-
<b>Net tax asset/(liability)</b>	-	-	(132,762)	(114,946)	(132,762)	(114,946)
<b>Movements in deferred tax assets and liabilities</b>						
Balance at 1 July	23,533	16,003	(138,479)	(112,850)	(114,946)	(96,847)
Current year's income tax equivalent expense	(4,082)	7,530	(13,733)	(25,629)	(17,816)	(18,099)
<b>Balance at 30 June</b>	19,451	23,533	(152,213)	(138,479)	(132,762)	(114,946)

### 13. Cash and cash equivalents

Cash and cash equivalents include cash at bank, cash on hand and short term deposits with maturities of three months or less. Cash and cash equivalents are presented net of outstanding bank overdrafts as they are considered an integral part of the Authority's cash management.

	2016 \$'000	2015 \$'000
<b>(a) Cash and cash equivalents</b>		
Bank balances	135,875	150,782
Cash on hand	1	1
Cash and cash equivalents in the Statement of Cash Flows	135,876	150,783

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 13. Cash and cash equivalents (contd)

	2016 \$'000	2015 \$'000
<b>(b) Reconciliation of cash from operating activities</b>		
<b><i>Cash flows from operating activities</i></b>		
Profit for the year	232,231	187,798
<i>Adjustments for:</i>		
Depreciation and amortisation	175,522	167,142
Loss on disposal of assets	11,774	10,841
Donated assets	(83,566)	(99,793)
<b><i>Change in assets and liabilities</i></b>		
Change in trade and other receivables	(5,980)	(4,541)
Change in other current assets	3,796	(17,437)
Change in trade and other payables	863	5,669
Change in employee benefits	2,939	(5,345)
Change in other current liabilities	(22,480)	44,221
Change in deferred tax	17,936	17,907
Net cash from operating activities	333,036	306,462
<b>(c) Funding facilities</b>		
Working capital facility QTC	100,000	100,000
Client specific pool QTC borrowing limit for 30 June	501,282	60,000
Overdraft facility – Commonwealth Bank	5,000	5,000
Total facility	606,282	165,000
Amount of facility undrawn	135,000	165,000

### 14. Trade and other receivables

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.

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 recognised as an adjustment to other expenses in the Statement of Comprehensive Income.



# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 14. Trade and other receivables (contd)

	2016 \$'000	2015 \$'000
Trade and other receivables	53,585	48,381
Provision for impairment	(13,046)	(13,821)
	40,539	34,560
<i>Movements in the provision for impairment:</i>		
Balance at beginning of the year	(13,821)	(13,037)
Amounts written off during the year	7	153
(Increase)/decrease in provision	768	(937)
Balance at the end of the year	(13,046)	(13,821)

### 15. Other current assets

	2016 \$'000	2015 \$'000
Accrued utility charges	152,360	139,814
Accrued developer contributions	8,532	25,714
Inventories held for use*	2,826	2,698
Other	3,214	2,502
	166,932	170,729

\*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.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 16. Property, plant and equipment

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

All network assets are capitalised. Network asset is defined as the accumulation of individual items or components operating together in the provision of a particular service. Computer equipment and interconnected infrastructure assets are treated as network assets. Items with a lesser value than the recognition threshold are expensed during the year.

#### *Acquisition and recognition*

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.

#### *Revaluation of non-current physical assets*

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.

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.

Plant and equipment and fleet assets are measured at cost.

The Authority's review of its fair value methodology was based on AASB 13 *Fair Value Measurement* (note 3 (f)). This review did not result in a material impact on the values of the property, plant and equipment classes. 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.

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.

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 16. Property, plant and equipment (contd)

#### *Depreciation*

Land is not depreciated. Other property, plant and equipment classes are depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life. The estimated useful life 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.

#### *Construction work in progress*

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. Construction work in progress is 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.

#### *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. Refer to note 18(c) for details of the Authority's impairment testing during the year.

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.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 16. Property, plant and equipment (contd)

	2016 \$'000	2015 \$'000
Land:		
At fair value	57,787	57,787
Buildings:		
At fair value	21,982	21,603
Less: Accumulated depreciation	(5,896)	(4,054)
	16,086	17,549
Plant and equipment:		
At cost	8,880	7,873
Less: Accumulated depreciation	(4,275)	(3,492)
	4,605	4,381
Fleet:		
At cost	23,141	23,908
Less: Accumulated depreciation	(9,725)	(11,636)
	13,415	12,273
Water supply network:		
At fair value	2,208,841	2,096,864
Less: Accumulated depreciation	(277,911)	(228,107)
	1,930,930	1,868,756
Sewerage network:		
At fair value	3,534,823	3,383,803
Less: Accumulated depreciation	(604,028)	(496,063)
	2,930,795	2,887,740
Work in progress:		
At cost	304,872	297,533
Total	5,258,490	5,146,019

A fair valuation of the Authority was undertaken as at 30 June 2016 using a discounted cash flow methodology which determined the fair value to be \$5.4B (2015: \$5.3B). This involves inputs that 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.

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 16. Property, plant and equipment (contd)

Carrying Amount Reconciliation

	Land (level 3)	Buildings (level 3)	Plant and equipment (level 3)	Fleet (level 3)	Water supply network (level 3)	Sewerage network (level 3)	Work in progress	Total
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	57,787	17,549	4,381	12,273	1,868,756	2,887,740	297,533	5,146,019
Additions at cost	-	-	-	-	-	-	210,475	210,475
Donated assets	-	-	-	-	51,397	32,169	-	83,566
Disposals	-	-	(97)	(2,685)	(4,941)	(6,925)	-	(14,648)
Transfers between classes	-	-	-	-	166	(166)	-	-
Work in progress capitalised	-	385	1,371	6,742	66,265	128,373	(203,135)	-
Depreciation for the year	-	(1,848)	(1,050)	(2,914)	(50,713)	(110,397)	-	(166,922)
<b>Carrying amount at 30 June</b>	<b>57,787</b>	<b>16,086</b>	<b>4,605</b>	<b>13,415</b>	<b>1,930,930</b>	<b>2,930,795</b>	<b>304,872</b>	<b>5,258,490</b>
Carrying amount at cost	55,232	15,349	4,604	13,415	1,849,437	2,809,066	304,872	5,051,976

	Land (level 3)	Buildings (level 3)	Plant and equipment (level 3)	Fleet (level 3)	Water supply network (level 3)	Sewerage network (level 3)	Work in progress	Total
2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	57,404	16,283	3,770	15,991	1,816,504	2,862,052	245,517	5,017,522
Additions at cost	-	-	-	-	-	-	201,403	201,403
Donated assets	775	-	-	-	54,821	44,197	-	99,793
Disposals	(724)	(139)	(57)	(719)	(6,747)	(5,115)	-	(13,501)
Work in progress capitalised	332	3,167	1,619	115	53,005	91,149	(149,387)	-
Depreciation for the year	-	(1,761)	(952)	(3,115)	(48,828)	(104,541)	-	(159,197)
<b>Carrying amount at 30 June</b>	<b>57,787</b>	<b>17,549</b>	<b>4,381</b>	<b>12,273</b>	<b>1,868,756</b>	<b>2,887,740</b>	<b>297,533</b>	<b>5,146,019</b>
Carrying amount at cost	55,232	16,813	4,381	12,273	1,787,264	2,766,012	297,533	4,939,506

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 17. Intangible assets

#### *Acquisition and recognition*

Intangible assets 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.

#### *Purchased Software*

Amounts paid for computer software in excess of the recognition threshold are capitalised and then amortised on a straight-line basis over the expected period of benefit (3 – 20 years).

	Software purchased		Goodwill		Work in progress		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Carrying amount at 1 July	19,274	19,725	-	656	5,292	2,686	24,566	23,067
Acquisitions at cost	-	-	-	-	12,803	10,498	12,803	10,498
Disposals	-	(608)	-	(446)	-	-	-	(1,054)
Work in progress capitalised	11,111	7,892			(11,111)	(7,892)	-	-
Amortisation for the year	(8,600)	(7,735)	-	(210)	-	-	(8,600)	(7,945)
<b>Carrying amount at 30 June</b>	<b>21,785</b>	<b>19,274</b>	<b>-</b>	<b>-</b>	<b>6,983</b>	<b>5,292</b>	<b>28,768</b>	<b>24,566</b>
Gross carrying amount	49,229	38,118	-	-	6,983	5,292	56,213	43,410
Accumulated amortisation	(27,444)	(18,844)	-	-	-	-	(27,444)	(18,844)
<b>Carrying amount at cost</b>	<b>21,785</b>	<b>19,274</b>	<b>-</b>	<b>-</b>	<b>6,983</b>	<b>5,292</b>	<b>28,768</b>	<b>24,566</b>



# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 18. Key valuations assumptions used

#### (a) Valuation techniques and process used to determine level 3 fair values

Fair value has been determined by Directors' valuation using the discounted cash flow valuation methodology. These valuations are based on the projected cash flows using the revenue price paths and, capital and operating expenditure growth rates. Modelling has been performed for three (2015: five) scenarios and an average determined. The change in the number of scenarios did not have a material impact on the asset valuation results. Scenarios include the terminal value inputs below for a revenue price path based on maximum allowable revenue.

Estimates of fair value are prepared by management and presented to the Audit and Risk Committee (ARC), which recommends their adoption to the Directors. The ARC has the benefit of an independent review of management's estimates.

#### (b) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements.

Unobservable inputs	Basis	Range of inputs	Relationship between unobservable inputs and fair value
Revenue price path <sup>1</sup>	Management estimate of maximum allowable revenue (MAR) <sup>2</sup>	FY17 to FY36	The higher the annual revenue cashflow the higher the fair value
Operating expenditure growth rate	Average growth as forecast by management	2.50%	The higher the annual growth in operating expenditure the lower the fair value
Capital expenditure growth rate	Average growth as forecast by management	2.50%	The higher the annual growth in capital expenditure the lower the fair value
Terminal value <sup>3</sup>	Gordon Growth Model; and Regulatory Asset Base (RAB)	(1) Gordon Growth Model (2) RAB (3) RAB x 1.1	The higher the terminal value the higher the fair value
Weighted average cost of capital (WACC)	Developed by management in consultation with independent experts	Vanilla nominal WACC 6.98%	The higher the weighted average cost of capital the lower the fair value. WACC is determined by the combination of cost of debt and cost of equity

<sup>1</sup> Two price paths were assumed for 2014/2015, revenue as forecast by management and MAR.

<sup>2</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>3</sup> Terminal values are disclosed at discounted values.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 18. Key valuations assumptions used (contd)

#### (c) Impairment testing

Following assessment of the fair value, the Authority undertook 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.

#### (d) Price path post 1 July 2016

Fair value modelling cash flows are estimated using the building block approach consistent with the Queensland Competition Authority's most recent determination of maximum allowable revenue.

### 19. Superannuation

Refer to note 9 for details of amount of superannuation contribution paid by the Authority to the superannuation funds in respect of this year for the benefit of the employees.

#### **Local government superannuation scheme - LGIAsuper**

The Authority contributes to the Local Government Superannuation Scheme (Qld) (the Scheme). The Scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the Scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The Scheme has three elements referred to as:

- The Accumulation Benefits Fund (ABF);

- The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund; and
- The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional areas.

The ABF is a defined contribution scheme as defined in AASB 119. The Authority has no liability to or interest in the ABF other than the payment of the statutory contributions.

The CDBF is a defined benefit plan as defined in AASB 119. The Authority engaged an actuary to assess the values and to provide the disclosures in accordance with AASB 119.

The Regional DBF is a defined benefit plan as defined in AASB 119. 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 for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the Scheme's trustee can vary the rate of contributions from relevant employers subject to advice from the Scheme's actuary. As at reporting date, no changes had been made to prescribed employer contributions and there are no known requirements to change the rate of contributions.

Any amount by which the fund is over or under funded would only affect future benefits and contributions to the Regional DBF, 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 the Scheme.

As at the reporting date, the assets of the Scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the Scheme was undertaken as at 1 July 2015. The actuary indicated that the Regional DBF and the City DBF are in a satisfactory financial position as at the valuation date.

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 19. Superannuation (contd)

The next actuarial investigation will be conducted as at 1 July 2018.

#### **City Defined Benefits Fund**

##### *Nature of the benefits provided by the fund*

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section is closed to new members. Only 25 employees are funded under this benefit. All new members receive accumulation benefits.

##### *Description of the regulatory framework*

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require 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 unless an exemption has been obtained.

##### *Description of other entities' responsibilities for the governance of the fund*

The fund's trustee is responsible for the governance of the fund. The trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

##### *Description of risks*

There are a number of risks to which the fund exposes the Authority. The more significant risks relating to the defined benefits 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 is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit assets are invested in the LGIA Super Balanced investment option. The assets are diversified within this investment option and therefore the fund has no significant concentration of investment risk.

##### *Description of significant events*

There were no fund amendments affecting the defined benefits payable, nor were there any curtailments or settlements occurring during the year.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 19. Superannuation (contd)

	2016 \$'000	2015 \$'000
<b>(a) Reconciliation of the net defined benefit liability/(asset)</b>		
Net defined benefit liability/(asset) at start of year	(3,285)	(2,644)
Current service cost	192	302
Net interest	(99)	(102)
Actual return on fund assets less interest income	315	(658)
Actuarial losses/(gains) arising from changes in financial assumptions	-	314
Actuarial losses/(gains) arising from liability experience	199	(302)
Employer contributions	(206)	(195)
Net defined benefit liability/(asset) at end of year	(2,884)	(3,285)
<b>(b) Reconciliation of the fair value of the plan assets</b>		
Fair value of plan assets at the beginning of the year	10,919	13,305
Interest income	359	537
Actual return on fund assets less interest income	(315)	658
Employer contributions	206	195
Contributions by plan participants	102	100
Benefits paid	(193)	(3,818)
Taxes, premiums and expenses paid	(56)	(58)
<b>Fair value of plan assets at the end of the year</b>	<b>11,022</b>	<b>10,919</b>
<b>(c) Reconciliation of the defined benefit obligation</b>		
Present value of defined benefit obligations at beginning of the year	7,634	10,661
Current service cost	192	302
Interest cost	260	435
Contributions by fund participants	102	100
Actuarial loss/(gains) arising from changes in financial assumptions	-	314
Actuarial losses/(gains) arising from liability experience	199	(302)
Benefits paid	(193)	(3,818)
Taxes, premiums and expenses paid	(56)	(58)
<b>Present value of defined benefit obligations at the end of the year</b>	<b>8,138</b>	<b>7,634</b>

**(d) Reconciliation of the effect of the asset ceiling**

The asset ceiling has no impact on the net defined benefit liability/(asset).

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 19. Superannuation (contd)

	2016 \$'000	2015 \$'000
<b>(e) Fair value of fund assets as at 30 June 2016 (significant observable inputs – level 2)</b>		
Investment funds – LGIA Super Balanced fund	11,022	10,919
The percentage invested in each asset class at the reporting date*:		
Australian equity	9%	16%
International equity	21%	18%
Fixed income	37%	37%
Property	15%	13%
Alternatives/other	18%	14%
Cash	0%	2%

\*Asset allocation as at 30 June 2016 is not yet available. Asset allocation at 31 March 2016 has been used.

#### (f) Fair value of own financial instruments

The fair value of fund assets includes no amounts relating to:

- any of the Authority's own financial instruments
- any property occupied by, or other assets used by the Authority.

#### (g) Significant actuarial assumptions at the reporting date

##### Assumptions to determine defined benefit cost

Discount rate	3.4% pa	4.2% pa
Expected salary increase rate	2.5% pa	2.2% pa until 30 June 2015 and 3.0% thereafter

##### Assumptions to determine defined benefit obligation

Discount rate	3.4% pa	3.4% pa
Expected salary increase rate	2.5% pa	2.5% pa

#### (h) Sensitivity analyses

The defined benefit obligation as at 30 June 2016 under several scenarios is presented below. Scenarios A and B relate to discount rate sensitivity. Scenarios C and D relate to expected salary increase rate sensitivity.

Scenario A: 0.5% pa lower discount rate assumption

Scenario B: 0.5% pa higher discount rate assumption

Scenario C: 0.5% pa lower assumed salary increase rate assumption

Scenario D: 0.5% pa higher assumed salary increase rate assumption

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 19. Superannuation (contd)

#### (h) Sensitivity analyses (contd)

	Base Case	Scenario A -0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C -0.5% pa salary increase rate	Scenario D +0.5% pa salary increase rate
Discount rate	3.4% pa	2.9% pa	3.9% pa	3.4% pa	3.4% pa
Salary increase rate	2.5% pa	2.5% pa	2.5% pa	2.0% pa	3.0% pa
Defined benefit obligation*(\$'000s)	8,138	8,466	7,829	7,864	8,427

\*includes defined benefit contributions tax provision

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

#### (i) Asset-liability matching strategies

No asset and liability matching strategies have been adopted by the fund.

#### (j) Funding arrangements

The financial approach adopted at the 1 July 2015 actuarial investigation of the fund, in a report dated 3 December 2015, 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 fund as follows:

- In respect of defined benefit members, 14% of members' salaries (inclusive of the 3% occupational contribution); plus
- In respect of accumulation members, 14% of salaries for permanent employees and 9% of salaries for casual employees; and
- 5.88% of salaries for defined benefit members' contributions made via salary sacrifice.

#### (k) Expected contributions

Expected employer contributions for 2017 are \$0.176 Million (2016: \$0.193 Million).

#### (l) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2016 is 7 years.

	2015 \$'000
Expected benefit payments for the financial year ending on:	
30 June 2017	1,094
30 June 2018	697
30 June 2019	845
30 June 2020	723
30 June 2021	680
Following 5 years	4,259



# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 20. Trade and other payables

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.

	2016 \$'000	2015 \$'000
<b>Current</b>		
Trade creditors	48,381	43,874
Infrastructure agreement liabilities	1,999	4,907
Other payables	4,988	4,645
	55,367	53,426
<b>Non Current</b>		
Lease incentive	6,110	7,188
	6,110	7,188
<b>Total</b>	61,477	60,614

### 21. Employee benefits

#### *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 which the Authority is required to pay its employees for services provided up to reporting date. The annual leave liability is calculated at nominal amounts based on remuneration rates that would be required to be paid plus related on-costs if the liability is settled at reporting date. Annual leave is classified as a current liability (employee benefits) in the Statement of Financial Position.

#### *Time in lieu*

Accumulated leave in lieu represents the amount which the Authority is required to pay its employees for services provided up to reporting date in excess of regular working hours such as statutory holidays worked and overtime. The leave in lieu liability is calculated at nominal amounts based on remuneration rates that would be required to be paid plus related on-costs if the liability is settled at balance date. Leave in lieu is classified as a current liability (employee benefits) in the Statement of Financial Position.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 21. Employee benefits (contd)

#### *Long service leave*

The provision for long service leave represents the present value of the estimated future cash outflows which the Authority is required to pay its employees for services provided up to reporting date and an actuarial estimate of future obligations, taking into account future increases in wage and salary rates, periods of service and experience of employee departure plus related on-cost. This amount is reported as a current liability (employee benefits) in the Statement of Financial Position.

Amounts which the Authority does not have a present obligation to pay at reporting date are discounted using the rates attaching to high quality corporate bonds at reporting date that most closely match the terms of maturity of the related liabilities. This amount is reported as a non-current liability (employee benefits) in the Statement of Financial Position.

#### *Sick leave*

The provision for sick leave represents staff entitlements under arrangements that existed prior to 30 June 1996. The reported balances reflect the Authority present obligation to employees resulting from employees services provided up to 30 June 1996 at which point sick leave ceased to vest (employees from this date were no longer entitled to cash equivalents payments for unused sick leave). Accordingly, the vested sick leave entitlement is effectively 'frozen' with remaining balances predominantly paid on termination of entitled employees. The provision has been calculated at nominal amounts based on remuneration rates as at 1 July 1996 plus related on-costs and CPI adjustments. All other sick leave is non-vesting and recognised as expense as leave is taken.

#### *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 (refer to note 22). 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.

	2016 \$'000	2015 \$'000
<b>Current</b>		
Long service leave	16,226	14,909
Annual leave	13,448	13,032
Accrued salaries and wages	1,563	1,135
Time in lieu	811	788
Vested sick leave	99	102
	32,147	29,966
<b>Non Current</b>		
Long service leave	2,722	1,964
	2,722	1,964
<b>Total</b>	34,869	31,930

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 22. Other current liabilities

	2016 \$'000	2015 \$'000
Accrued capital program costs	27,295	63,933
Accrued bulk water purchases	28,783	27,306
Unearned revenue	6,448	23,835
Provision for restructuring*	845	4,556
Other	19,472	26,930
	82,844	146,559

\*A provision for restructuring costs (including employee 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. The Authority will outsource its planned maintenance function to Utilita from 1 July 2016. As a result, 74 employees from this area will transfer to Utilita from 1 July 2016.

### 23. Participation returns

Participation returns are paid to the participating Councils in accordance with the Participation Agreement based on post-tax operating profits (after adjustment for donated assets and other comprehensive income). An estimate of the total amount of participation returns is calculated according to the Participation Return Policy and provided to the participating Councils no later than 30 May annually. Between 1 and 15 November annually, the Authority provides to the participating Councils an estimate of the net profit for the first six months and advises the total amount of the Interim Participation Return.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 23. Participation returns (contd)

	2016 \$'000	2015 \$'000
In accordance with the Participation Agreement, the Board declared the final participation rights payment of \$85.42m (2015: \$49.95m) on 16 May 2016. Payment will be made on or before 30 September 2016.	85,415	49,952
An interim participation return was declared on 19 October 2015 and paid on 29 January 2016.	40,950	24,852
Total participation rights paid/payable	126,365	74,804
Amounts per participant:		
Brisbane City Council (85.007%)	107,419	63,589
Ipswich City Council (12.222%)	15,444	9,143
Lockyer Valley Regional Council (0.903%)	1,141	675
Scenic Rim Regional Council (1.042%)	1,317	780
Somerset Regional Council (0.826%)	1,044	618
	126,365	74,804
Cash payments to Participants during the financial year	90,902	65,988

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 24. Loans and borrowings

#### *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. Apportionment of the payment between finance costs and debt redemption will vary according to interest rates. At year end, the outstanding QTC loan balance is disclosed at book value.

(b) Specific borrowings – the Authority borrows from QTC to fund a range of specific projects. Repayments are made in accordance with the arrangements set up for the specific loans, including frequency of loan repayments and new borrowings.

(c) The Authority has access to a working capital facility with QTC- refer note 13(c) for details of the funding facilities.

The weighted average borrowing rate for QTC borrowings as at 30 June 2016 is 4.589% (2015: 4.859%). Interest payments are made monthly in arrears at rates ranging from 2.35% to 4.63% (2015: 2.66% to 4.91%).

#### *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 2016 year was 4.82% (2015: 5.08%), 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.

Participating loans totalling \$471.3M were repaid to Participating Councils during the year (2015: \$972.3M) through refinancing with QTC.

No assets have been pledged as security for any liabilities.

All borrowings are in Australian dollar denominated amounts. Borrowing costs of \$1,085,053 has been capitalised during the current year (2015: \$2,524,154). 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.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 24. Loans and borrowings (contd)

	2016 \$'000	2015 \$'000
<b>Non-current</b>		
QTC client specific pool loans	2,021,679	1,550,397
Participant loans	43,216	514,498
Total	2,064,895	2,064,895
<b>(a) QTC client specific pool loans</b>		
Opening balance	1,550,397	578,088
Add: Refinancing of participant loans	471,282	972,309
Closing balance	2,021,679	1,550,397
<b>(b) Participant loans</b>		
Opening balance	514,498	1,486,806
<i>Less repayment of loans</i>		
Brisbane City Council	(471,282)	(770,000)
Ipswich City Council	-	(202,309)
	(471,282)	(972,309)
Closing balance		
Brisbane City Council	-	471,282
Lockyer Valley Regional Council	14,735	14,735
Scenic Rim Regional Council	14,676	14,676
Somerset Regional Council	13,804	13,804
	43,216	514,498



# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

---

### 25. Financial instruments

A financial instrument is recognised if the Authority becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised if the Authority's contractual rights to the cash flows from the financial assets expire or if the Authority transfers the financial instrument to another party without retaining control of substantially all the risks and rewards of the asset.

Financial liabilities are derecognised if the Authority's obligations specified in the contract expire or are discharged or cancelled.

#### *Derivative financial instruments*

The Authority is not a party to any derivative financial instrument and does not enter into transactions for speculative purposes.

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise of trade and other receivables, cash and cash equivalents, loans/borrowings, and trade and other payables. These are initially recognised at fair value plus any related transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair value through profit or loss,
- Receivables – held at amortised cost,
- Payables – held at amortised cost,
- Loans/borrowings – held at amortised cost.

#### **(a) Financial risk management**

The Authority's activities expose it to a variety of financial risks including credit risk, liquidity risk and interest rate risk. Exposure to financial risks is managed in accordance with approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Authority. The Authority measures risk exposure for credit risk by ageing analysis, liquidity risk by maturity analysis and interest rate risk by sensitivity analysis.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 25. Financial instruments (contd)

#### (b) Categorisation of financial instruments

The Authority has the following categories of financial assets and financial liabilities:

Category	Note	2016 \$'000	2015 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	13	135,876	150,783
Trade and other receivables	14	40,539	34,560
<b>Total</b>		<b>176,416</b>	<b>185,343</b>
<b>Financial liabilities</b>			
Loans and borrowings	24	2,064,895	2,064,895
Trade and other payables	20	61,477	60,614
<b>Total</b>		<b>2,126,372</b>	<b>2,125,509</b>

#### (c) Credit risk exposure

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 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 (refer to note 14). No collateral is held as security relating to the financial assets held by the Authority. The Authority has minimum exposure to credit risk due to the large number of small value receivables.

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

The method of calculating any provisional impairment for risk is based on past experience. The recognised impairment provision for receivables is \$13,045,671 for the current year (2015: \$13,821,037). 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.

Ageing of past due receivables and the amount of impairment is disclosed in the following table:

Receivables	2016		2015	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	26,252	-	9,193	-
Past due 31-60 days	7,411	-	7,833	-
Past due 61-90 days	(1)	-	7,522	-
More than 90 days	19,924	13,046	20,633	13,821
	<b>53,585</b>	<b>13,046</b>	<b>45,181</b>	<b>13,821</b>

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 25. Financial instruments (contd)

#### (d) 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 and interest bearing liabilities. 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.

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	2016 Payable in			Total
	<1 year \$'000	1-5 years \$'000	>5 years \$'000	\$'000
Participant loans	-	-	43,216	43,216
QTC client specific pool	-	-	2,021,679	2,021,679
Trade and other payables	55,367	6,110	-	61,477
	55,367	6,110	2,064,895	2,126,372

Financial liabilities	2015 Payable in			Total
	<1 year \$'000	1-5 years \$'000	>5 years \$'000	\$'000
Participant loans	-	-	514,498	514,498
QTC client specific pool	-	-	1,550,397	1,550,397
Trade and other payables	53,426	7,188	-	60,614
	53,426	7,188	2,064,895	2,125,509

#### (e) Interest rate risk

The Authority is exposed to interest rate risk through borrowings and cash deposited in interest bearing accounts. 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 that of the Authority.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 25. Financial instruments (contd)

#### (e) Interest rate risk (contd)

##### Sensitivity analysis

The following sensitivity analysis depicts the outcome on net income if interest rates would change by +/- 1% from the year-end rate 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.

2016		-1%		+1%	
		Profit	Equity	Profit	Equity
	<b>Net carrying amounts</b>				
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	135,876	(1,359)	(1,359)	1,359	1,359
QTC client specific pool	2,021,679	20,217	20,217	(20,217)	(20,217)
<b>Overall effect on profit and equity</b>		<b>18,858</b>	<b>18,858</b>	<b>(18,858)</b>	<b>(18,858)</b>

2015		-1%		+1%	
		Profit	Equity	Profit	Equity
	<b>Net carrying amounts</b>				
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	150,783	(1,508)	(1,508)	1,508	1,508
QTC client specific pool	1,550,397	15,504	15,504	(15,504)	(15,504)
<b>Overall effect on profit and equity</b>		<b>13,996</b>	<b>13,996</b>	<b>(13,996)</b>	<b>(13,996)</b>

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 25. Financial instruments (contd)

#### (f) Fair Value

The Authority does not recognise any financial assets or financial liabilities at fair value except cash and cash equivalents.

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings is notified by QTC. It is calculated using discounted cash flow analyses and the effective interest rate and is disclosed below:

2016	Note	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>			
Cash and cash equivalents	13	135,876	135,876
		135,876	135,876
<b>Financial liabilities</b>			
Participant loans	24	43,216	43,216
QTC client specific pool	24	2,021,679	2,063,112
		2,064,895	2,106,328
<b>2015</b>			
<b>Financial assets</b>			
Cash and cash equivalents	13	150,783	150,783
		150,783	150,783
<b>Financial liabilities</b>			
Participant loans	24	514,498	514,498
QTC client specific pool	24	1,550,397	1,594,406
		2,064,895	2,108,904

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 26. Leases

#### *Finance lease*

The Authority is a statutory body under the *Statutory Bodies Financial Arrangements Act 1982* and cannot enter into a finance lease without the approval of the Queensland Treasurer. As at 30 June 2016, the Authority had not entered into any finance leases.

#### *Operating lease*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and are not recognised in the Authority's Statement of Financial Position. Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed on a straight-line basis over the lease term.

	2016 \$'000	2015 \$'000
<b>Operating Leases</b>		
<b>(i) Leases as lessee</b>		
Non-cancellable operating lease rentals payable:		
Less than one year	6,576	6,321
Between one and five years	27,238	25,412
More than five years	11,563	18,664
	45,377	50,397
<b>(ii) Leases as lessor</b>		
Non-cancellable operating lease rentals receivable:		
Less than one year	187	165
Between one and five years	674	573
More than five years	1,286	946
	2,147	1,684



# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 27. Commitments

Material commitments contracted for as at 30 June 2016 but not recognised in the accounts as payable are as follows:

	2016 \$'000	2015 \$'000
<b>(i) Capital</b>		
Within one year	47,362	88,500
Between one and five years	22,669	18,546
More than five years	-	-
	70,031	107,046
<b>(ii) Other</b>		
Within one year	74,690	4,367
Between one and five years	209,037	1,568
More than five years	-	-
	283,727	5,935

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 28. Contingencies

	2016 \$'000	2015 \$'000
<b>Contingent assets</b>		
Reimbursement of costs associated where incomplete contract is pending, the maximum exposure is:	-	4,659
<b>Contingent liabilities</b>		
A small number of claims are pending for contract variations, the maximum exposure of which is:	2,015	12,388

There are 4 (2015: 5) appeals in the Planning and Environment Court. It is not possible to make an estimate of the final amount payable at reporting date.

### 29. 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.

	2016 \$'000	2015 \$'000
Standpipe bonds, security deposits and unclaimed money	1,614	755

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 30. Key executive management personnel and remuneration

Key executive management personnel and remuneration disclosures are made in accordance with section 3 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury.

#### (a) Key executive management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Authority during the year. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Dates position held
Chief Executive Officer	Board secretariat, external reporting, governance, insurance, legal counsel, risk and resilience, corporate property, stakeholder engagement, excellence program and strategic planning	Board appointed Band A Contract	Appointed 2 July 2012
Chief Financial Officer	Financial and economic strategy, planning, analysis and reporting, sourcing and procurement supply, fleet management, shared services	Board appointed Band A Contract	Appointed 11 May 2015
Executive Leader Operations and Service Delivery	Water and sewerage services, network operations and reliability, treatment and environmental management, water quality, capital works program delivery	Board appointed Band A Contract	Appointed 3 November 2014
Chief Information Officer	Design, implementation and ongoing management of information, communication and technology environment	Board appointed Band A Contract	Appointed 19 March 2012
Executive Leader People and Safety	Human resources development and services, health and safety, internal communication and organisational change	Board appointed Band A Contract	Appointed 22 September 2014
Executive Leader Commercial Customers	Large commercial customer relationship management, growing new non-regulated revenue streams, Scientific Analytical Services Laboratory, trade waste approvals and operations, and off-network services such as hydrant standpipes and tankered products	Board appointed Band A Contract	Appointed 1 July 2014
Executive Leader Customer and Community	Contact centre and customer service, customer experience strategy, customer insights, marketing and community engagement and media management	Board appointed Band A Contract	Appointed 2 September 2013
Executive Leader Planning	Development services, water solutions, portfolio investment and servicing strategy	Board appointed Band A Contract	Appointed 1 December 2013

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

---

### 30. Key executive management personnel and remuneration (contd)

#### (b) Remuneration

Remuneration for key executive management personnel is determined by the Board. Remuneration and other terms of employment are specified in individual employment contracts. The contracts provide for the provision of performance-related cash payments.

The annual review of remuneration of key executive management personnel increased by 3% (2015: 2.2%) based on a market review of similar roles.

Remuneration packages for key executive management personnel comprise the following components:

- Short term employee benefits include:
  - salaries, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position;
  - performance payments recognised as an expense during the year; and
  - non-monetary benefits.
- Long term employee benefits include long service leave accrued.
- Post-employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Performance payments may be paid or payable annually depending upon satisfaction of key criteria. Performance payments of the key executive management are capped at a range of between 15% of total fixed remuneration and 25% of base salary amount. Amounts payable are tied to the achievement of predetermined organisational and individual performance targets as agreed by the Board and the Chief Executive Officer.

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 30. Key executive management personnel and remuneration (contd)

#### (b) Remuneration (contd)

Total fixed remuneration is calculated on a “total cost” basis as below.

2016						
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	537	3	13	46	-	600
Chief Financial Officer	273	3	7	26	-	309
Executive Leader Operations and Service Delivery	329	-	8	29	-	365
Executive Leader Commercial Customers	252	3	6	24	-	285
Chief Information Officer	278	3	7	26	-	314
Executive Leader People and Safety	265	3	7	25	-	300
Executive Leader Customer and Community	243	3	6	23	-	275
Executive Leader Planning	310	3	8	29	-	350
<b>Total remuneration</b>	<b>2,487</b>	<b>21</b>	<b>62</b>	<b>229</b>	<b>-</b>	<b>2,799</b>

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 30. Key executive management personnel and remuneration (contd)

#### (b) Remuneration (contd)

2015						
Position	Short term			Post employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
	Monetary benefits \$'000	Non-monetary benefits \$'000	Long term employee benefits \$'000			
Chief Executive Officer	580	3	14	50	-	647
Chief Financial Officer	30	1	1	3	-	34
Executive Leader Operations and Service Delivery	206	2	5	19	-	231
Executive Leader Commercial Customers	224	3	6	21	-	254
Chief Information Officer	277	3	7	26	-	313
Executive Leader People and Safety	185	2	5	18	-	209
Executive Leader Customer and Community	247	3	6	23	-	280
Executive Leader Planning	324	3	8	31	-	366
Chief Financial Officer (resigned 2 April 2015)	325	2	8	28	-	363
<b>Total remuneration</b>	<b>2,398</b>	<b>22</b>	<b>60</b>	<b>219</b>	<b>-</b>	<b>2,699</b>

#### (c) Performance payments

Individual performance plans are based on achievement of targets for key result areas and tied to the Corporate Plan strategies for the basis for performance payments.

Performance payments are expected to be paid on or before 30 October 2016 (2015: 25 November 2015).

The aggregate performance payments expected to be paid to all key executive management personnel will not be determined until 19 September 2016. 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 2017.

The aggregate amount of performance payments made during the financial year with respect to the previous financial year was \$137,971 (2015: \$241,037).



# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 31. Related parties

#### (a) Board members

##### Board Remuneration

The Participation Agreement specifies the remuneration and benefits of Board Members and the Chairperson. Reimbursements for reasonable travelling, accommodation and other expenses spent by a Board Member while attending Board Meetings or otherwise 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:

	2016*		
	Salary and fees \$'000	Superannuation \$'000	Total \$'000
Geoff Harley	101	10	111
Dennis Cavagna	51	5	56
Diana Eilert	51	5	56
Paul Emmerson	51	5	56
Phil Kesby	51	5	56
Bernard Ponting	51	5	56
Len Scanlan	51	5	56
John Cotter	51	5	56
	456	43	499

\*The CPI increase of 1.5% was applied and monthly rates set at \$8,443 Chair and \$4,221 Board members.

	2015*		
	Salary and fees \$'000	Superannuation \$'000	Total \$'000
Geoff Harley	100	9	109
Dennis Cavagna	50	5	55
Diana Eilert	50	5	55
Paul Emmerson	50	5	55
Phil Kesby	50	5	55
Bernard Ponting	50	5	55
Len Scanlan	50	5	55
John Cotter	50	5	55
	448	43	491

\* The CPI increase of 3.1% was applied and monthly rates set at \$8,318 Chair and \$4,159 Board members.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 31. Related parties (contd)

#### (b) Loans to key management personnel

No personal loans to key management personnel occurred during the financial year.

#### (c) Other key management personnel transactions

No transactions with related parties of key management personnel occurred during the financial year.

#### (d) Board member transactions

There are no transactions with related parties of Board members for the financial year, other than on normal commercial terms.

#### (e) Transactions with Participating Councils

The Authority entered into a number of Transitional Service Agreements (TSA's) with its Participants. The amount of expenditure included in the Statement of Comprehensive Income is as follows:

	2016 \$'000	2015 \$'000
Brisbane City Council Services provided include: contact centre (after hours), and property validation. These services ceased in 2016.	3,065	2,963
<b>(f) Returns to Participating Councils</b> Participation return, income tax equivalents and interest	234,727	215,993
<b>(g) Debt with Participating Councils</b> Payment of debt	471,282	972,309

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

### 32. 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:

	2016 \$'000	2015 \$'000
Operating ratio	26%	23%
Capital replenishment ratio	x 1.94	x 1.70
Debt to revenue ratio	163%	173%

## Certificate of the Central SEQ Distributor-Retailer Authority

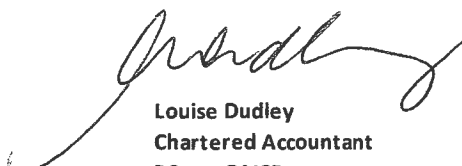
For the year ended 30 June 2016

These general purpose financial statements have been prepared pursuant to section 62 (1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act, we certify that in our opinion:


- (i) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;
- (ii) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Central SEQ Distributor-Retailer Authority (trading as Queensland Urban Utilities) for the financial year ended 30 June 2016 and of the financial position at the end of that year; and
- (iii) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Geoff Harley  
LLB, FAICD  
Board Chairperson



Louise Dudley  
Chartered Accountant  
BCom, GAICD  
Chief Executive Officer



Darryl Rowell  
FCPA, BCA, MBA  
Chief Financial Officer

Date: 15/8/16

Date: 15/8/16

Date: 15/8/16

QAO  
certified statements

# CHAPTER 5: OUR FINANCIAL PERFORMANCE

## Independent Auditor's Report

To the Board of Central SEQ Distributor-Retailer Authority

### Report on the Financial Report

I have audited the accompanying financial report of the Central SEQ Distributor-Retailer Authority, which comprises the statement of financial position as at 30 June 2016, 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 significant accounting policies and other explanatory information, and certificates given by the Chairperson, Chief Executive Officer and Chief Financial Officer.

#### *The Board's Responsibility 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 prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

## Independent Auditor's Report

### *Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

### *Opinion*

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Central SEQ Distributor-Retailer Authority for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

### **Other Matters - Electronic Presentation of the Audited Financial Report**

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



N GEORGE CPA  
(as Delegate of the Auditor-General of Queensland)

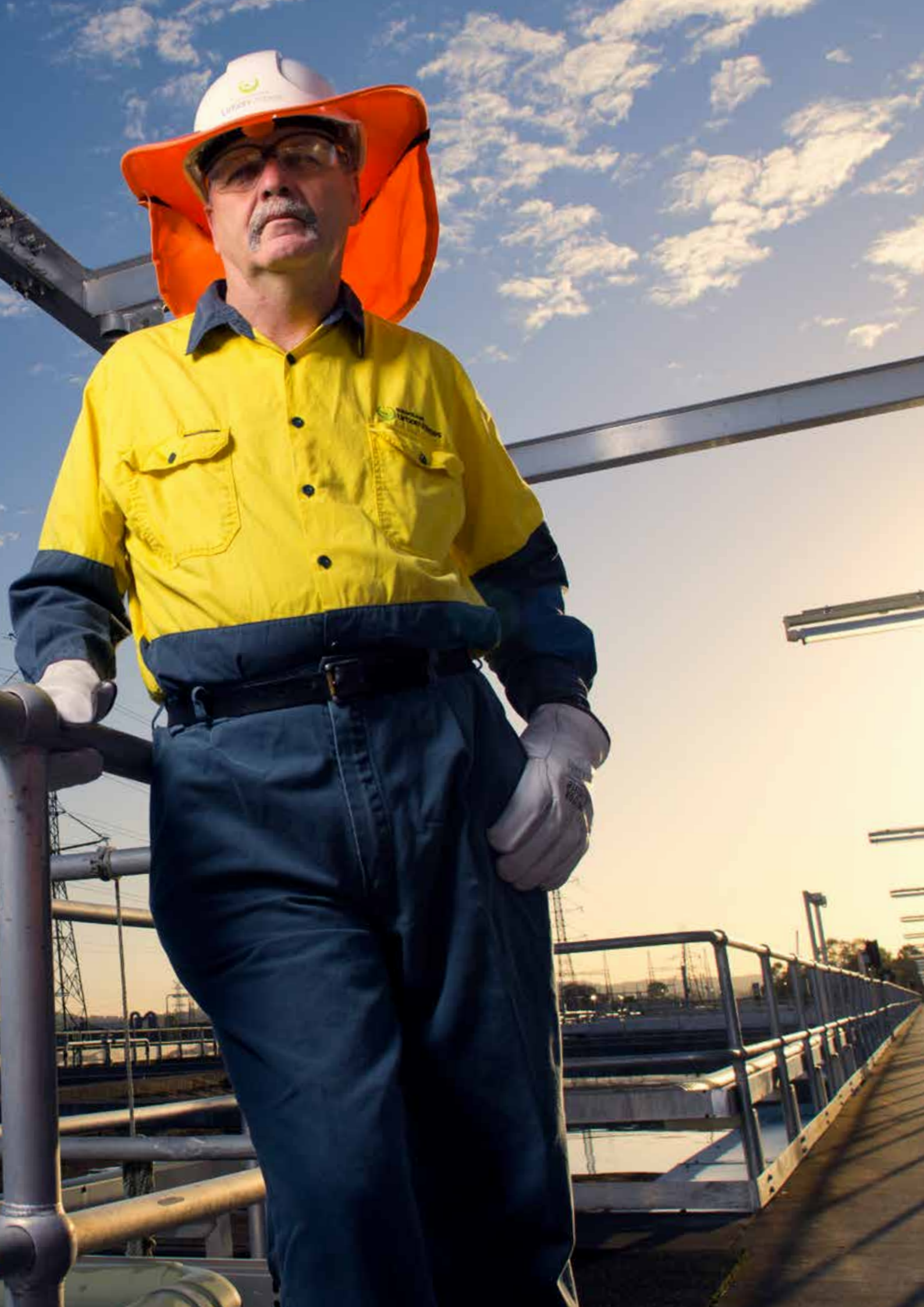


Queensland Audit Office  
Brisbane

# APPENDICES







# APPENDICES

## Compliance letter to Minister

Office of the Board Chairman  
Level 2, 15 Green Square Close  
Fortitude Valley QLD 4006

GP Box 2765  
Brisbane QLD 4001

20 September 2016

Hon. Mark Bailey, MP  
Minister for Main Roads, Road Safety and Ports  
and Minister for Energy, Biofuels and Water Supply  
GPO Box 2644  
BRISBANE QLD 4001

Dear Minister Bailey

### ***Queensland Urban Utilities 2015/16 Annual Report***

I am pleased to present the *Annual Report 2015/16* for the Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities.

I certify that this annual report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*; and
- the detailed requirements set out in the *Annual Report Requirements for Queensland Government Agencies*.

A checklist outlining the annual report requirements can be found at page 145 of the document.

Yours sincerely



**GEOFF HARLEY**

Board Chairman

Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities

## Compliance checklist

Summary of requirement	Basis for requirement	Page
Letter of compliance	<ul style="list-style-type: none"> <li>A letter of compliance from the accountable officer or statutory body to the relevant Minister</li> </ul>	ARRs – section 8 Page 144
Accessibility	<ul style="list-style-type: none"> <li>Table of contents</li> </ul>	Page 5
	<ul style="list-style-type: none"> <li>Glossary</li> </ul>	Page 146
	<ul style="list-style-type: none"> <li>Public availability</li> </ul>	ARRs – section 10.2 Page 4
	<ul style="list-style-type: none"> <li>Interpreter service statement</li> </ul>	<i>Queensland Government Language Services Policy</i> ARRs – section 10.3
	<ul style="list-style-type: none"> <li>Copyright notice</li> </ul>	<i>Copyright Act 1968</i> ARRs – section 10.4
General information	<ul style="list-style-type: none"> <li>Information licensing</li> </ul>	<i>Queensland Government Enterprise Architecture – Information Licensing</i> ARRs – section 10.5
	<ul style="list-style-type: none"> <li>Introductory Information</li> </ul>	ARRs – section 11.1 Pages 8-11
	<ul style="list-style-type: none"> <li>Agency role and main functions</li> </ul>	ARRs – section 11.2 Pages 8-11
	<ul style="list-style-type: none"> <li>Operating environment</li> </ul>	ARRs – section 11.3 Pages 8-11
	<ul style="list-style-type: none"> <li>Machinery of government changes</li> </ul>	ARRs – section 11.4 N/A
Non-financial performance	<ul style="list-style-type: none"> <li>Government's objectives for the community</li> </ul>	ARRs – section 12.1 N/A
	<ul style="list-style-type: none"> <li>Other whole-of-government plans/specific initiatives</li> </ul>	ARRs – section 12.2 N/A
	<ul style="list-style-type: none"> <li>Agency objectives and performance indicators</li> </ul>	ARRs – section 12.3 Pages 22-63
	<ul style="list-style-type: none"> <li>Agency service areas, and service standards</li> </ul>	ARRs – section 12.4 Pages 22-63
Financial performance	<ul style="list-style-type: none"> <li>Summary of financial performance</li> </ul>	ARRs – section 13.1 Pages 84-87
Governance – management and structure	<ul style="list-style-type: none"> <li>Organisational structure</li> </ul>	ARRs – section 14.1 Page 66
	<ul style="list-style-type: none"> <li>Executive management</li> </ul>	ARRs – section 14.2 Pages 20-21
	<ul style="list-style-type: none"> <li>Related entities</li> </ul>	ARRs – section 14.3 N/A
	<ul style="list-style-type: none"> <li>Government bodies</li> </ul>	ARRs – section 14.4 N/A
	<ul style="list-style-type: none"> <li>Public Sector Ethics Act 1994</li> </ul>	<i>Public Sector Ethics Act 1994</i> (section 23 and Schedule) ARRs – section 14.5 Page 80
Governance – risk management and accountability	<ul style="list-style-type: none"> <li>Risk management</li> </ul>	ARRs – section 15.1 Page 76
	<ul style="list-style-type: none"> <li>External scrutiny</li> </ul>	ARRs – section 15.2 Page 77
	<ul style="list-style-type: none"> <li>Audit committee</li> </ul>	ARRs – section 15.3 Page 68
	<ul style="list-style-type: none"> <li>Internal audit</li> </ul>	ARRs – section 15.4 Page 77
	<ul style="list-style-type: none"> <li>Public Sector Renewal Program</li> </ul>	ARRs – Section 15.5 N/A
	<ul style="list-style-type: none"> <li>Information systems and recordkeeping</li> </ul>	ARRs – Section 15.7 Page 78
Governance – human resources	<ul style="list-style-type: none"> <li>Workforce planning, attraction and retention, and performance</li> </ul>	ARRs – section 16.1 Pages 78-79
	<ul style="list-style-type: none"> <li>Early retirement, redundancy and retrenchment</li> </ul>	<i>Directive No.11/12 Early Retirement, Redundancy and Retrenchment</i> ARRs – section 16.2 N/A
Open Data	<ul style="list-style-type: none"> <li>Open Data</li> </ul>	ARRs – section 17 Page 81
Financial statements	<ul style="list-style-type: none"> <li>Certification of financial statements</li> </ul>	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 18.1 Page 139
	<ul style="list-style-type: none"> <li>Independent Auditors Report</li> </ul>	FAA – section 62 FPMS – section 50 ARRs – section 18.2 Pages 140-141
	<ul style="list-style-type: none"> <li>Remuneration disclosures</li> </ul>	<i>Financial Reporting Requirements for Queensland Government Agencies</i> ARRs – section 18.3 Pages 132-136

# APPENDICES

## Glossary

### ADWG

Australian Drinking Water Guidelines

### Board

The Central SEQ Distributor-Retailer Board

### Board member

Means a person who is, for the time being, a member of the Board of Queensland Urban Utilities.

### Central SEQ distributor-retailer

A statutory body supplying water and treating sewage to the service territories of Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset.

### Executive Leadership Team

Means the Chief Executive Officer, and direct reports.

### Lost-time injury frequency rate (LTIFR)

A lost-time injury is defined as an occurrence that resulted in a fatality, permanent disability or time lost from work of one day/shift or more.

The LTIFR is the number of lost-time injuries per million hours worked, calculated using this equation:-

$$(\text{Number of lost-time injuries} \times \text{number of hours worked in accounting period}) / 1,000,000$$

### Megalitre (ML)

Measurement of volume equal to one million litres. One megalitre is approximately the volume of a one-metre deep Olympic-sized swimming pool.

### Participation Agreement

A *Participation Agreement* under s20 or 23 of the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

### Recycled water

Water taken from any waste (effluent) stream and treated to a level suitable for further use, where it is used safely and sustainably for beneficial purposes. This is a general term that can include reclaimed water.

### Shareholder

Brisbane and Ipswich City Councils and the Lockyer Valley, Scenic Rim and Somerset Regional Councils.

### Stakeholder

All those who are either affected by or who can affect the activities of an organisation, namely customers, governments, the media, non-government organisations, local residents and employees.

### Sewage

Material transported in a sewerage system. Sewage is collected from all internal household drains; it contains all the contaminants of grey water and urine, plus high concentrations of faecal material from toilets and wastes from industrial and commercial premises. Sewage can therefore contain a range of infectious enteric pathogens and a range of physical and chemical contaminants.

### Sewerage

The pipes and channels, including all trunk, pressure and reticulation pipes, via which sewage is transported from its point of origin (e.g. house or business) to a point of treatment and/or disposal.

### Trade waste

Water-borne waste from a business or manufacturing premises, that is not:

1. a prohibited substance (for example, petrol, pesticide),
2. domestic sewage (human waste),
3. stormwater.

Some trade waste cannot be accepted at sewage treatment plants and must be disposed of through special facilities.

## Index to annual report content

### A

Audit	21, 57, 66, 68, 70, 77
Awards	13, 45, 53, 54

### B

Board	16-19, 21, 39, 40, 50, 66-70, 72, 76-77
Brisbane City Council	8, 9, 16, 20, 38, 43-44, 49, 67

### C

Capital Infrastructure Program	46
Capital investment	52, 67, 70-71
Capital works	16, 37, 38, 43, 51
Chairman, Geoff Harley	16, 18, 40, 67
Chief Executive Officer, Louise Dudley	17, 20, 40, 59, 60, 66-69, 77, 81
Code of Conduct	80
Commercial customers	11, 21, 26, 29-30, 32, 44, 66
Committees	37, 66, 68, 71, 81
Community	9, 16, 21, 32, 34, 37-38, 40-41, 43-45, 51-52, 66
Conflict of interest	68
Connections	28-29, 85
Consultancies	81
Corporate Plan	4, 24, 26, 37, 47, 57, 72-73
Culture	33, 48, 57-58, 60-61, 63, 69, 73, 76, 79-80
Customers	24-35, 37-38, 43, 46-47, 51, 53, 57, 73, 74
Customer and Community Reference Group	21, 37-39
Customer experience	25, 28-31, 33, 43, 48, 76
Customer Experience Council	66, 71
Customer segments	26, 29, 76
Customer Service Standards	27-28, 70, 76

### D

Developers	4, 31, 32, 38
Department of Energy and Water Supply	9
Diversity	60-61, 80
Drinking water	8, 27, 44-45, 46, 51, 78

### E

Efficiencies	2, 16, 29, 32, 47-48, 51-52, 73, 76, 78
Energy	46, 50, 54, 72, 75
Enterprise Bargaining Agreement	80
Environment	27, 29, 34, 38, 40, 45, 47-48, 52, 54, 70
Executive Leadership Team	18, 20-21, 67, 71, 77-78

### G

Government	4, 8-9, 38, 40, 46, 67, 72, 74, 77, 81
Geospatial	48, 53

### H

Healthy Waterways	13, 45, 54
High Court of Australia	80

### I

ICT	20, 48, 51, 66, 70, 71, 73, 76
Incidents	27, 28, 46, 51
Innovation	12, 16, 40, 44, 48, 51, 53-54, 57, 63, 70, 73
Ipswich City Council	8-9, 38, 44-45, 49, 67

### L

Lockyer Valley Regional Council	8, 19, 38
Lost Time Injuries	56, 59

### O

Operational excellence	8, 47-55, 72-73, 76
Operational Plan	4, 39
Organisational structure	66
Overseas travel	81

### P

People	56-63
Pricing	19, 37, 40, 66-67, 69, 70, 73, 77
Procurement	51, 66, 71, 77
Public health	16, 27, 38, 50, 76

### Q

Q-Hub	13, 26, 48, 53
Queensland Audit Office	19, 77
Queensland Competition Authority	69, 77

### R

Recognition	13, 31, 41, 51, 59
Records management	78
Recruitment	80
Regulators	9, 38, 46, 67, 78
Research and Development	4, 38, 46, 48, 51, 57, 81
Risk	20, 31, 50, 57, 61, 66-68, 70, 71, 75-77

### S

Safety	50, 56-57, 59, 60-61, 63, 69-71, 73-74, 81
Scenic Rim Regional Council	8, 9, 38, 44, 49, 67
Seqwater	9, 10, 74
Sewage overflow	30
Shareholders	16, 36-45, 51-52, 66-67, 72-74, 76, 78
Social media	26, 31, 34, 39, 43, 72
Somerset Regional Council	8-9, 38, 44, 49, 67
Stakeholders	16, 37-45, 47, 52, 72-73, 75-76
Strategic pillars	8, 72-73
Strategic direction	18, 21, 31, 37-38, 41, 52, 72-73, 78, 81

### V

Values	9, 56-57, 59, 69, 72-73, 80
Vision	8-9, <i>see Strategic direction</i>

### W

Water quality	2, 10, 20, 27, 32, 41, 46, 48, 51, 76, 78
---------------	---



For more information visit  
[www.urbanutilities.com.au](http://www.urbanutilities.com.au)  
or call **13 26 57**

**Queensland Urban Utilities**  
PO Box 2765 Brisbane QLD 4001

ABN 86 673 835 011

Q01038-2016 © Queensland Urban Utilities 2016

