

2014/15 ANNUAL REPORT



ENRICH QUALITY OF LIFE

OUR PERFORMANCE HIGHLIGHTS

52%



INCREASE IN
CUSTOMER
COMMENDATIONS
(PAGE 22)

.....
CUSTOMERS

200



POSITIVE MEDIA
STORIES PUBLISHED
(PAGE 27)

.....
CUSTOMERS

\$31.3M

SAVED IN
OPERATIONAL
EFFICIENCIES
(PAGE 57)



.....
OPERATIONAL EXCELLENCE



343%

INCREASE IN VISITS TO OUR WEBSITE
(PAGE 27)

.....
CUSTOMERS



79.2%

SHAREHOLDER
SATISFACTION
SCORE
(PAGE 37)

.....
SHAREHOLDERS & COMMUNITIES

3,220

NEW CONNECTION
APPLICATIONS
PROCESSED (PAGE 31)

.....
CUSTOMERS

\$196.6M

INVESTED IN NEW
INFRASTRUCTURE
(PAGE 49)

OPERATIONAL
EXCELLENCE



890ML

OF WATER SAVED
ATTRIBUTED TO LEAK
DETECTION TECHNOLOGY
(PAGE 53)

OPERATIONAL EXCELLENCE

67%



REDUCTION IN
LOST TIME INJURY
FREQUENCY RATE
(PAGE 58)

PEOPLE

\$121M

SAVED THROUGH
SMARTER
INFRASTRUCTURE
INVESTMENT (PAGE 52)

OPERATIONAL EXCELLENCE



33



INNOVATIONS
APPROVED FOR TRIAL
OR IMPLEMENTATION
(PAGE 63)

OPERATIONAL EXCELLENCE

20%

OF THE WORKFORCE
DIRECTLY ENGAGED
IN OUR INNOVATION
PROGRAM (PAGE 63)

PEOPLE

ABOUT THIS REPORT

The *Queensland Urban Utilities 2014/15 Annual Report* details our performance between 1 July 2014 and 30 June 2015, and documents our progress against the outcomes specified in our *2014-19 Corporate Plan and 2014/15 Operational Plan*. To reflect our strategic direction, this report is structured around our four strategic pillars.

Our integrated 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 stakeholders.

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,
- business and industry,
- current and future suppliers.

Glossary and index

A full glossary explaining the meaning of words and acronyms can be found on page 144. For ease of navigation, refer to the detailed index on page 141.

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 2015.

The letter of compliance to the Minister and the compliance checklist can be found on pages 142 and 143, respectively.

Interpreter service statement

We are committed to providing accessible services to our customers and stakeholders from culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, please contact the Translating and Interpreting Service on 13 14 50 (24 hours a day, seven days week) and they will arrange an interpreter to communicate the report to you effectively.



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

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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:

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CHAPTER 1: AT A GLANCE

Chapter 1 introduces you to who we are and what we do. It also celebrates our achievements, and presents an overview of our strategic direction.



CHAPTER 1: AT A GLANCE

Who we are

Queensland Urban Utilities is a statutory body established under the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*, and a service provider under the *Water Supply (Safety and Reliability) Act 2008*.

Our shareholders are the councils of Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset, and we are governed by an independent Board.

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.

To support these core services, we undertake a number of functions including, but not limited to:

- customer management,
- asset planning and management,
- water meter management,
- development assessments and approvals,
- waste management (including trade waste),
- community and stakeholder relations,
- regulatory and legislative compliance,
- scientific laboratory services.

Our location

Our 14,384km² geographic area is made up of five regions: Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset. This area equates to around two-thirds of South East Queensland.



Our operating environment

Our relationship with other participants in the South East Queensland water industry can be seen in Figure 1 below.

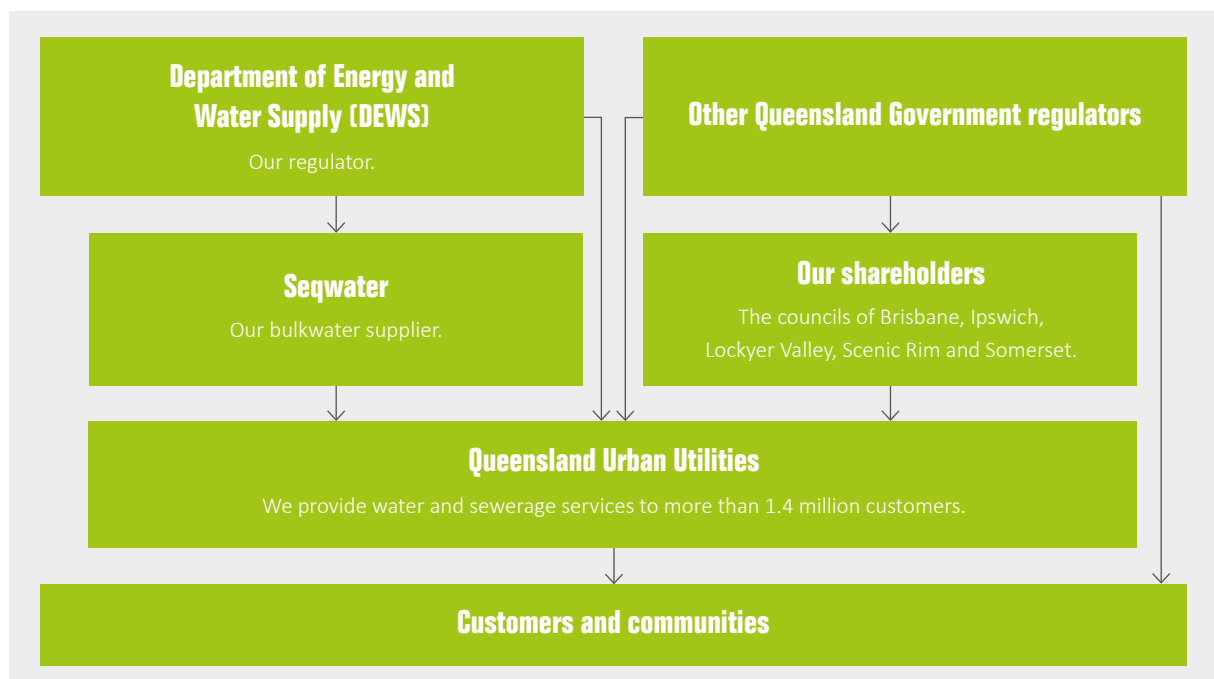


Figure 1: Our operating environment

CHAPTER 1: AT A GLANCE

FACTS & FIGURES

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

14,384KM²

OUR GEOGRAPHIC
AREA

188,300

WATER QUALITY TESTS
CONDUCTED IN 2014/15

82,700ML

OF WATER DELIVERED TO

532,000

RESIDENTIAL PROPERTIES

57 WATER PUMP
STATIONS & **90** WATER
BOOSTERS

107
RESERVOIRS

9,113KM
OF WATER MAINS

2,725
TREES PLANTED
TO OFFSET OUR
CONSTRUCTION
WORKS

**WATER
COLLECTION**

AND STORAGE AT
SEQWATER'S NETWORK
OF DAMS

55,500ML
OF WATER DELIVERED TO
37,000
NON-RESIDENTIAL
PROPERTIES

9,306KM
OF SEWERAGE
MAINS

29,900

TESTS IN 2014/15 TO
ENSURE THE QUALITY
OF WATER RELEASED
INTO WATERWAYS

339

SEWAGE PUMP
STATIONS

27

SEWAGE TREATMENT
PLANTS

1.89M

METER READINGS
TAKEN IN 2014/15

124,600ML

OF SEWAGE COLLECTED,
TRANSPORTED AND TREATED

9,300ML

OF RECYCLED
WATER DELIVERED
TO COMMERCIAL
CUSTOMERS

CHAPTER 1: AT A GLANCE

AWARDS AND RECOGNITION

Winner

- Ranked 10th in the 2015 *BRW* Most Innovative Companies List
- Asia-Pacific Federation Project Manager of the Year awarded to Steve Gibson, Program Director Wastewater Network (see page 60)
- National Project Manager of the Year awarded to Steve Gibson
- Queensland Project Manager of the Year awarded to Steve Gibson
- 'Best Customer/User Experience Award' for our website at the Sitecore Customer Experience Awards
- Silver award for our *2013/14 Annual Report* in the Australasian Reporting Awards
- 2015 Healthy Waterways Award for the Beaudesert Nutrient Offsets Project

Finalist

- Brisbane Lord Mayor's Business Awards in the Business Innovation category
- 2015 Healthy Waterways Award for our partnership with the Bulimba Creek Catchment Coordinating Committee

Nominated

- Steve Tribe (Treatment Plant Operator) for the Australian Water Association Operator of the Year Award

Recognition

- Assistant Commissioner's Certificate of Appreciation awarded to our G20 Working Group for the support they provided prior to and during the G20 Summit (see page 39)



CHAPTER 1: AT A GLANCE

Our strategic direction

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 support the delivery of our purpose and vision and guide our actions every day:

Customer

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

We embrace and live our values every day:

PARTICIPATION
Activate • Collaborate • Accelerate

ACCOUNTABILITY
See it • Own it • Solve it

CUSTOMERS AND COMMUNITY
Listen • Understand • Respond

SAFETY
Everyone • Everywhere • Every day

DELIVER VALUE
Define it • Create it • Deliver it

CREATIVITY
Initiate • Create • Inspire

Looking forward

From 2015/16, we have revised the key outcomes under each strategic pillar. These outcomes provide a clear focus for the next five years and will move us closer to achieving our purpose and vision.

Strategic pillar	Abridged key outcomes (2015-20)
Customers	<p>Based on in-depth research, we have a thorough understanding of our customers, and align our services to meet their expectations.</p> <p>Our customers value the services we provide and consider them to be safe, reliable and essential.</p> <p>We understand that convenience is a critical element of our customers' service experience. Customers can interact with us through their choice of communication channels at any time of day, and receive the highest standard of service.</p> <p>We build trust in our brand and engage with our customers and communities through targeted education and support programs.</p>
Shareholders and Communities	<p>We provide a standard of service that is supported by our shareholders and reflected in our positive shareholder satisfaction score.</p> <p>We work with our shareholders to understand their financial expectations and strategic community priorities, and develop solutions that assist them in achieving their goals.</p> <p>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 shared communities.</p> <p>We support our communities by participating in and sponsoring local events.</p>
Operational Excellence	<p>We are financially sustainable through our robust investment planning and focus on operational efficiencies.</p> <p>Our return on assets represents the prudent and efficient management of our assets to support long-term regional growth and development.</p> <p>We value the health of the natural environment and work closely with regulators, our shareholders and the community to deliver sustainable solutions that result in positive environmental outcomes.</p> <p>We innovate to reduce costs, improve services to customers, and improve safety. We are recognised as an industry leader in research and development and preferred partners in the development of longer-term solutions that drive a sustainable water industry.</p>
People	<p>We continue to improve our systems to create a healthy and safe working environment for our employees, contractors and the community.</p> <p>We recognise that strong leadership is key to achieving our purpose and vision, and are dedicated to working with our leaders to give them the skills and competence they require to constructively lead our people to deliver positive outcomes.</p> <p>We understand that change is a healthy part of our organisation's growth as it enables us to meet the emerging needs of our shareholders, customers and communities. We remain committed to creating a culture that encapsulates our values and embraces organisational change.</p>

To view the complete key outcomes, refer to our *2015-20 Corporate Plan*, which is available on our website.

CHAPTER 2: OUR LEADERSHIP

Chapter 2 introduces you to our Board and our Executive Leadership Team.



CHAPTER 2: OUR LEADERSHIP



Chairman's foreword

This year, we made progress towards achieving our strategic direction, as highlighted by the achievements below.

Proactive shareholder and stakeholder engagement

Our commitment to building and fostering robust relationships with our shareholders and stakeholders remained a key focus in 2014/15. We were pleased to achieve a strong shareholder satisfaction score of 79.2%, and a proactive engagement score of 4.25 out of 5, both of which reinforce the importance we place on conducting regular and proactive two-way communication with our shareholders (see page 37).

Delivering \$31.1m in operational efficiencies

We continued to roll out our Enterprise Excellence Program, which is responsible for delivering innovative and transformational strategies to optimise our performance. In 2014/15, the program generated \$31.3 million in sustainable operational efficiencies from a number of initiatives including restructuring our capital infrastructure delivery model and consolidating our capital and operational procurement functions (see page 57).

Investing in infrastructure to support population growth

The Board's commitment to supporting economic growth was exhibited by our \$196m investment in capital infrastructure across our five service regions (see page 49).

Part of this investment was attributed to one of our highest profile capital projects to date – the S1 Main Sewer Upgrade (see page 52). This year also marked a significant milestone, with \$1 billion of infrastructure delivered since our formation. This investment will ensure our customers are serviced by reliable and sustainable water and sewerage infrastructure well into the future.

Supporting our communities

We continued to support our communities by investing and participating in a variety of educational, environmental and fundraising programs and events (see page 44). We also conducted in-depth community engagement during a number of our major sewer upgrades to ensure affected customers remained well-informed throughout the works (see pages 36 and 43).

I would like to thank our shareholders for their continued support, our management team – especially our Chief Executive Officer, Louise Dudley – for their commitment to serving our customers and communities, and my fellow Board members for their ongoing stewardship. I have great confidence in Queensland Urban Utilities' future and look forward to continuing on our journey to be recognised as a responsive and innovative organisation.

Geoff Harley

Board Chairman



Chief Executive Officer's foreword

I am pleased to present my fourth Annual Report for Queensland Urban Utilities.

Strengthening our brand

This year, we achieved our strongest Brand Index Score to date, which indicates we have been delivering on our customers' expectations (see page 25). This score places us favourably against our well-established counterparts.

Continuing to embed health and safety into our workplace culture

Although there is still room for improvement, I am immensely proud of our safety performance, which continues to trend favourably. As at 30 June 2015, both our total injury frequency rate and lost time injury frequency rate were well below their targets (see page 58).

We also launched the 'Personal Big 5' program, which encourages staff to identify the top five things in their lives that motivate them to stay safe at work. Read more about the success of this program on page 69.

Building a constructive organisational culture

We understand that effective leadership is critical to the development of a positive organisational culture.

In 2014/15, we continued to roll out our Building the Blue program, which aims to build a constructive culture by giving our leaders the right tools to improve their self-awareness and ability to communicate more effectively (see page 61).

Successfully implementing the Utility Model

We successfully implemented a new line of business with the formation of the Development Services team. I was particularly pleased with how we consulted with developers on matters relating to design and construction standards and service commitments (see page 31).

Launch of the Commercial Customer Segmentation Model

I am proud that we formed a Commercial Customer Group to service our commercial, developer, and water-reliant customers. By dedicating resources to this segment, we are now able to provide elevated levels of service and deliver improved business efficiencies (see page 26).

I would like to thank the Board, the Executive Leadership Team, and our employees for their continued commitment to delivering quality water and sewerage services to our customers and communities. With so many exciting initiatives on the horizon, I look forward to leading the organisation into a very promising future.

Louise Dudley

Chief Executive Officer



Left to right: John Cotter, Geoff Harley, Paul Emmerson, Phil Kesby, Diana Eilert, Dennis Cavagna, Len Scanlan, 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, FAICD

Bernard has been a Queensland Urban Utilities Board member since 25 June 2010 and is currently 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.

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 currently a member of the Parks Victoria Board and the VicRoads Audit Committee.

CHAPTER 2: 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, the Australian Institute of Management, the Lady Bowen Trust, and a graduate member of the Australian Institute of Company Directors.

Diana Eilert

BSc (Maths), MComm (Financial and Marketing), GAICD

Diana has been a Queensland Urban Utilities Board member since 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 Veda and Navitas, Networks NSW (electricity "poles and wires" for NSW), AMP Life, 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

BComm, LLB, Solicitor of the Supreme Court of Queensland, GAICD

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

Paul is a solicitor, certified practicing 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.

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 Metropolitan North Hospital and Health Service and the Queensland Building and Construction Commission. He is also a member of the Electoral Commission of New South Wales.



Left to right: Richard Petterson, Tracey Moore, Glenn Smith, Nina Meyers, Mark Letica, Louise Dudley, Justin Poulus, Ian Hall, Paul Belz, 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.

During 2014/15, Denise Dawson (former Chief Financial Officer) left Queensland Urban Utilities.

Louise Dudley Chief Executive Officer BCom, CA, GAICD

Louise was appointed Chief Executive Officer of Queensland Urban Utilities on 1 July 2012. She 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 services strategy, infrastructure planning, capital inauguration, development assessment, and environmental and water quality strategy across Queensland Urban Utilities' service 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.

Ian Hall Executive Leader Commercial Customers (from July 2014) BEng, MIEEE

Ian is responsible for the overall business relationship between Queensland Urban Utilities and our largest water supply and trade waste customers. He is also responsible for the development of new services aligned to this market segment.

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

CHAPTER 2: OUR LEADERSHIP

Mark Letica

Executive Leader Governance

BCom, GIA (Cert)

Mark has been with Queensland Urban Utilities since its establishment with leading roles in corporate planning, performance measurement, and corporate reporting. He is also accountable for internal audit and corporate property.

In addition, Mark leads the stakeholder relationship management team, which includes government and shareholder relations. Mark is Chairman of the Customer and Community Reference Group and the Executive Sponsor of the Audit and Risk Committee.

Nina Meyers

Chief Information Officer

Binf, MBA, GAICD, FAIM

Nina is responsible for managing all aspects of our 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 has previously held senior management roles within Allconnex Water, Gold Coast City Council, Queensland Department of Emergency Services, Queensland University of Technology and the Queensland Police Service. Nina is also the Executive Sponsor of Queensland Urban Utilities' Women in Leadership Program.

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 Corruption 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

(from November 2014)

BE (Civil), Grad Cert Eng Man, GAICD

Richard is responsible for managing our 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. He has held a number of 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 managing our services to non-commercial customers. This includes customer service, marketing 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 (from May 2015)

BCA, MBA, CPA

Darryl is responsible for managing our financial activities and shared services, which includes financial regulation and transactions, billing and collections, and business support administrative services.

Darryl is an experienced executive with a proven record of performance in financial governance, as well as strategy, commercial developments and investment in both the finance and utility sectors.

Darryl previously held executive and senior manager roles at Energex, Meridian Energy and RoyalSunAlliance.

Glenn Smith

Executive Leader People and Safety

(from September 2014)

ADip Bus, MAHRI

Glenn is responsible for managing 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 documents our performance against our strategic pillars, via:

- our key focus areas, which emphasise the areas of improvement to achieve our strategic direction, and
- our strategic success measures, which represent the incremental improvement required each year to be on track to achieve our strategic direction.

It also explores the highlights we experienced and challenges we managed in 2014/15.



CHAPTER 3: OUR PERFORMANCE

Customer

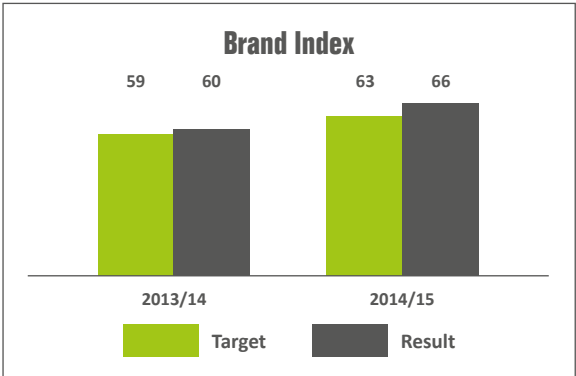
We understand our customers and deliver a quality service that meets their evolving needs.

Performance against strategic success measures

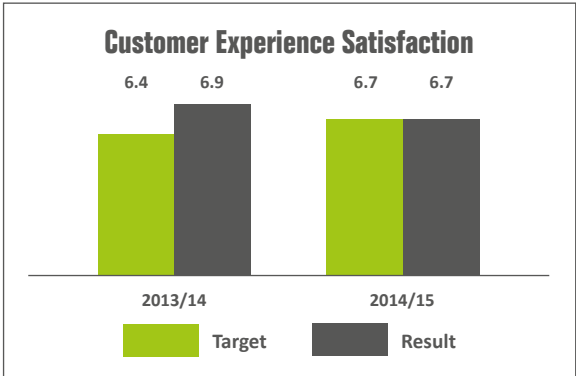
Key Performance Indicator	Unit	Target	Result	Achieved?
Brand Index	Score out of 100	63	66	Yes
Customer Experience Satisfaction	Score out of 10	6.7	6.7	Yes
Corporate Reputation Index	Score out of 100	53	55	Yes
First Call Resolution*	% general enquiry calls resolved at first point of contact	85%	92%	Yes

*No historical data

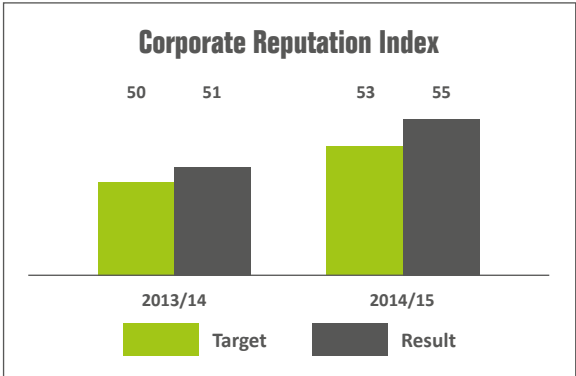
Year-on-year performance against strategic success measures



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



Our Customer Experience Satisfaction score is a measure of customer 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.



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

CHAPTER 3: OUR PERFORMANCE

Performance against key focus areas

Customer-segmented service strategies

- Launched our Commercial Customer Segmentation Strategy, which identified three customer groups (large commercial, developer and water reliant, which includes trade waste) to be engaged under new segments. The strategy enables us to deliver differentiated service levels that meet the needs of our customers and improve efficiencies in service delivery (see page 26).
- Successfully implemented the new Water Approval Process, which streamlines the process for connecting water and sewerage services (see page 31).

Service continuity and consistent customer experience

- Received 287 customer commendations, which represents a 52% increase on 2013/14.
- Improved the way we respond to customer incidents by introducing new schedule and dispatch (S&D) processes. These included adopting vehicle tracking technology to optimise the use of our fleet; implementing a geographical S&D process to give visibility of resources in a defined area, thereby reducing unnecessary travel time; and appointing a dedicated S&D planner to develop strategies to deliver sustainable improvements in response time and customer satisfaction levels.
- Delivered a CustomerCARE training and support program to our customer-facing and support teams to improve our standard of service (see page 26).
- Increased the functionality of our website by introducing a number of self-serve options (see page 27).
- Improved our customer on-boarding process by introducing welcome letters to familiarise property owners with who we are and what we do, as well as what they can expect from us in the first 90 days of acquiring their property.
- Steadily increased our followers on Facebook, Twitter and LinkedIn, allowing us to reach more of our customers and stakeholders in an efficient and cost-effective manner.
- Published our first *Drinking Water Quality Management Plan Report*, as required under legislation. This report demonstrates to the regulator how we have implemented the actions in our Drinking Water Quality Management Plan, and provides our customers with information about the quality of drinking water we supply to them.

Customer insights and engagement

- Developed a deeper understanding of our customers and their expectations through the evolution of our Customer Insights Program (see page 26).
- Highlighted the economic, environmental and health benefits associated with drinking tap water by promoting our 'Turn to Tap' marketing campaign (see page 29).

100% OF STANDARD CONNECTION APPLICATIONS DECIDED WITHIN THE ALLOTTED TIMEFRAME.

Performance against Customer Service Standards

Specific to our Customer pillar are our Customer Service Standards, which inform our customers of the level of service they can expect to receive from us. Table 1 lists our key performance indicators and how we have performed against our service standards.

Indicator	Service standard	2010/11 result	2011/12 result	2012/13 result	2013/14 result	2014/15 result	Achieved?
Water quality							
Annual chemical compliance with ADWG* health limits	All relevant schemes compliant	N/A	N/A	N/A	12/12 schemes compliant	12/12 schemes compliant	Yes
Bacteriological compliance with the Public Health Act 2005	All relevant schemes compliant	N/A	N/A	N/A	12/12 schemes compliant	12/12 schemes compliant	Yes
Chemical compliance with the Public Health Act 2005	All relevant schemes compliant	N/A	N/A	N/A	8/8 schemes compliant	8/8 schemes compliant	Yes
Water quality complaints	≤8 per 1000 properties	4.1	5.2	3.2	2.7	2.5	Yes
Water quality incidents	≤10 per 1000 properties	0.3	0.04	0.03	0.04	0.03	Yes
Water supply							
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						
Customer service							
Grade of service (% within 30 secs)	≥80%	75% (% within 20 secs)	83%	76%	72%	77%	Partially [†]

*Australian Drinking Water Guidelines

[†]Performance was within 10% of target

CHAPTER 3: OUR PERFORMANCE

Indicator	Service standard	2010/11 result	2011/12 result	2012/13 result	2013/14 result	2014/15 result	Achieved?
Service connections							
Standard connection decisions completed and standard notice issued	% completed within 10 business days from properly made application					100%	Yes
Internal reviews decided	% decided within 15 business days after receipt of properly made review application	New legislated service standards introduced on 1 July 2014 due to legislated changes to the management of development applications. Replaces previous measure, "Time to commence work following customer payment".				100%	Yes
Internal review notices issued	% decided within 5 business days after the review decision period ends					100%	Yes
Continuity of supply							
Number of unplanned water supply interruptions	≤100 per 1000 properties per annum	63	48	62	95	91	Yes
Restoration of water supply	≥90% unplanned interruptions restored within 5 hours	87%	89%	88%	94%	94%	Yes
Response to incidents							
Urgent water Urgent sewerage	80% within 1 hour	89%	98%	93%	83%	80%	Yes
Non-urgent water Non-urgent sewerage	80% within 24 hours	81%	96%	92%	69%	76%	Partially [†]
Notification of interruptions							
Notification of planned interruptions - water and sewerage	48 hours' notice given				96%	99%	Partially [†]

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

[†] Performance was within 10% of target

Our challenges

Improving the customer experience

Great customer service involves getting to know our customer segments well enough to consistently and proactively meet their respective needs and expectations. We acknowledge we have not achieved this level of service yet, however, we continue to improve the customer experience, one step at a time.

In 2014/15, we focused on improving the ease with which customers can interact with us by introducing self-service channels through our website and social media channels (see page 27); making improvements in our Contact Centre; and targeting key processes (such as customer on-boarding) that have been identified as areas of improvement.

We also introduced a CustomerCARE Program, the outcomes of which are detailed on page 26.

In addition, there were a number of cultural initiatives launched to progress our maturity towards a customer-focused culture including:

- The launch of a Customer Experience Council, which 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.
- The launch of a Customer Innovation Group, which encourages frontline customer-facing staff to suggest and deliver innovative ideas to improve the customer experience.

Supporting all of this is our Customer Insights Program, which delivers greater understanding of our customer segments to help drive change (see page 26).

While we achieved our Customer Experience Satisfaction target of 6.7, we still have some challenges to overcome, including:

- A property-driven billing system containing limited customer data, which impacts our ability to understand our customers. In early 2016, we plan to introduce a customer layer to this system.

- Customers' low level of engagement with us about our products and services. We are now focusing on improving our emotional engagement with customers during interactions.
- Rising customer service expectations driven by experiences delivered by other companies (across all industries).
- A significant number of wet weather-related events, creating increased service requests and response workload.

In 2015/16, we will continue to improve our strategy, culture, process and technology to help move us closer to understanding and delivering on the evolving needs and expectations of our customers.

Building our brand

Our customers are very clear on what they want from us. Through our customer insights research and analysis, our customers have told us they want us to deliver value for money, and be customer focused, reliable, open and transparent. We measure our performance against these customer expectations to determine the strength of our brand.

It can take time to build customer trust and show we are delivering in the ways they expect. As a young organisation – only five years old – one of our challenges is to build that trust in our brand to the level of more well-established utilities.

We're not letting our youth get in the way of delivering for our customers. At the end of 2015, our brand score reached an all-time high of 66, which is comparable with well-established water and sewerage utilities that have been developing their brands for a considerably longer period.

While a great result, we want to see our brand score increase. We will facilitate this by continuing to deliver services that offer value for money, and are customer focused, reliable, open and transparent.

CHAPTER 3: OUR PERFORMANCE

Our highlights

Driving change through customer research

Throughout 2014/15, our evolving Customer Insights Program provided us with a better understanding of our customers and their expectations. The program provides actionable intelligence from customer feedback to drive customer service improvements across key customer segments including core customers (residential), large commercial customers, and developers.

The program will continue to evolve through the application of the latest market research techniques and use of customer data to provide a deeper understanding of our customers and ensure customer feedback is used to improve the delivery of our services.

In 2014/15, we undertook the following market research initiatives:

- Customer Experience Benchmarking – Benchmarks customer experience satisfaction against other Australian utilities.
- Brand Index and Corporation Reputation – Tracks our brand and reputation in the community.
- Brand Index and Corporation Reputation Benchmarking – Benchmarks our brand and corporate reputation against other Australian utilities.
- Call Centre Customer Experience – Obtains feedback from customers about their experience when calling our Call Centre to request information or resolve an issue.
- Commercial Customer Experience – Gives us insights into the expectations of customers across key commercial customer segments. Feedback from this research informed the establishment of the Key Commercial Accounts team to service large commercial customers (see below).

Introducing a Key Commercial Accounts team

In order to deliver a positive customer experience, it is vital that we align our services to meet the respective needs and expectations of our various customer segments. This year, we implemented our Commercial Customer Segmentation Strategy to help us improve the level of service we deliver to our customers. As part of this strategy, we established a Key Commercial Accounts (KCA) team to provide dedicated account management services to our largest business customers. We are now able to build strong, mutually beneficial relationships with this segment by:

- providing an elevated level of service, which is imperative due to the criticality of water and sewerage services to these businesses,
- delivering improved business efficiencies (see Smart Metering below),
- promoting existing products and services and identifying new revenue streams.

A number of opportunities for shared value creation have also been developed (see page 55), delivering a combination of financial and non-financial benefits to Queensland Urban Utilities and our KCA customers.

Trialling Smart Meters with our commercial customers

We continue to work closely with our commercial customers to deliver improved operational efficiencies. In 2014/15, we commenced a Smart Meter trial with a number of our large commercial customers to improve their awareness of their water consumption patterns and behaviours, and give them the ability to proactively detect onsite leaks. As a result of the trial, one commercial customer detected a faulty valve in their cooling towers, which represented \$4,000 per month in savings. Another customer identified illegal water usage being carried out by a third party provider, which saved them approximately \$30,000 per month.

The trial also provides a number of benefits to Queensland Urban Utilities, including:

- the capability to gather data from the meters, which helps inform our strategic prioritisation and allocation of capital expenditure,
- the ability to use the information collected to inform our billing tariffs,
- greater understanding of the potential of Smart Meters and consideration for future roll outs.

Due to the success of the trial to date, it will continue in 2015/16.

Improving the customer experience through CustomerCARE

To realise our vision of being recognised for excellence in customer service, we need to put our customers at the centre of everything we do and strive to make every customer interaction a positive one. In 2014/15, we launched our CustomerCARE Program, which is designed to support our customer-facing and support teams by providing them with the right systems, processes and training to help them deliver great customer experiences.

This year, we facilitated 46 CustomerCARE training sessions for 462 customer-facing staff from all areas of the business. The training was very well received, with participants reporting they were more confident in dealing with customers as a result.

What our staff thought of CustomerCARE training

“It was a great refresher on customer service and an opportunity to share views with team members. Everybody was invited to participate and be heard.”

“I feel more confident to deal with customers in a positive way.”

“Inspiring content and presenters.”

“Very entertaining and relevant.”

“Very helpful. I can confidently say that I have walked away with new knowledge.”

Improving the functionality of our website

Over the past year, we have made a number of improvements to our website including increased self-service functionality.

Building on the success of the online forms we introduced last year (‘report a leak’, direct debit application, and special water meter read), our customers can now request a copy of their bill, change their contact details, and register a third party to act on their behalf.

We also launched an interactive bill, which allows customers to completely understand each element of their bill, and a comprehensive Newsroom where media representatives and other stakeholders can find out our latest news.

These improvements contributed to our website winning the Sitecore ANZ 2014 Best Customer User Experience Award in November 2014.

Year-on-year, we increased the number of visits to our website from 437,981 (2013/14) to 1,502,911 (2014/15), which represents an impressive 343% increase.

Our media and social media activity

In 2014/15, there were around 200 positive media stories published about Queensland Urban Utilities, highlighting the essential work we perform within our communities. The media coverage raised awareness about our innovations, infrastructure projects, community events, and marketing campaigns. Story topics included the benefits of choosing tap water over bottled water, the achievements of our staff, what not to flush, and how we’re working to ensure our vast network caters for population growth.

In the social media space, we diversified our approach by expanding the channels we use to communicate and engage with our online community. We now have a presence on Facebook, Twitter, LinkedIn, Instagram, YouTube, Soundcloud, Nabo and Periscope, allowing us to tailor content to specific audiences. This year, our Customer Advocacy team assumed responsibility for managing customer enquiries via Facebook and Twitter, which has increased the speed and quality of our customer service interactions.

We have steadily increased our followers on Facebook (up by 78%), Twitter (up by 31%) and LinkedIn (up by 63%), allowing us to reach an audience of over 840,000 on Facebook, 300,000 on Twitter and 555,000 on LinkedIn.

Looking forward

A selection of our strategic outcomes for 2015/16

- Actionable intelligence from our customer insights programs to enable segment-driven services to our customers.
- Optimised water and sewerage network monitoring capability to improve asset reliability and reduce service interruptions.
- Improved response to and support for customers through service interruptions, including reducing the time to restore services.

CHAPTER 3: OUR PERFORMANCE

CASE STUDY



Launching our Turn to Tap campaign

In late 2014, we launched our Turn to Tap campaign to encourage people to carry a reusable water bottle filled with fresh, quality tap water. By 'turning to tap', people can create a better future for the environment, their health and their hip pocket.

Our Turn to Tap program is a natural extension of our commitment to waterway health and supports our partnerships with the Bulimba Creek Catchment Coordinating Committee, SEQ Catchments and Healthy Waterways.

To help promote our Turn to Tap messages, we've handed out over 15,000 reusable water bottles filled with quality tap water at community events, including fun runs and tree plantings.

We also became one of the first financial sponsors of the Tangalooma EcoMarines program, which has enabled us to engage with school students through a 'Turn to Tap challenge'.

To date, we've run school challenges at Bulimba State School, Somerville House and Wilston State School where students were asked to design a bag tag to remind them to pack a reusable water bottle for school. As a reward, we produced each school's winning design for the students.

1,500 SCHOOL STUDENTS
ENGAGED IN OUR
'TURN TO TAP' CAMPAIGN

CHAPTER 3: OUR PERFORMANCE

CASE STUDY



Streamlining the Water Approval Process

On 1 July 2014, our new Development Services team became responsible for receiving, assessing and approving applications for the connection, disconnection and alteration to water and sewerage services (referred to as the 'Water Approval Process'). These tasks were previously handled by our five council areas.

To deliver the Water Approval Process, we introduced a simple two-stream approach: a key customer management approach for major customers and complex projects, and an online approach for standard connections and minor works. The new Water Approval Process presented a significant change for members of the development industry, who had previously applied to council for all aspects of development approvals. We worked closely with the councils to ensure the transition was as seamless as possible for our customers, and introduced various transitional arrangements for developers who had active applications with councils.

To further help the industry adjust, and to improve our understanding of the industry's needs and expectations, we:

- hosted four information and feedback forums for developers, plumbing and construction contractors, and endorsed engineering consultants, which attracted more than 300 attendees,
- launched a development industry e-newsletter, which includes updates on key policy changes, network planning and industry events,
- participated in more than 25 industry engagement sessions with developers, town planners, construction and plumbing contractors, and hydraulic consultants.

Throughout the year, we received and assessed 1,450 standard connection applications and met our KPI of '100% decided within 10 business days'. We also received and assessed more than 1,770 property service and network connection applications and met our KPI of '100% decided within 20 business days'.

3,220 **NEW CONNECTION APPLICATIONS PROCESSED**

CHAPTER 3: OUR PERFORMANCE

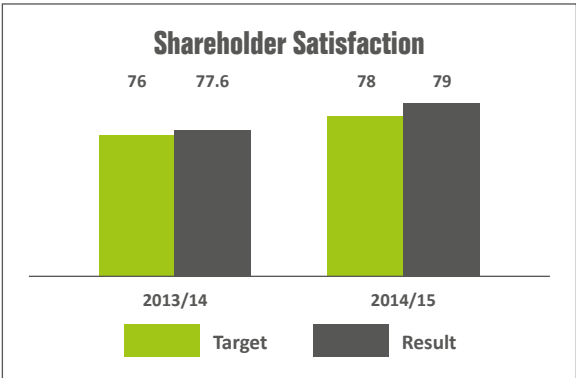
Shareholders and Communities

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

Performance against strategic success measures

Key Performance Indicator	Unit	Target	Result	Achieved?
Shareholder Satisfaction	Score out of 100	78%	79%	Yes

Year-on-year performance against strategic success measures



Shareholder Satisfaction indicates our shareholders’ satisfaction with our overall performance as a water and sewerage service provider.

100%

APPROVAL FROM SHAREHOLDERS ON OUR CORPORATE PLAN

Performance against key focus areas

Effective stakeholder relationships driving an efficient operating environment

- Received commendations for our effective preparation, customer liaison, and professionalism provided to government agencies and customers prior to and during the G20 Summit (see page 39).
- Adopted a more strategic and proactive approach to stakeholder engagement through the development of our Stakeholder Engagement Plan (see page 37).
- Welcomed two new members to our Customer and Community Reference Group to ensure we continue to have the best representation of customer and community interests (see page 41).
- Continued to have representation on a number of cross-collaborative committees including the SEQ Strategy and Planning Committee, the Operations Managers 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 of a variety of important issues at a regional and national level.
- Participated in the Water Service Providers Working Group, where we are assisting the Department of Energy and Water Supply to revise the Customer Code, which guides the provision of sustainable water and sewerage services to South East Queensland.
- Reviewed our *Water Netserv Plan*, which included consultation with our customers and the development industry via our website, social media, a public notice in *The Courier Mail* and *Queensland Times*, and a mail out to shareholders. We also invited feedback from staff via our intranet, social media and email.

Effective shareholder relationships benefiting shareholders and our shared communities

- Achieved strong scores in our Shareholder Satisfaction Survey, indicating that we've maintained the support of our shareholders and that our engagement approach is proactive, robust and effective (see page 37).
- Received 100% approval from shareholders on our 2014-19 and 2015-20 Corporate Plans.
- Partnered with Brisbane City Council to introduce a student accommodation development stimulus program. The program is designed to support the tertiary education sector and bring quality student accommodation to Brisbane through lower infrastructure charges.
- As part of our commitment to supporting regional growth, we reduced our non-residential use infrastructure charges in Scenic Rim to support the Scenic Rim Regional Council to align with the Queensland Government's Fair Value Charges Schedule.
- Proudly supported 30 community-based events and projects through sponsorship, participation, one-off donations and in-kind donations (see page 44).
- Highlighted the important work we perform within the community by attaining 200 positive media stories about Queensland Urban Utilities (see page 27).
- Entered the fourth year of our innovative partnership with the Bulimba Creek Catchment Coordinating Committee to rehabilitate our work sites. This year, we conducted 19 planting days across 10 sites where around 2,725 native trees were established.
- Worked closely with Brisbane City Council to co-ordinate the rehabilitation of the S1 Sewer Main with the upgrade of Kingsford Smith Drive to minimise the impact on traffic and the community (see page 36).
- Raised awareness of the effects of single-use plastic bottles and disposable coffee cups on our waterways by partnering with the Tangalooma EcoMarines, Healthy Waterways and local catchment groups during Clean-up Australia Day.

CHAPTER 3: OUR PERFORMANCE

Our stakeholders

We recognise that effective stakeholder management is critical to enabling our sustainability, growth and success.

We work closely with our shareholders to ensure our strategic direction is aligned with their aspirations and goals, and that our service delivery balances customers' needs and business efficiencies.

Our solid relationships with the state and federal governments allow us to keep abreast of legislation and regulations and ensure we continually fulfil our responsibility to protect the environment and support sustainable practices.

Our relationships with South East Queensland water industry participants, suppliers, innovation bodies, and environmental groups allow 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 (see page 41).

Stakeholder groups and their key interest areas

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

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,
- *In the Pipeline* residential newsletter, distributed quarterly,
- media coverage,
- regular social media updates,
- website,
- marketing collateral- fact sheets, flyers, signage,
- quarterly bill account communications,
- focus groups,
- community events,
- information sessions,
- industry forums.



We believe that the partnership between the Bulimba Creek Catchment Coordinating Committee (B4C) and Queensland Urban Utilities has been of great benefit in terms of environment, social and economic outcomes for all concerned. We look forward to continuing to work with your great team in the future.

Heather Barns, B4C



CHAPTER 3: OUR PERFORMANCE

Our challenges

Keeping our customers in the loop on our S1 Sewer Upgrade

This year, we started construction on one of our largest capital works projects to date – the S1 Sewer Upgrade in Brisbane (see page 52).

Knowing in advance that construction could only be delivered at night, during off-peak traffic and low sewer flows, the project team decided to engage with customers early and often.

To proactively manage community expectations, the project team distributed detailed fact sheets about the project and construction methodology prior to works commencing. Information included key messages about the project benefits and answers to potential questions about construction impacts and mitigation measures. A free-call 24/7 project information hotline was also set up for residents should they have any questions or concerns during construction.

Consultation with directly impacted residents continued every fortnight via hand-delivered construction postcards, project website updates, and photo gallery and e-news updates. By telling the story as it unfolded, including factual details about predicted noise and odour at specific locations, residents knew what to expect throughout the project.

A less formal approach was used in the e-news updates to boost readership and build relationships with our S1 neighbours. In the words of one resident:

“Thanks for the update. Your emails are easy and enjoyable to read. I’m impressed with the focus on keeping people interested in the project in the loop.”

Working with Councillors and customers to address customer issues

We build and foster strong relationships with our shareholders and stakeholders by openly engaging with them on a variety of issues.

As discussed in greater detail on page 51, wet weather often leads to increased sewage overflows into both public and private properties, as was the case in the Brisbane suburbs of Banyo and Virginia in May 2015. We worked closely with Councillor Kim Flesser (Northgate ward) to provide information to affected residents at a town meeting on 7 May.

Cr Flesser said: *“My local community was very appreciative of the Queensland Urban Utilities officers coming to a public meeting I arranged for residents in Banyo and Virginia who were experiencing sewage overflow problems during heavy rain events. The 60 residents who attended were able to gain an understanding of the local sewerage system and were given opportunities to raise their particular problems with the officers directly.”*

As a result of the meeting, Queensland Urban Utilities agreed to conduct a smoke testing program for the local area to reduce stormwater inflows into the sewers. They also gave an undertaking to reassess the capacity of local pipes and pumping stations and make improvements where necessary. I’m confident that as a result of this meeting, Queensland Urban Utilities will make improvements to reduce the number of sewage overflow events in these suburbs.”

As well as the smoke testing program, we commissioned a study into the overall network system to identify sewerage infrastructure options across Banyo. We will continue to communicate with residents on the outcome of the smoke testing and other investigations, and will work with Council where stormwater may be impacting on the sewerage network.

Our highlights

Introducing the Stakeholder Engagement Plan

Effective stakeholder engagement is critical to the successful delivery of our services.

In November 2014, we launched our new Stakeholder Engagement Plan, which takes a more strategic and proactive approach to the way we engage with our shareholders and stakeholders. To ensure a business-wide approach, the plan was developed in conjunction with relationship managers from across the organisation.

One of the new initiatives identified in the Stakeholder Engagement Plan is a secure web portal for shareholders. The portal will be a self-service centre that will offer shareholders a mix of shareholder-specific information, as well as information relevant to their council area that is available on our website. The portal, which will be launched in the first quarter of 2015/16, will enable shareholders to access relevant information quickly, thereby providing a more positive experience.

Recognised for our proactive engagement with shareholders

To gauge our efforts in improving our proactive communication with shareholders, a new measure was included in the Annual Shareholder Survey in 2014/15. Shareholders were asked to comment on the manner in which we had engaged with them over the previous 12 months and rate us on a scale of 1 to 5, with 1 being very reactive, 3 being neither reactive nor proactive, and 5 being very proactive. Shareholders gave us an average score of 4.25 out of 5, indicating that our proactive engagement activities have been recognised. This approach is likely to have contributed to the increase in our overall shareholder satisfaction score from 77.6% in 2014 to 79.2% in 2015.

Supporting our communities through sponsorship

This year we invested close to \$115,000 in programs and events supporting education, customers, industry and the environment. Through our Sponsorship Program, we work collaboratively with organisations to enrich quality of life for our customers and communities. We also partner with initiatives that promote innovation, environmental conservation, and support sustainable growth in our service area. This year, our sponsorship program assisted 23 initiatives through charitable donations, event sponsorship or in-kind contributions. A selection of the initiatives and events we supported can be seen on page 44.



Educating the next generation about looking after the sewerage system

In 2014/15, we launched a new children's sewerage education program at the Rural Discovery Day event attended by 220 primary school students. Through interactive activities and engaging stories, the children were shown how the water and sewerage network operates and how they can help look after the sewerage system and the environment. The day was an opportunity for the children to have some fun, find out interesting facts, and understand what goes on after they flush the toilet.

Looking forward

A selection of our strategic outcomes for 2015/16

- Shareholders' aspirations supported for economic and population growth.
- Stakeholder management embedded in day-to-day activities to support more proactive and collaborative relationships.

CHAPTER 3: OUR PERFORMANCE

CASE STUDY



Commended for our G20 preparedness

One of our challenges in 2014/15 was preparing for one of the most influential and significant events in Australia's history – the G20 Summit. As an essential service provider, it was imperative that we were prepared for this event, which saw some of the world's most prominent leaders gather at the Brisbane Convention and Exhibition Centre over the weekend of 15 and 16 November 2014.

Our planning for the G20, which commenced back in 2012, involved establishing a dedicated G20 Working Group in March 2014, which comprised representatives from across the business. In addition to liaising closely with the G20 taskforce, Queensland Police, and other lead agencies over the security of our critical water and sewerage assets and contingency plans, the working group:

- identified and reviewed the reliability of our critical assets that would support service into the G20 zones,
- ensured our maintenance work was up-to-date on assets that were within, or fed into, the G20 declared and restricted zones, which involved inspecting 45.5km of reticulated water mains and 5.5km of trunk water mains for leaks,

- inspected and cleaned 17km of reticulation sewers and trunk sewers in the G20 zone,
- worked with lead agencies on the protection and preparedness of our critical ICT and operational systems,
- liaised closely with the 14 major hotels in the G20 restricted zone and worked with other critical customers to ensure their service connections were maintained,
- participated in external emergency exercises and planning meetings for all infrastructure providers, and
- practised and implemented business continuity arrangements to support areas of the business that operate 24/7, such as the Contact Centre.

Thanks to our thorough preparations, we received commendations from the Queensland Police for our effective planning, customer liaison, and professionalism in supporting their management of the event. In addition, our direct liaison with critical customers who were within the G20 restricted zones saw us receive multiple commendations and letters of thanks for the support we provided to their preparations for the event.

“

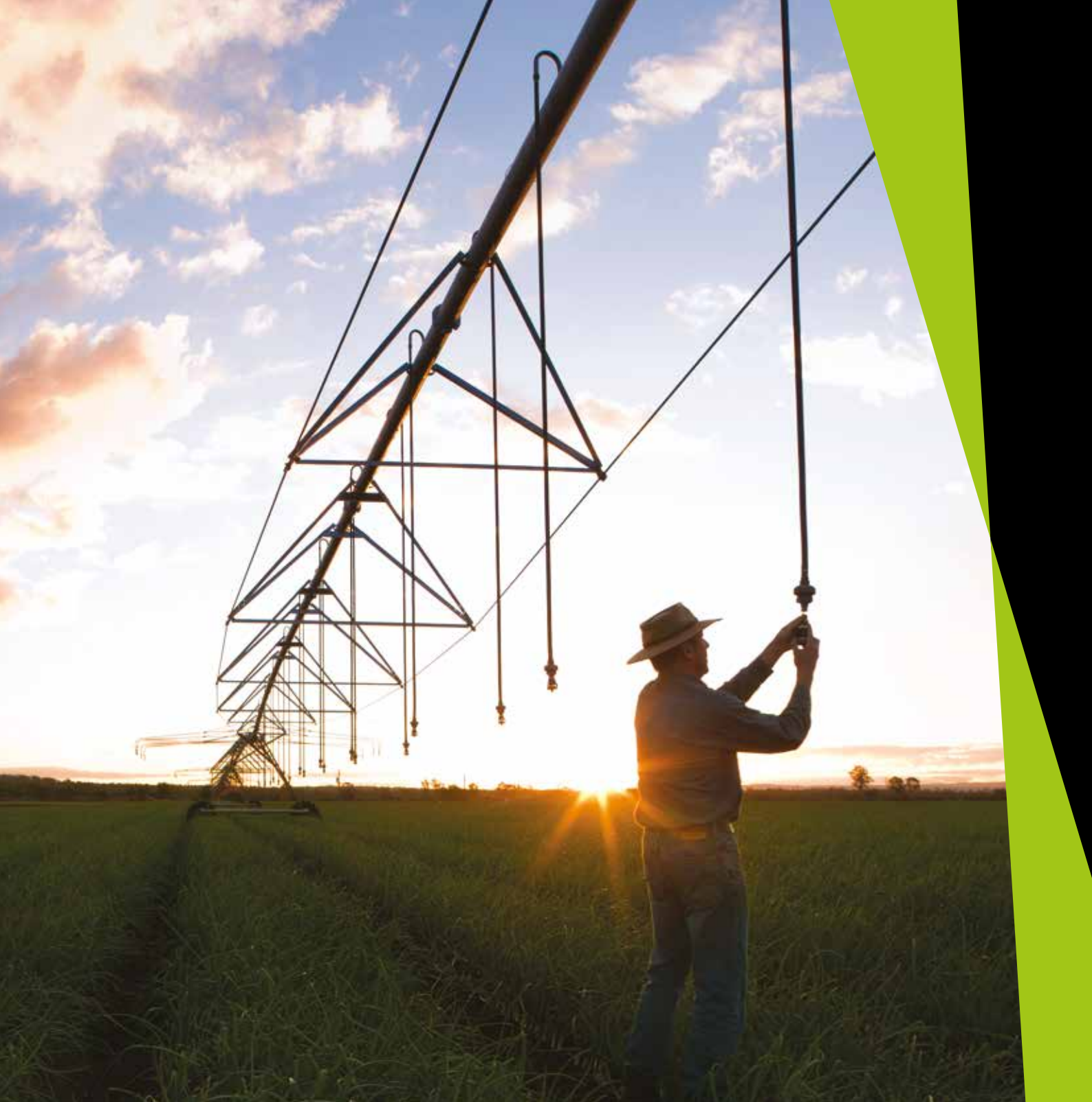
Thank you for your exceptional support, assistance and patience in the lead up to and during the G20 Summit. My honest assessment is that our success was, in a big part, thanks to your interest, goodwill, cooperation and strong partnership, developed over the last year and a half ~ for that, I am genuinely grateful.

Senior Sergeant Scott Harris, Queensland Police Service

”

CHAPTER 3: OUR PERFORMANCE

CASE STUDY



Sharing open and honest dialogue with our Customer and Community Reference Group

Understanding the evolving needs of our customers is a crucial part of achieving our vision, which is why our Customer and Community Reference Group (CCRG) holds such value in our suite of stakeholder engagement tools.

We meet with CCRG members quarterly to share open and honest dialogue about a range of issues, including pricing, infrastructure planning, innovation and sustainability.

To ensure fair representation, the group is made up of 10 members who are drawn from various customer and community groups, including our residential customer base, businesses, education providers, and not-for-profit organisations. Results from our inaugural CCRG Satisfaction Survey indicate that members believe the group to be of great value (86% satisfaction rate) and find their interactions with us to be proactive (4 out of 5). These attitudes are reflected in the following quotes from members.

“Having been a CCRG member for several years, I have been impressed by the diligence and emphasis given by Queensland Urban Utilities’ staff to ensuring that information sessions are targeted and useful in facilitating two-way communication.

With a background in the environmental technology and services sector, I have promoted the general cause of innovation in these meetings and have found the staff receptive to new ideas and courteous in the manner with which they have dealt with feedback.

Queensland Urban Utilities has set a strong benchmark in stakeholder consultation and engagement.” – Professor John Cole from the University of Southern Queensland

“Being part of the CCRG has enabled the Queensland Council of Social Service (QCOSS) to better understand QUU’s business risks, value proposition and consumers’ needs. More importantly for QCOSS, it helps to ensure that the voices of low-income and vulnerable consumers are heard within QUU’s policy and decision making processes.

Our view is that the CCRG is an effective partnership between industry and the community sector and in the last years has engaged on issues such as drinking water quality, energy efficiency, economic regulation, innovation within QUU and the customer charter. QCOSS values the opportunity to be a member of the CCRG and commends QUU on the professional manner in which it engages with its members.”

– Rose McGrath, Queensland Council of Social Service

86%

OF OUR CUSTOMER AND COMMUNITY REFERENCE GROUP ARE SATISFIED WITH OUR PERFORMANCE

CHAPTER 3: OUR PERFORMANCE

CASE STUDY



Engaging with the community: West End Sewer Upgrade Project

Our commitment to listening and responding to our customers and the community is particularly relevant when we deliver our major infrastructure projects. While construction impacts such as noise, odour and altered traffic arrangements are often unavoidable, it is essential that we engage with our customers in a meaningful way, to minimise the impacts. This process was exemplified during our work on the \$3 million West End Sewer Upgrade Project, which was undertaken to cater for future growth and development in the area.

Completed over nine months, including three months of night works, the project involved micro-tunnelling 430m along one of West End's busiest streets, in front of businesses and residential apartment blocks. We undertook targeted consultation that involved proactively informing and involving stakeholders in the decision-making process.

This occurred at three distinct phases of the project:

- At the procurement phase, stakeholders were asked for local input and knowledge to inform the decision-making process about detailed design, construction methodology and environmental management.
- During pre-construction, stakeholders were contacted via written notification, door knocks and pre-arranged meetings to inform them about the project, consult with them about construction impacts, and involve them in developing mitigation strategies.
- We adopted a 'no surprises approach' during construction and kept stakeholders up-to-date along the journey. Our open and transparent approach built trust and enhanced stakeholder participation in the development of innovative construction impact solutions.

Upon completion of the project, we asked impacted stakeholders to complete a satisfaction survey. We found that:

- 87.5% of respondents believe we delivered on the expectations that were set,
- on average, respondents rated the professionalism of project staff a 9 out of 10.

**9/10 FOR OUR PROFESSIONALISM
DURING THE WEST END
SEWER UPGRADE PROJECT**

CHAPTER 3: OUR PERFORMANCE

Supporting our communities at local events

A selection of the events we supported in 2014/15:

JUL 2014



Salvation Army Bring Your Bills Day

Supported customers experiencing financial pressures.

JUL 2014



Somerset Rail Trail Fun Run

Promoted our capital works projects in Somerset and supported Diabetes Australia.

JUL 2014



Oxley Sewage Treatment Plant Tour

Offered the public a tour of the plant as part of the 2014 Peaks to Points Festival.

AUG 2014



Ekka

Promoted our Think at the Sink campaign.

AUG 2014



Wheel Make a Change

Ian Hall, Executive Leader Commercial Customers, raised \$2,400 for the Cerebral Palsy League.

SEP 2014



National Water Week

Had a presence at Stafford Bunnings where staff provided tips on water efficiency and storm preparation.

OCT 2014



Lockyer Valley Business Awards

Was a major sponsor of these awards that acknowledge local businesses, trainees and apprentices.

NOV 2014



WaterAid Golf Day

Raised more than \$22,000 to help WaterAid provide access to safe water, hygiene and sanitation in third-world countries.

DEC 2014



Seqwater Play it Safe Day

Had a presence at Seqwater's event aimed at encouraging school students to safely enjoy water-based recreational activities.

DEC 2014



Queensland Times' Adopt-a-Family Appeal

Donated a number of items to help brighten Christmas for struggling Ipswich families.

FEB 2015



WaterAid Breakfast

Hosted a charity breakfast that raised \$43,000 to help those in third-world countries gain access to safe drinking water and sanitation.

MAR 2015



Clean Up Australia Day

Sponsored a clean-up event in Murarrie.

MAR 2015



Connect to your Creek Week

Participated in an event at New Farm Park where we promoted our Turn to Tap campaign.

MAR 2015



Mater Little Miracles Springfield

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

APR 2015



Salvation Army Red Shield Appeal

Sponsored and attended a charity breakfast in Ipswich.

MAY 2015



Rural Discovery Day

Taught school-age children how the water and sewerage system works via interactive stories and displays.

MAY 2015



Ipswich Enviro Forum

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

MAY 2015



Mater Little Miracles Southbank

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

MAY 2015



Mother's Day Classic

Handed out more than 5,600 reusable water bottles to thirsty participants.

JUN 2015



Healthy Waterways Awards

Sponsored these awards that celebrate people who make a genuine and lasting contribution to the protection of our waterways.

CHAPTER 3: OUR PERFORMANCE

Operational Excellence

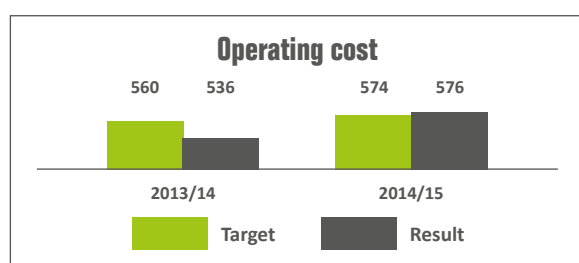
We innovate to drive operational excellence to achieve outcomes at the lowest long-term cost.

Performance against strategic success measures

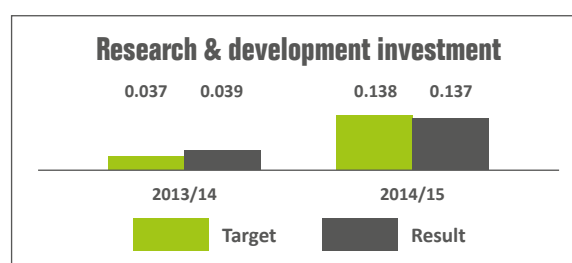
Key Performance Indicator	Unit	Target	Result	Achieved?
Operating cost	\$ per property	\$574	\$576	Yes
Non-regulated profit	\$000	400	310	No
Return on assets	%	4.8%	6.8%	Yes
Research and development investment	% of revenue	0.138%	0.137%	Yes
Capital infrastructure program delivered against budget	%	100% (+/-5%)	102.02%	Partially [†]
ICT investment program delivered against budget	%	100% (+/-5%)	99.7%	Yes
Cogeneration	000 MWh	17.04	7.3	No
Biosolids production	000 wet tonnes	150	144.22	Yes
Water quality incidents	Number reported to water supply regulator	18	18	Yes
Total net greenhouse gas emissions	000 tonnes CO ₂ e	131.6	113.47	Yes

[†] Performance was within 10% of target

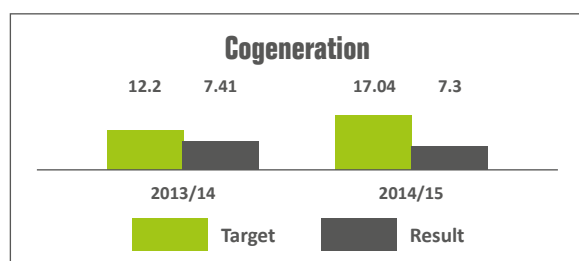
Year-on-year performance against selected strategic success measures



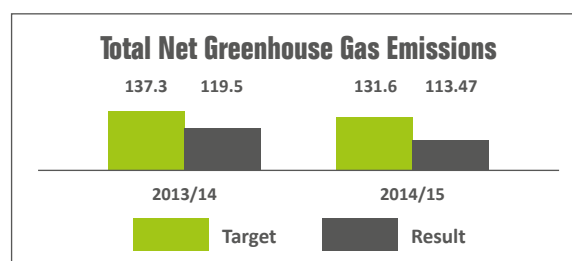
Our operating costs are those that relate to our day-to-day operations, including employee costs, insurances, electricity and rent. We then divide the total figure by the number of properties we service.



Our research and development investment reflects the percentage of our revenue that we use to invest in the research and development of solutions to improve the way we deliver services.



Cogeneration measures the amount of electricity produced by our cogeneration units located at the Luggage Point and Oxley Creek Sewage Treatment Plants. This offsets the purchase of electricity and supports environmental health.



The Total Net Greenhouse Gas Emissions measures the mass of emissions we generate. Sources include combustion of vehicle fuels, fugitive emissions from sewage treatment processes and coal-based grid electricity consumption.

Performance against key focus areas

Operational excellence, driving product/service quality, service delivery and cost reduction

- Achieved a significant milestone with \$1 billion of infrastructure delivered since our formation on 1 July, 2010.
- Completed service plans for Scenic Rim, Lockyer Valley, Somerset and Ipswich. These plans describe our approach to delivery of water supply and sewage services to support economic development with the right infrastructure at the right time, place and cost.
- Optimised our Capital Investment Program from the 2014/15 base by a total of \$250m over the next five years.
- Identified \$121m in infrastructure delivery savings through a revised challenge and prioritisation process for new infrastructure investment, and efficiencies in how we deliver new infrastructure (see page 52).
- Completed a review of all asset management strategies, which resulted in significant changes to our approach to water main and water meter replacements. All strategies now take a risk/condition-based approach to maximise longevity and inform capital investment.
- Made advancements in the identification and tracking of investment benefits, driving improved investment decision making.
- Delivered \$31.3m in operational efficiencies as part of our Enterprise Excellence Program (see page 57).
- Saved 890ML of water through the use of innovative leak detection software (see page 53).
- Despite an increase in the volume of sewage treated, we reduced the volume of biosolids (the solid by-product of sewage treatment) produced, thereby reducing our operating cost and the impact on the environment.
- Automated key administration processes to deliver efficiencies.
- Successfully trialled a new 'business intelligence platform'. The platform will significantly improve the way we combine and analyse information across multiple corporate systems to inform key decision making, the outcomes of which will drive improved services and lower costs.
- Significantly strengthened the integration between our strategic and operational planning process and our cost/benefit management, risk management and ICT investment planning functions, ensuring our investment in strategic improvement is both financially prudent and low risk.
- Delivered an integration platform for our ICT systems, resulting in a more agile platform to support our day-to-day operations and an improvement to operational arrangements with our third party suppliers.
- Water main breaks continued to trend downwards in 2014/15, resulting in more reliable services to our customers. Sewer main breaks and chokes, however, trended upwards in the first five months of 2014/15, predominantly due to dry weather since February 2014. Through adjustments to our maintenance programs, we were able to arrest this trend and expect to see a continual reduction in 2015/16. We also conducted a number of public campaigns to reduce foreign objects being flushed – such as 'flushable wipes' – which are known to cause blockages in the sewerage system.

\$1b OF INFRASTRUCTURE DELIVERED SINCE OUR FORMATION

CHAPTER 3: OUR PERFORMANCE

Performance against key focus areas (continued)

Innovation and organisational development

- Successfully completed waste to resource trials at our sewage treatment plants to inform future strategies for the generation of renewable energy on site (see page 55).
- Completed eight solar installations at our regional sewage treatment plant sites. This will increase our onsite energy generation capability by 195 MWh per year.
- Officially opened our Innovation Centre – a dedicated space to trial emerging technology and collaborate with research and development partners. The centre, which is housed in a heritage-listed building at our Luggage Point Sewage Treatment Plant, is currently being used to trial several process innovations, including methods to convert our waste streams (sewage) into value streams (energy).
- 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 achieve regional solutions.
- Partnered 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 anammox to provide cost-effective nitrogen removal from our sewage treatment process.
- Held 10 CEO Innovation Hours, which saw 33 innovations approved by the CEO for trial or implementation.

Supply chain management

- Achieved cost savings through the consolidation of our capital and operational procurement functions. Our new strategic approach has increased the sustainability of our relationships with key suppliers.

\$196.6m INVESTED
IN NEW
INFRASTRUCTURE

Major projects completed or progressed in 2014/15

In 2014/15, we invested \$196.6m in our Infrastructure Program to improve the reliability and sustainability of our water and sewerage network. The below table shows the capital works projects that were completed, progressed or commenced during 2014/15.

Region	Project Name	Estimated 2014/15 Investment (\$'m)	Estimated Total Project Investment (\$'m)	Commenced	Estimated Completion
Brisbane	Luggage Point Sewage Treatment Plant Inlet Works Upgrade	3.91	10.37	2012/13	2014/15
	Luggage Point Sewerage Treatment Plant – Cogeneration Plant Replacement	3.27	8.91	2012/13	2014/15
	Woolloongabba Sewer Catchment Augmentation	1.72	81.92	2010/11	2014/15
	Pioneer Crescent Pump Station Bypass	1.77	2.49	2013/14	2014/15
	Brisbane S1 and S18 Main Sewer Rehabilitation	10.43	65.84	2013/14	2020/21
	Brisbane Aerodrome Archerfield Rd Pumping Station Upgrade	1.04	4.81	2014/15	2015/16
	Jindalee Water Trunk Main Replacement	1.34	7.44	2014/15	2015/16
	Bartleys Hill/Wellers Hill Zone Connection Including Twin River Crossing	0.13	21.53	2014/15	2016/17
	Other (renewals, enhancements, replacements)	125.7	N/A	Various	Various
Ipswich	Rosewood Sewer Catchment Augmentation	2.45	5.10	2012/13	2014/15
	Carole Park Sewage Treatment Plant Stages 1 and 2 Refurbishment	2.62	2.81	2014/15	2014/15
	Glass Reinforced Plastic Water Mains Replacement	8.19	9.93	2013/14	2014/15
	Other (renewals, enhancements, replacements)	17.3	N/A	Various	Various
Lockyer Valley	Other (renewals, enhancements, replacements)	3.3	N/A	Various	Various
Scenic Rim	Rathdowney Reservoir	1.24	2.02	2012/13	2014/15
	Other (renewals, enhancements, replacements)	4.4	N/A	Various	Various
Somerset	Kilcoy Water Mains Augmentation (From Saleyard Reservoir and Within Network)	3.70	4.12	2014/15	2015/16
	Other (renewals, enhancements, replacements)	3.8	N/A	Various	Various

CHAPTER 3: OUR PERFORMANCE

Our challenges

Managing our capital infrastructure delivery

Each year as part of our asset planning and budgeting processes, our capital infrastructure delivery program is set and agreed with the Board. As we progress through the year, this program is subject to changes, including:

- Work carried-forward from the previous year, identified after approval of the program.
- Inclusion of emergent works.
- Improvements to project scopes, procurement efficiencies, and favourable market prices, which reduce the value of the program.
- Deferral of new or renewed infrastructure through our ongoing challenge processes, which includes consideration of impact on services to customers and population growth.
- Unfavourable market prices, which increase the value of the program.
- Deferral of projects due to internal factors, such as project re-design or re-scoping and procurement delays.
- Deferral of projects due to external factors, such as delays in receipt of permits or supplier and contractor performance.

Each quarter, the program is reviewed considering the impact of the above factors. Where the program is reduced in value, investment in future years is considered for bringing forward to the current year. After each review, a revised outcome for the end of the financial year is determined.

For 2014/15, we experienced a significant number of impacts to our capital infrastructure delivery program. As a result, the program was reduced from \$241.7m to \$192.7m at the last review approved by the Board in April 2015. We met this revised target, delivering \$196.6m.

While delivering this program, we also implemented improvements to our infrastructure delivery models (see page 52) which are expected to address some of the above factors that impacted our program delivery.

Finding the root cause behind water quality incidents

Water quality is a key priority to us, along with the safety of our employees and the public. Our water quality monitoring program is designed to provide timely information about water quality incidents, enabling us to respond quickly and carry out appropriate corrective actions to ensure safe drinking water is supplied to our customers and communities.

To assist in reducing water quality incidents, we introduced the TapRooT systematic process to help us investigate and find the root cause of any issues. The investigations completed during 2014/15 revealed several opportunities for process improvements, which we actioned immediately to reduce the likelihood of future water quality incidents.

Armed with our new investigation process, we expect to identify and implement additional improvements, and are confident we will further reduce water quality incidents in 2015/16.

Working proactively to prevent wet weather overflows

In 2014/15, South East Queensland endured a number of wet weather events including the hailstorm event in November 2014, ex Tropical Cyclone Marcia in February 2015, and the East Coast Low in May 2015. These events resulted in Queensland Urban Utilities receiving an increase in requests for assistance due to overflows from our sewerage system into public areas or private properties.

In preparation for these wet weather events, we:

- appointed additional crews to manage the anticipated increase in workload,
- trialled localised solutions to protect previously affected properties to minimise impact and reduce clean up times,
- contacted previously impacted customers to alert them to the forecast weather and assure them that we were ready to assist in the event of an overflow,
- partnered with a specialist cleaning and property restoration company to carry out sewage clean-ups as soon as possible.

To further manage wet weather overflows from the sewerage network, our dedicated team collaborates with councils to increase the use of smoke testing in known 'hot spot' areas. This testing helps us to identify plumbing defects in properties that can impact the performance of our sewerage network. We then work closely with councils to address the defects. The team has also increased the number of closed-circuit television inspections to identify blockages, and increased the number of cleaning activities, both of which are designed to maintain maximum sewer capacity.

Despite the substantial increase in wet weather sewage overflows, we still managed to meet our target of responding to 80% of urgent sewerage incidents within one hour.

Cogeneration challenges

In 2012, the Board approved our Environmental Resilience Strategy, a key component of which is the generation of electricity through our sewage treatment process (known as cogeneration). Not only does this offset our purchase of electricity off the grid, thereby reducing our operating costs, but it reduces our impact on the environment.

The strategy sets out our cogeneration targets up to 2017/18. These targets are supported by the implementation of additional cogeneration units at our large sewage treatment plants, which assist in converting gases produced through the sewage treatment process into electricity.

During 2014/15, we encountered delays in the installation of new cogeneration plants that would have enabled us to produce the levels of cogeneration to achieve our targets. These new plants are now installed. Furthermore, we made the decision during 2014/15 to remove older, inefficient cogeneration plants that were not producing the levels of cogeneration expected. The combination of these events significantly impacted our ability to meet our cogeneration targets.

We also undertook a number of trials to increase the cogeneration of electricity from the sewage treatment process. The successful trials will be finalised in 2015/16, which will result in a comprehensive review of our Environmental Resilience Strategy, and our cogeneration targets (see page 55). These trials and the operational review are in accordance with our Waste to Resource Strategy.

CHAPTER 3: OUR PERFORMANCE

Our highlights

Delivering savings through prudent investment in infrastructure

During 2014/15, we revised the way we undertake our asset and service infrastructure planning. Underpinning this planning process is a customer-focused approach that considers our Customer Service Standards and engagement with our customers and communities to ensure our infrastructure meets their needs, and supports our shareholders' social and economic aspirations.

To support the enhancements to our infrastructure investment planning process, we revised the way we govern the delivery of new infrastructure. Rather than individually manage up to 260 projects, we moved to a portfolio-based approach, which allows us to identify efficiencies in the way we contract for and deliver new infrastructure, as well as improve how we engage with the community where the new infrastructure is being delivered.

As part of a five-year strategy to generate \$200m of efficiencies in infrastructure investment planning and delivery, these initiatives have already realised \$121m in savings.

Upgrading one of Brisbane's major trunk sewers

The S1 Main Sewer is the backbone of Brisbane's sewerage network, stretching more than 12km and carrying 60% of the city's sewage.

The pipe is more than 100 years old, spans 1.5m in diameter and lies up to 20m below some of the busiest roads in Brisbane.

After extensive investigations were carried out on the S1 Main Sewer, it was identified that rehabilitation (re-lining) was required to address damage caused by acid corrosion. Our challenge was to confirm the actual loads on the pipe through innovative investigative and design techniques; carry out the required sewer lining design; and identify an optimum lining solution that would satisfy constructability and safety requirements.

Thanks to our preliminary design work, experienced construction supervision staff and sewer relining trials to identify and manage construction risks, we achieved strong progress without any major construction issues.

The upgrade project covers a 6 km section of the S1 Main Sewer between James Street and the Eagle Farm Sewer Pump Station and is expected to be completed in stages, finishing in 2019.

Streamlining our processes with the right software

In a demonstration of our commitment to operational excellence, we introduced two new software systems that have improved our efficiency and safety, and enhanced our customer service.

We implemented an online Network Access Permit system for any work conducted on our water and sewerage networks, which has eliminated the need for manual data entry and provides a live geographical view of all permits in the system. This initiative has amalgamated two previously separate functions, thereby creating a single point of contact for all employers and contractors who are required to work on our networks. It has also significantly improved the customer experience and reduced approval times. We took a similar approach to streamline the process for our development customers, which has reduced the turnaround time for permit requests from 20+ days to six days.

We also implemented automation software to increase the efficiency with which we can produce and access our water isolation plans. These detailed plans show how a section of our water network is isolated to enable maintenance or upgrade work to be undertaken. The software increases efficiency by allowing for automatic creation of simple isolation plans. It also allows for plans to be uploaded to our mapping system, which means they are accessible to all staff. The efficiencies delivered by this software have allowed the Network Access Team to take on the creation of additional isolation plans for hydrant maintenance and renewals, which were previously completed by contractors. As a result, we have greater control over when and where our customers are being impacted and greater project delivery efficiency.

Improving the monitoring and control of our assets

During 2014/15, we developed a significant engineering and technical support capability for industrial control systems, including SCADA (Supervisory Control and Data Acquisition) and operational technology. These systems include a fleet of industrial computers used for asset automation (such as the starting and stopping of pumps) at over 870 sites. Communications equipment is utilised to transfer data between these sites and centralised computers, which present the asset data to users. These systems are critical to the efficient operation of our water and sewerage network by providing real-time asset performance status to our network and treatment plant operators. They also provide historical data and tools for analysis and reporting to support decisions made by our wider operations, maintenance and planning teams, as well as real-time status of our systems for our industry partners such as Seqwater.

Improving our operational efficiency with TaKaDu

In 2013, we conducted a one-year trial of TaKaDu – an advanced software system that collects and analyses data from within our network of water pipes, and prompts us to investigate for leaks if water usage is trending above normal. If a leak is detected, we are able to conduct repairs at a time that does not inconvenience our customers. Similarly, if a pressure breach is detected, we are able to arrest it, and avoid a series of prolonged water main bursts. The trial was successful and saved 1,235ML of water and \$2.88m. Based on this success, we engaged TaKaDu for a three-year contract that commenced in January 2015. This contract includes network monitoring and assistance with applying TaKaDu to a greater area of our network.

Including the trial period from July 2014 to December 2014, total estimated water savings for 2014/15 were 890ML.

By the end of 2015/16, TaKaDu will cover approximately 4,450kms of our water network, including the original trial length of 2,100kms. Estimated savings from TaKaDu in 2015/16 are in the range of \$3.5m to \$4.0m. The broader application of this technology is expected by the end of 2017.

TaKaDu is part of our overall Unaccounted for Water Program, which includes other initiatives such as correct metering of properties and improvements to billing processes.

Using innovation to keep our assets running when the power goes out

When a power failure strikes, we have typically turned to visually unappealing, diesel-powered generators to keep our critical assets running. These generators, which are often located near our customers' private properties, emit pollution from their exhausts, generate disruptive noises, and require extensive and costly maintenance.

Taking inspiration from the mining industry, a team of our engineers came up with the idea to trial Uninterruptable Power Supply (UPS) units. These units are essentially large, computer-controlled battery banks that can provide 415v of power for up to six hours without the noise and environmental pollution associated with generators. They are also significantly smaller and can be located away from customers' properties. As each unit saves around \$90,000 on capital and maintenance costs, this innovation has the potential to save the organisation \$2.3 million when fully rolled out across 26 sites.

Looking forward

A selection of our strategic outcomes for 2015/16

- Operating cost reductions through efficiencies focused on key operational and corporate support cost drivers.
- Infrastructure investment savings through infrastructure planning and delivery improvements, while focusing on service delivery, growth and sustainable communities.
- Improved reliability of water and sewerage services and sewage treatment processes, and reduction of environmental impact through implementation of trials conducted in 2014/15.

CHAPTER 3: OUR PERFORMANCE

CASE STUDY



Turning waste into valuable resources

We are increasingly seeking out opportunities to turn the waste we capture and treat into valuable resources. In 2014/15, our Waste to Resource Working Group investigated a number of initiatives, including those highlighted below.

Waste to energy

A number of our commercial customers generate high-strength waste that cannot be disposed of into our sewerage system due to its potential to seriously damage our pipes, pumps and treatment processes. We identified this as an opportunity to address these customers' waste disposal challenges whilst maximising the use of our codigestion assets (used to convert methane generated from the sewage treatment process to energy). We worked with the University of Queensland to trial a waste treatment approach, which involved directly injecting high-strength waste streams into our sewage treatment processes to generate biogas. This gas was then captured and turned into electricity for onsite use.

Based on the success of these trials, this initiative is set to be operationalised at our Luggage Point Sewage Treatment Plant (STP) in the first half of 2016/17 and has the potential to realise: an increase in our on-site renewable energy generation capacity by approximately 15%; annual operational savings in excess of \$140,000 through reduction in electricity usage; and avoidance of 755 net tonnes (+CO₂-e) of greenhouse gas emissions associated with grid electricity consumption.

Waste to fertiliser

Struvite is a phosphorus-rich mineral that forms on pipework within our STPs, and can cause significant operational problems including pipe blockages and equipment failure. Our Waste to Resource Working Group undertook a business case to assess the economic viability of manufacturing struvite fertiliser at our Oxley Creek STP for sale into local fertiliser markets. This initiative would improve our operational efficiency by reducing chemical costs associated with phosphorus reduction.

The business case found that manufacturing struvite for retail sale is not a viable business venture at this time due to the current low market price of phosphorous-based fertilisers. The business case recommended that we investigate the feasibility of 'value-added' struvite fertiliser manufacturing when we begin removing struvite as a core sewage treatment process at the Oxley Creek STP in 2019/20.

\$140k IN POTENTIAL SAVINGS THROUGH REDUCED ELECTRICITY CONSUMPTION

CHAPTER 3: OUR PERFORMANCE

CASE STUDY



Delivering \$31.3m in operational efficiencies

In 2014/15, we continued to roll out our Enterprise Excellence Program, which is responsible for delivering bold, innovative and transformational strategies to optimise our performance in delivering services to our customers.

This financial year, the program generated \$31.3 million in sustainable operational efficiencies from a number of initiatives including, but not limited to:

- streamlining our back-office processes (accounting transaction services, accounts receivable and business services) through the establishment of an enterprise Shared Service team,
- further addressing our non-revenue water percentage, through the rollout of 'TaKaDu' (see page 53) to the Lockyer Valley,
- implementing market-based delivery models for new connections and sewer cleaning,
- restructuring our capital infrastructure delivery model, making greater use of program management approaches to design, procurement and delivery,
- centralising our responsive maintenance scheduling and dispatch approach and co-locating it with our Control Centre and Call Centre,

- consolidating our capital and operational procurement functions, rationalising our operational procurement arrangements and reducing our fleet by more than 50 vehicles.

In 2015/16, the program will focus on initiatives to:

- implement new access models for non-network water customers,
- further improve our planned and responsive maintenance service delivery models,
- improve our customer engagement and billing through implementing a customer-based approach to service delivery,
- further optimising our operational and capital procurement spend.

The aim of this next phase of the program is to remove a further \$18 million of operational expense.

WE DELIVERED BOLD AND TRANSFORMATIONAL STRATEGIES TO OPTIMISE OUR PERFORMANCE

CHAPTER 3: OUR PERFORMANCE

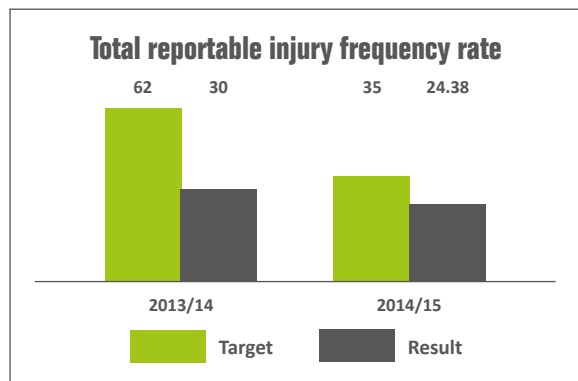
People

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

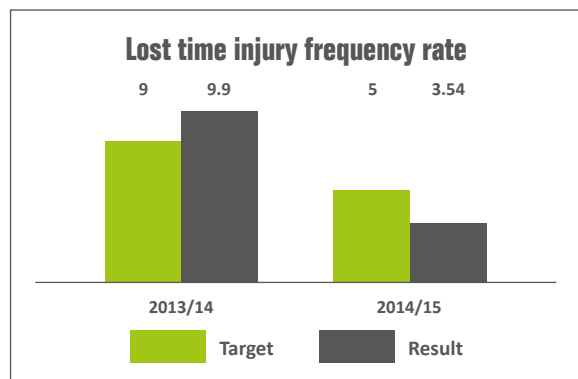
Performance against strategic success measures

Key Performance Indicator	Unit	Target	Result	Achieved?
Total reportable injury frequency rate	Rate	35	24.38	Yes
Lost time injury frequency rate	Rate	5	3.54	Yes
Organisational Culture Inventory	Percentile improvement in constructive behaviours on 2011 survey	10	**Next organisational survey to be conducted during 2015/16	N/A

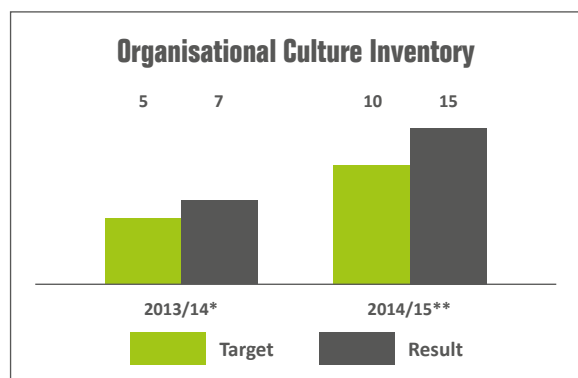
Year-on-year performance against strategic success measures



Our total reportable injury frequency rate is the number of total injuries divided by the number of hours worked during the financial year. This number is then multiplied by 1,000,000 to make the statistic easier to interpret.



Our lost time injury frequency rate is the number of lost time injuries divided by the number of hours worked during the financial year. This number is multiplied by 1,000,000 to make the statistic easier to interpret.



Organisational Culture Inventory (OCI) measures behavioural norms and expectations that have a well-documented impact on performance. It is reported by percentile improvement in constructive behaviours based on the initial survey conducted in 2011.

*The OCI survey was last conducted in 2013.

** A full organisation survey will occur during 2015/16. The results shown are of one group that was surveyed in mid-2015.

Performance against key focus areas

Health and safety

- Completed the development and rollout of the operational elements of our Safety Management System, which is now AS4801 certified and OHSAS 18001 certified. We also received a positive audit report from SAI Global, recognising the ongoing improvements to our system.
 - Improved employee safety by introducing two new risk management tools (see page 67).
 - Continued to highlight our safety performance and communicate key health and safety issues to employees via our monthly **URBANSAFETY** newsletter.
 - Conducted our first Health and Wellbeing Survey to help us understand how staff view and engage with our 'My Health' program, and how we can improve it to better suit their needs.
 - Continued to run initiatives through our 'My Health' Program, including work-readiness medicals, flu vaccinations and physical activity reimbursements.
 - Commenced mandatory training on 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 (see page 60).
 - Launched the 'Personal Big 5' program, which encourages staff to identify the top five things that motivate them to stay safe at work (see page 69).
-

Leadership and values-driven culture

- Improved constructive engagement between employees and their leaders through the implementation of our Achieving Success Framework, which sets our employee performance expectations and encourages ongoing conversations between employees and their leaders (see page 62).
 - Bolstered our leaders' self-awareness, willingness to learn, and ability to coach and communicate with their team members through a series of leadership training workshops (see page 61).
 - Improved our leaders' abilities to better manage their team members through the launch of the Human Resources Dashboard, providing key employee and team information.
 - Saw a 5% increase in the response rate of our annual Employee Effectiveness Survey.
 - Continued to deliver our Strategy, Culture and Values Program with a focus on leadership and engagement. We achieved the majority of the outcomes set for 2014/15, which has moved us closer towards achieving our purpose and vision. At the same time, we enhanced our leaders' strategic acumen and leadership skills, and improved the business' focus on strategy.
 - Facilitated leadership development and networking opportunities for women within the organisation by launching the Women in Leadership Group (see page 62).
 - Continued to recognise and reward our employees who go above and beyond with the introduction of the final two elements in our employee recognition program: **URBANACHIEVER** and **URBANINSPIRATION** (see page 63).
 - Awarded our second **URBANHERO** award, which recognises an extraordinary or inspirational act by a staff member (see page 63).
-

Workforce to be adaptable, agile and embrace change

- Revised and implemented a new Change Management Framework that ensures we understand and manage the impact that implementing change will have on the business. The framework has been applied to key corporate processes, including group restructures, ICT delivery and strategic planning.
- Continued to embed innovation into our organisational culture by directly engaging around 20% of the workforce in the Innovation Program. This is the highest level of engagement in the program since it was formed in late 2013.

CHAPTER 3: OUR PERFORMANCE

Our challenges

Enabling our employees to be more effective

It is important for us to know how engaged and enabled our employees feel, as this contributes to our overall effectiveness and performance as a business.

Over the past 12 months, we've invested significant time and resources into moving Queensland Urban Utilities towards being a more positive and constructive place to work. To measure what we're doing well and what we can do better, we asked staff to complete an Employee Effectiveness Survey (EES) in May 2015. Using the results from our August 2014 survey as a basis for comparison, it was pleasing to note that staff participation increased by 5%.

Our highlights

Receiving international recognition for our project management

In November 2014, Steve Gibson (Program Director Wastewater Network) was named the Asia-Pacific Federation Project Manager of the Year at the Project Management Congress in Beijing. This was on the back of being named the National Project Manager of the Year by the Australian Institute of Project Management, as well as the Queensland Project Manager of the Year.

All three awards recognise Steve's fantastic work on our \$82 million Woolloongabba Trunk Sewer Capacity Upgrade project that was delivered ahead of schedule and \$3.7 million under budget.

The awards are also representative of our unwavering focus on operational excellence and delivering value for money for our customers and the community.

Minimising the risk of harm across our worksites

Nothing is more important than the safety of our employees, contractors, visitors, customers, and community. For this reason, we are introducing random drug and alcohol testing to minimise the risk of harm or injury at our worksites. We already stipulate a zero tolerance for drugs and alcohol in the workplace through our *Code of Conduct*, however, to further mitigate risk and to bring our business in line with contemporary safety practices, random testing will be carried out at all of our worksites from October 2015.

The introduction of random drug and alcohol testing is an important safety initiative and we respect that it can be a sensitive issue. For this reason, all leaders and employees attended training in 2014/15 to help them understand the drug and alcohol testing process and ensure they are clear on our safety responsibilities and feel well supported. Staff were also encouraged to read the draft Drug and Alcohol Standard Operating Procedure and provide feedback prior to it being formalised.

Building a constructive organisational culture

At Queensland Urban Utilities, we recognise that effective leadership is critical to the development of a constructive culture. In 2014/15, we continued to roll out our Building the Blue 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.

In 2014/15, we introduced or progressed a number of initiatives, including:

Initiative	Training completed
<p>LifeStyles Inventory (LSI) 360 degree feedback for leaders LSI is used to initiate positive changes in how leaders see themselves and how they behave. These changes can increase both their personal and professional effectiveness.</p>	<ul style="list-style-type: none"> • 200+ leader LSIs administered • 150+ leader debriefs and follow-up coaching
<p>The Blue Leader Using contemporary performance psychology content, the Blue Leader provides the opportunity for participants to reflect on their own leadership style, build their knowledge about their ‘blind spots’ that can prevent growth, and develop specific action plans to become more effective leaders.</p>	<ul style="list-style-type: none"> • 9 programs completed • 120 leaders attended
<p>The Captain Coach Using a solutions-focused approach, the Captain Coach provides participants with specific skills to enable them to coach their staff more effectively.</p>	<ul style="list-style-type: none"> • 4 programs completed • 60 leaders attended
<p>Leadership Framework Workshop Our Leadership Framework provides structure to enable leaders to act constructively. During the year, the first workshop (Leadership Accountabilities, Team Work Model and Task Assignment) was introduced to senior leaders across the organisation.</p>	<ul style="list-style-type: none"> • 100+ leaders attended

What our leaders thought of the Blue Leader program

“Enjoyable and rewarding.”

“Fabulous- must be run for all teams.”

“A very worthwhile investment!”

“It forced me to stretch and challenge myself and my thinking.”

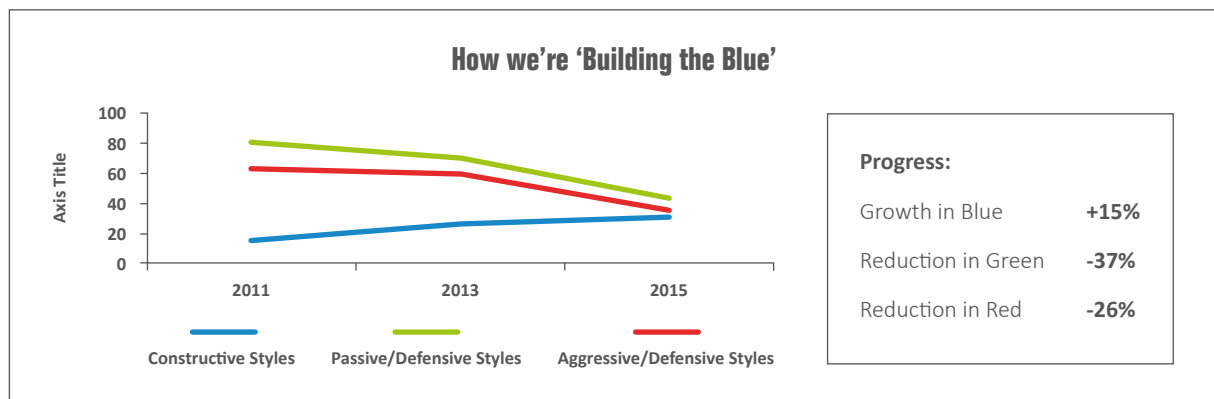
Average overall program rating: 8.85/10

To help us measure how constructive our workplace is, we subscribe to the Organisation Culture Inventory (OCI).

CHAPTER 3: OUR PERFORMANCE

Our highlights (continued)

To measure the impact our Building the Blue program has had on our constructive workplace culture, we conducted a sample-size OCI survey in mid-2015 with an individual group. This group improved its constructive behaviours by 15% compared to baseline. This exceeded the strategic success measure of 10% and is indicative of positive organisational progress in building a “blue” constructive workplace culture (as depicted in the graph below). A full organisational culture survey will be undertaken in 2015/16.



Improving performance management

In July 2014, we implemented the Achieving Success Framework, which aims to foster open and constructive relationships between employees and their leaders through regular conversations. This framework has two complementary parts:

- 'Employee Plans' – planned or allocated work, which is monitored and reviewed,
- 'Achievement Conversations' – monthly forward-focused, constructive conversations between employees and their leaders, which are focused on one of four key topics: 'belong', 'excel', 'grow' and 'build'.

The purpose of the framework is to enhance employee job satisfaction by highlighting how they personally contribute to the successful delivery of our purpose and vision.

For new employees, we improved employee on-boarding to ensure successful candidates are given every opportunity to succeed in their role. The process provides a greater level of confidence that we have the right people in the right positions.

Supporting professional and personal development

We continued to provide our staff with a number of opportunities for personal and professional advancement, as demonstrated by the following initiatives:

- Following its successful pilot in March 2014, the Women in Leadership Group broadened its initiatives in 2014/15 to further contribute to the inclusive culture at Queensland Urban Utilities. The group, which comprises 24 women from across the organisation, provides support and guidance to existing and aspiring female leaders in the form of coaching and mentoring, education programs, and professional development activities and events. Members also assist each other in recognising and effectively managing the challenge of work/life balance.
- The 'QUU Toastmasters Club' was formed in September 2014 and officially gazetted by Toastmasters International in November 2014. The 38 members of the club meet twice a month where they are given encouragement to confidently participate in and overcome any fear of public speaking.
- We were proud to have had five staff members from various sectors of the business take part in Smart Seeds – an innovation competition for young professionals focused on solving challenges in the urban development and infrastructure sectors. Participants were able to build their cross-sector professional networks, enhance their leadership and innovation skills, and refine their presentation and teamwork skills.

Recognising staff who go above and beyond

We value our employees and recognise and reward outstanding performance through **URBANLEGEND** – a dedicated program designed to foster collaborative, performance-orientated attitudes amongst our workforce. In 2014/15, we launched the final two elements of our five-category program: **URBANACHIEVER** and **URBANINSPIRATION**.

The **URBANACHIEVER** award recognises individuals or teams who have demonstrated our culture and values, and have gone above and beyond to deliver exceptional service. They are rewarded in the form of financial rewards, team events, and career development opportunities. In 2014/15, 12 individuals and one team were recognised with this award.

The **URBANINSPIRATION** award is presented to employees who are nominated by their peers or managers for going ‘the extra mile’ in making an extraordinary and inspirational contribution of the business. To thank these employees for their drive and dedication, they are awarded with financial rewards and an engraved trophy. Ten individuals and one team were honoured with this award in 2014/15.

The highest honour of the **URBANLEGEND** program, the **URBANHERO** award, was presented for the second time. This year, it was awarded to Steve Gibson (Program Director Wastewater Network) for his extraordinary performance as Project Manager of our Wooloongabba Sewer Upgrade project (see page 60).

Embracing innovation to help us work smarter

We continue to create an environment where our employees are given the permission, space, support and funding to embrace creative thinking and transform their bright ideas into positive outcomes.

In 2014/15, approximately 20% of the workforce was directly engaged in our Innovation Program. Over this time, 120 new ideas were put forward by employees, 33 of which were approved for trial or implementation through the CEO Innovation Hour.

This year, we launched two ‘innovation zones’ in our offices, which are accessible to all employees. The areas are equipped with furniture and props to inspire creative thinking, increase productivity, and encourage cross-pollination of ideas.

To help build our constructive and creative culture, we continued to provide recognition and rewards for our innovative employees in the form of financial rewards, training and development, and cross-collaboration opportunities. We also provided public acknowledgment via our internal recognition program, external media coverage, and inspirational internal storytelling.

Looking forward

A selection of our strategic outcomes for 2015/16

- Improved application of our safety management system through enhanced understanding of our health and safety principles, accountabilities and processes at all levels.
- Improved leadership through the continued rollout of programs and tools to more leaders across the business, as well as ensuring ongoing support for leaders who have completed leadership programs.
- Improved human resource processes and information to support leaders and engage and enable employees.

CHAPTER 3: OUR PERFORMANCE

CASE STUDY



Revising our Code of Conduct

Our *Code of Conduct* links our purpose and vision, values and principles with standards of professional conduct, and provides tangible guidelines for expected behaviour.

With our original *Code of Conduct* – implemented in 2011 – due for review, we invited all employees to attend focus groups to help us determine what was, and more importantly, what wasn't working within the original document.

The previous *Code of Conduct* was heavily based upon the *Public Sector Ethics Act 1994*, and made reference to other legislation and detailed policies using long, jargon-heavy sentences that many employees found difficult to interpret and apply to everyday circumstances. Based on the feedback received from almost 300 employees, the revised *Code* has adopted an easy-to-read format, has been written using 'plain-language', and now includes practical examples to improve its relevance to employees. It also further embeds our established 'values' and 'behaviours', with each section of the document based on our corporate values.

As part of the consultation process, the draft *Code* was made available to all employees and relevant industrial organisations for comment. Feedback was largely positive with employees noting how much easier the document was to read, understand and apply.

To promote understanding and familiarisation of the new *Code of Conduct*, all employees will undertake online and face-to-face training sessions prior to it coming into effect on 1 August 2015.

To ensure continued compliance, all employees and contractors will undertake online *Code of Conduct* training each year. All employees will also be required to complete face-to-face training every two years.

Introducing our new *Code of Conduct* is an important step forward in our cultural journey, and will set the foundation upon which all employees can build a more positive and constructive workplace.

300 EMPLOYEES GAVE US
FEEDBACK TO IMPROVE
OUR CODE OF CONDUCT

CHAPTER 3: OUR PERFORMANCE

CASE STUDY



Continuing to embed health and safety into our workplace culture

Since our formation, the health and safety of our staff, contractors, visitors and customers have been our number-one priority. Regardless of age, gender or location, we always put safety first.

In 2014/15, we launched a number of safety programs and initiatives to move us closer towards our goal of creating and embedding a no-harm workplace. Of particular note was the introduction of two new risk management tools, the:

- Person in Control of a Worksite (PICOW) handbook, which provides our leaders with the necessary tools to effectively manage safety on our worksites, and
- Worksite Risk Assessment Process (WRAP) – a streamlined version of our old Pre-start site Assessments – which has greatly improved the efficiency of our field staff.

Although there is still room for improvement, we are immensely proud of our safety performance in 2014/15, which continues to trend favourably. As at 30 June, both our total injury frequency rate and lost time injury frequency rate had surpassed their targets of 35 and 5, respectively (see page 58). Since our formation, we have seen an impressive 83% decrease in injuries.

We also continued to address the needs of our employees' health and wellbeing. In 2014/15, we fine-tuned a number of our Standard Operating Procedures (SOPs) to address issues relating to vulnerable workers, office and laboratory ergonomics, psychological health, and injury/illness management consultation. These SOPs will soon be incorporated into our Workplace Health and Safety Management System.

We recognise that manual handling activities are a causal factor in a large proportion of our workplace injuries. To address this issue, we introduced three education and awareness workshops for our employees:

- PErforM: a course that teaches employees how to identify, assess and control the risks associated with manual handling.
- SafeSpine: an interactive core strength and body conditioning workshop to reduce the injury frequency rates of employees.
- Office Ergonomics: a training course to teach employees how to identify ergonomic risk factors, recognise the signs and symptoms of musculoskeletal injuries, and correctly set up their office workstations to suit their individual needs.



As part of our 'My Health' program:

- 88 employees received reimbursement for their physical activities,
- 380 flu vaccinations administered to staff,
- 400+ staff underwent ergonomics training.

CHAPTER 3: OUR PERFORMANCE

CASE STUDY



Improving our safety mindset

This year, we launched our Safety Behaviours Campaign, the purpose of which is to help our employees understand how their thinking patterns can influence their attitudes and behaviours relating to safety.

One of the core elements of the campaign is the 'Personal Big 5' (PB5)[®] program, which encourages employees to consider the five most important things in their lives, whether it's their spouse, children, football team or vintage car. Rather than seeing safety as something that costs us time at work, we are encouraging our employees to think of it as buying them time with the top five things that matter most to them.

The PB5 program – developed by Sentis – was introduced to the organisation by our Chief Executive Officer, Louise Dudley, who shared her own personal reasons for staying safe at work.

Various employees have also shared – and will continue to share – their 'personal big five' through a series of short films that are shown during our biannual CEO Roadshows. Every employee was issued with a PB5 card to complete and display, which acts as a constant reminder to stay safe for the things and people we love.

Another element of the Safety Behaviours Campaign is the Safety Mindset Training for leaders. This training is designed to give our leaders the skills to encourage the transfer of safety training into their teams' work.

Both elements of the Safety Behaviours Campaign will continue to roll out in 2015/16.

PB5 IS A POWERFUL WAY OF REMINDING EMPLOYEES THAT SAFETY IS NOT ABOUT PROTECTING THEM FROM SOMETHING, IT'S ABOUT PROTECTING THEM FOR SOMETHING.

CHAPTER 4: CORPORATE GOVERNANCE

Chapter 4 explains our management, planning and regulatory functions.



CHAPTER 4: CORPORATE GOVERNANCE

Our organisational structure

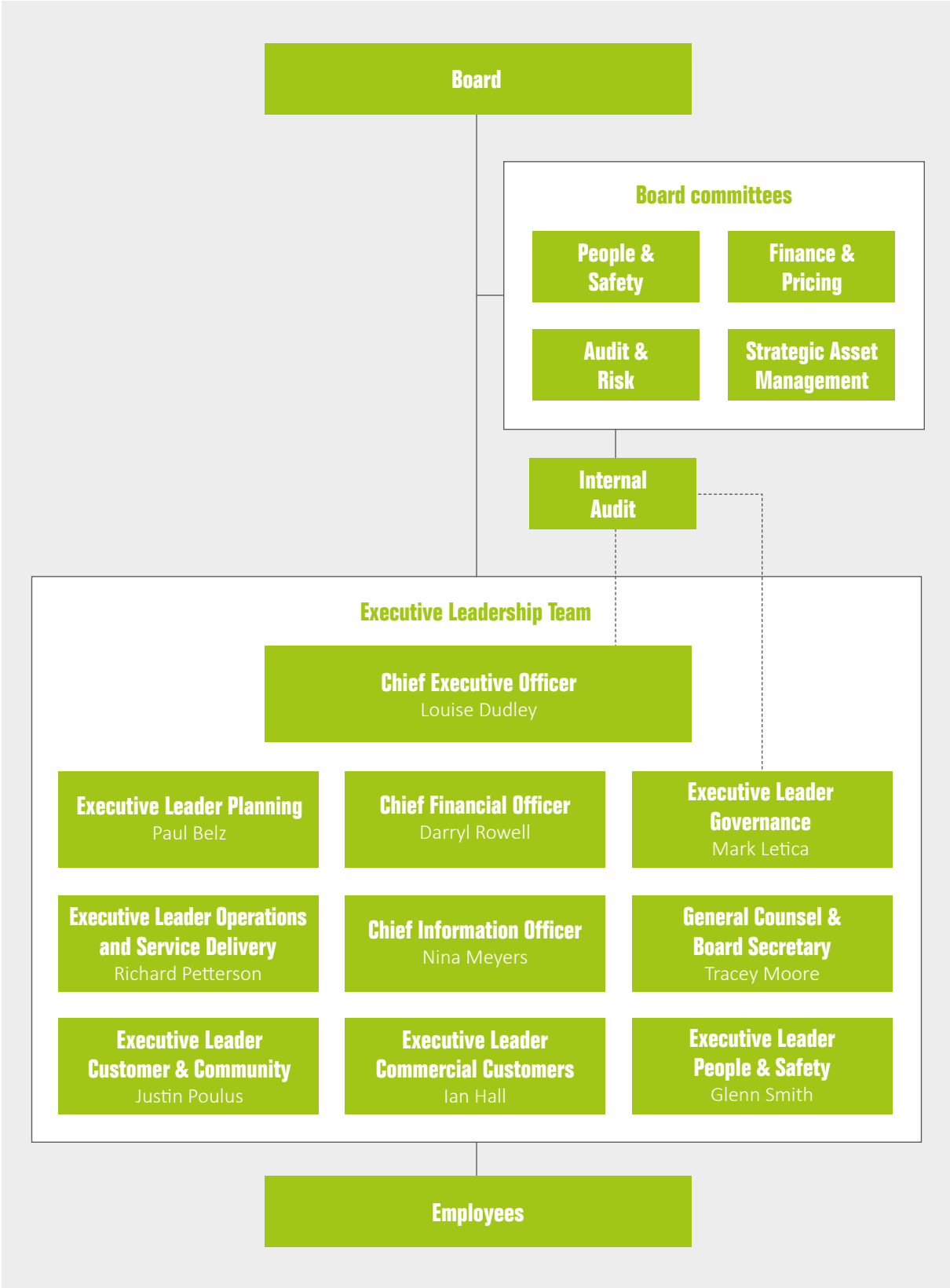


Figure 2: Our organisational structure as at June 2015

CHAPTER 4: CORPORATE GOVERNANCE

Board structure and functions

Our 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 2014/15, members of the Board were:

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

Priorities of each Board member and details of their relevant skills and experience are provided on pages 16-17.

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 CEO and Executive Leadership Team.
- Monitoring performance of and setting remuneration of the CEO and setting remuneration principles for other common law contract roles.
- Reporting to shareholders on the performance and state of the business.

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

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

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

Conflict of interest

The Board is 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.

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 2.

Audit and Risk Committee

The role of the Audit and Risk Committee is to provide independent assurance 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 plans,
- reviewing internal audit reports,
- overseeing the adequacy of our accounting internal control system,
- reviewing external audit reports,
- reviewing continuous assurance report.

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 independent assurance 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 primary function 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 (CEO),
- recommending to the Board final and preferred candidates or terminations for Executive Leadership roles reporting to the CEO,
- reviewing the performance results of the CEO and her direct reports and recommend remuneration and financial incentive outcomes to the Board,
- reviewing and recommending major organisational structure changes proposed by the CEO, including major changes to the accountabilities of positions reporting directly to the CEO.

CHAPTER 4: CORPORATE GOVERNANCE

Strategic Asset Management Committee

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

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

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

Board member meeting attendance 2014/15:

Member	Ordinary Board	Audit & Risk Committee	Finance & Pricing Committee	People & Safety Committee	Strategic Asset Management Committee
Meetings held	12	5	4	4	7
Geoff Harley	12	5	3	4	7
Bernard Ponting	12	-	-	4	7
Dennis Cavagna	11	-	4	-	7
John Cotter	11	5	-	4	-
Diana Eilert	12	-	4	-	7
Paul Emmerson	11	5	-	4	-
Phil Kesby	11	-	-	-	5
Len Scanlan	10	4	4	-	-

Table 2: Board member meeting attendance

Strategic planning and development

Our strategic framework (see figure 3) depicts the elements involved in planning for, developing and delivering our strategic direction.

Our Board sets our strategic direction, which is documented and formalised through our five-year Corporate Plan.

Our strategic direction is expressed through our strategic pillars (see page 12), and describes what outcomes we need to deliver to achieve our purpose and vision.

Our strategic framework supports the implementation of our strategic direction. Through our strategic framework, we are able to:

- integrate our strategic planning with our financial planning and management, risk management, organisational change management, and information and communication technologies investment,
- collaborate across the business to develop the outcomes, plans and actions (our Master Plan) we need to execute to achieve the outcomes under our strategic pillars,
- align our values to our purpose and vision, guiding our employees in the way they deliver the outcomes under our strategic pillars,
- engage with all employees so they understand our strategic direction, and the role their team and themselves play in delivering our strategic direction,
- enable ongoing reporting to employees, the Board, shareholders and the public regarding progress against our strategic direction.



Figure 3: Our strategic framework

CHAPTER 4: CORPORATE GOVERNANCE

Asset planning and management

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 to us are the population and housing projections and the guidance they provide for development in the region. The new generation regional plan for South East Queensland is currently being developed and will inform our servicing strategies. In our planning, we also consider the South East Queensland Water Security Program being developed by our bulk water service provider, Seqwater.

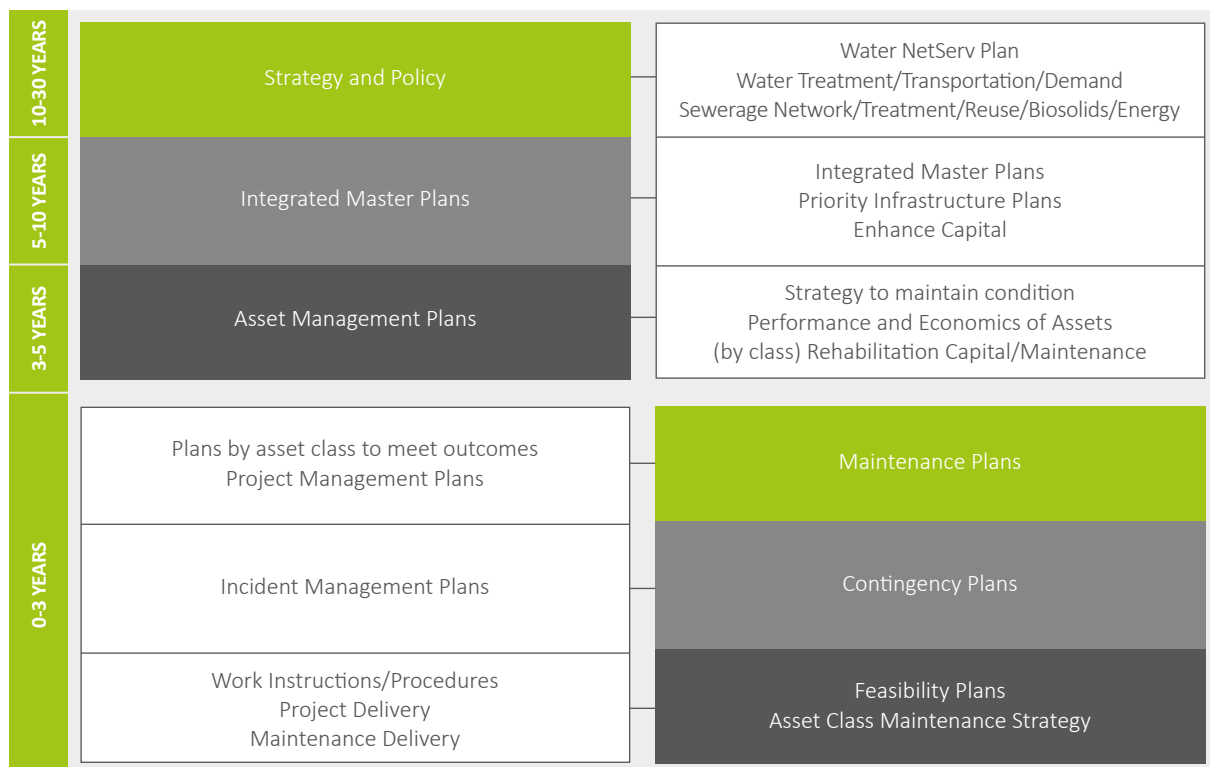
At a local level, we work with the planning schemes adopted by our five shareholders, the Economic Development Queensland business unit, and other Queensland Government authorities. It is this information that provides us with the type, size, location, and timing of future development and growth. We adopt a strategic role to influence prudent capital planning and infrastructure delivery.

We plan our infrastructure to service growth, and to provide our customers with services to an agreed standard. We take a 'no gold-plating' approach to infrastructure delivery to ensure minimal price impacts on our customers.

We continue to monitor the needs of our customers and communities through regular consultation and engagement. Our *Water Netserv Plan* provides an overview of our infrastructure planning and development for the next 20 years.

We manage our assets by using:

- contemporary approaches in whole-of-lifecycle asset management,
- efficient and effective capital investment through strategic procurement and ‘just-in-time’ delivery,
- 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,
 - an opportunity to leverage processes across all service areas.



Executive advisory groups

We have six advisory bodies to assist the Executive Leadership Team in fulfilling its responsibilities:

Procurement Advisory Group

The Procurement Advisory Group provides governance for the procurement process as well as the application of 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 *Workplace Health and Safety Act 2011*. The SSG is the final decision point for any safety issues that cannot be resolved by our line safety committees that 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.

Information Services Program Board

The purpose of the Information Services Program Board is to oversee the planning, prioritisation and delivery of the Board approved Strategic Information and Communications Technology Vision and Roadmap. The program board reviews program and project progress for the current year, oversees the governance of the program, 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.

80% OF EMPLOYEES UNDERSTAND
OUR CURRENT BUSINESS
PERFORMANCE

CHAPTER 4: CORPORATE GOVERNANCE

Audit and risk

External scrutiny

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

The Queensland Competition Authority (QCA) is responsible for regulating our water and sewerage services to ensure the costs we incurred 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 monitored prices and found no evidence of an exercise of market power. QCA has recently recommended to the Queensland Government changes to the regulatory framework that would involve annual performance monitoring from 1 July 2015. Subject to acceptance by Queensland Government, under this proposed framework, we would continue to set prices and service quality standards and QCA would collect relevant information to monitor our performance.

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 2014/15, KPMG provided internal audit services for Queensland Urban Utilities. These services were performed in accordance with an approved Internal Audit Charter, which is consistent with relevant audit and ethical standards. The services were also performed in accordance with the Board approved 2014/15 Internal Audit Plan. This Internal Audit Plan had regard for, and was prepared on, Queensland Urban Utilities' strategic risk profile, previous audits, and discussions with the Audit and Risk Committee and Executive Leadership Team. In addition, continuous assurance data reviews were carried out by Brisbane City Council on a quarterly basis.

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.

The internal audit function realised a number of achievements in 2014/15 including, but not limited to, successfully transitioning to one internal audit service provider, and the delivery of the internal audit program.

In 2014/15, Internal Audit undertook 10 reviews based on the organisation's risk profile, and in accordance with the Internal Audit Plan. The reviews are separated into seven key categories: Infrastructure Planning and Delivery, Core Financial Processes, People, Developer Services, Information Technology, Corporate Governance and Transformational Projects (see table 3). The reviews supported service delivery and internal control management with recommendations for improvements made in the areas of corporate and local governance.

Category	Number of actual days spent
Infrastructure Planning and Delivery	45
Core Financial Processes (Debt Management, Revenue and Debtors, and Accounts Payable)	113
People	27
Developer Services	27
Information Technology	19
Corporate Governance	26
Transformational Projects	22

Table 3: Review days by key category

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. Our strategic risks are reviewed and updated as part of the strategic planning process and have the potential to materially impact the achievement of our strategic direction. The Risk Management Framework also facilitates risk-based planning and decision-making, promotes and supports a risk-focused culture, and improves organisational resilience.

During 2014/15, we updated our framework to align with opportunities in the strategic planning process.

Our Compliance Management System was developed and implemented in accordance with ISO 19600 Compliance Management Systems – Guidelines. This enables the achievement of compliance with relevant legal and regulatory requirements.

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. Attributes include:

- developing a fraud control strategy,
- implementing fraud awareness training,
- carrying out fraud risk assessments,
- developing fraud reporting and investigations systems.

Accountability and transparency

Reporting on performance

Transparent, accurate and timely reporting is a key component of our governance structure that enables us to continue to provide services to our customers that meet their expectations, remain on track to achieving our strategic outcomes, and meet legislative requirements.

Progress against our strategic plans and actions is tracked and 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.

Performance against our strategic success measures and customer service measures are reported to our Executive Leadership Team and Board on a monthly basis, shareholders on a quarterly basis and included in our Annual Report. Reporting includes current challenges and how they are being managed.

Our operational performance 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 at the monthly meeting 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 benchmark 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. During 2013/14 we successfully delivered the new Drinking Water Quality Management Annual Report, and are on track to deliver the new Annual Performance Plan for 2014/15. Both reports will be 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.

CHAPTER 4: CORPORATE GOVERNANCE

Information systems and record keeping

We utilise an electronic document records management system (EDRMS) to capture, maintain and protect the accuracy and reliability of our records for as long as they are required to support business, regulatory, social and cultural needs.

We are committed to meeting our responsibilities under the *Public Records Act 2002*. The 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.

Our records management approach includes:

- implementing and maintaining a records management framework that includes clear and concise policy, procedures and work instructions,
- managing programs and recordkeeping systems that comply with legislation and government directives including collaboration and sharing of tools,
- implementing paperless strategies to records management including digitisation and electronic processing of information over the next two years,
- leading cultural reform across the agency by creating supportive recordkeeping awareness resources and system training to proactively provide staff with assistance.

We use TRIM as an EDRMS that provides secure, effective and efficient management of correspondence, documents and records.

Human Resources and Industrial Relations

Workforce profile

As at 30 June 2015, Queensland Urban Utilities employed 1,050 employees in a range of professions and trades in permanent full-time, permanent part-time and temporary capacities. This figure included 1,009 permanent employees. The full-time equivalent employee establishment for permanent employees was 992.

Workforce planning, attraction and retention

In 2014/15, we launched a new change management framework to support workforce planning and successful organisational change.

We continued to refine position requirements in line with current and future skill needs, and improved our reporting ability by upgrading to a cloud-based learning management system.

With the support of specialised recruitment agencies, we successfully attracted and placed a significant number of 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 'Building the Blue' program, including various training programs to improve our leaders' self-awareness, willingness to learn, and ability to coach and communicate more effectively. This, in turn, fosters a more constructive culture, which leads to greater employee attraction and retention.

For the 2014/15 financial year, Queensland Urban Utilities recorded an 83.7% permanent retention rate and 18.5% permanent separation rate. The voluntary turnover rate was 10.7%

(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.)

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,
- access to various paid and unpaid leave arrangements, such as annual and long service leave (either at full pay or half pay).

Industrial and employee relations

The *Queensland Urban Utilities Enterprise Bargaining Agreement (2011)* became a continuing agreement in 2013 after an amendment to the *Industrial Relations Act (1999)*, with a direction that all Certified Agreement negotiations would remain on hold until the completion of the relevant Award Modernisation by the Queensland Industrial Relations Commission (QIRC).

We participated in the Award Modernisation process throughout the summer of 2014/15 until it was placed on hold subsequent to the change of state government in 2015.

In April 2015, a High Court of Australia decision in relation to Queensland Rail impacted on 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)*.

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.

Workplace health and safety

Our workplace health and safety (WHS) structure was specifically designed to support consultation and communication on WHS 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: Sets the strategic direction for all of our WHS initiatives and is responsible for creating and embedding our safety culture.
- 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.

70% OF EMPLOYEES AGREE THAT QUEENSLAND URBAN UTILITIES IS BECOMING A MORE POSITIVE AND CONSTRUCTIVE PLACE TO WORK.

CHAPTER 4: CORPORATE GOVERNANCE

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, and a full, comprehensive review conducted in 2014/15 (see page 65).

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 an online course for all other employees.

Official misconduct

Matters that raise a suspicion of official misconduct are referred to the Crime and Corruption Commission. Where necessary, investigations are undertaken by Brisbane City Council's Assurance Security and Ethical Standards Unit. Outcomes of the investigations are reviewed and monitored. Planning was undertaken in 2014/15 in preparation for a transition to a new provider on 1 July, 2015.



Other disclosures

Tables 4 and 5, below, respectively fulfil State Government disclosure obligations for overseas travel and consultancies respectively.

Name of member and position	Destination and date	Reason for travel	Cost to Queensland Urban Utilities
Stanley McKercher Senior Treatment Plant Operator	New Zealand July 2014	To investigate the possible development of an Australian/Asian-first low head high flow water turbine to generate energy at our sewage treatment plants.	\$1,780
Dudley Dennis Engineer – Energy Management	New Zealand July 2014	To investigate the possible development of an Australian/Asian-first low head high flow water turbine to generate energy at our sewage treatment plants.	\$1,628

Table 4: Overseas travel

Consultancies	\$000
Capital consultancies	
Engineering and Design	5,691
Infrastructure Planning	6,756
Information Technology	789
Other	401
Total	13,637
Operational consultancies	
Development Services Model	574
Expert Specialist Financial, Treasury and Taxation Advice	425
Governance & Business Resilience	52
Information Technology	8
Marketing & Communication Strategy	78
Planning for Infrastructure	1,069
Organisational Efficiency Reviews	195
Safety, Culture & Other Human Resource Consultancies	11
Treatment & Environmental Management	439
Other	99
Total	2,950*

*Total may not reflect individual amounts due to rounding.

Table 5: Consultancies

CHAPTER 5: FINANCIAL PERFORMANCE

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



CHAPTER 5: FINANCIAL PERFORMANCE

Explaining the financial statements

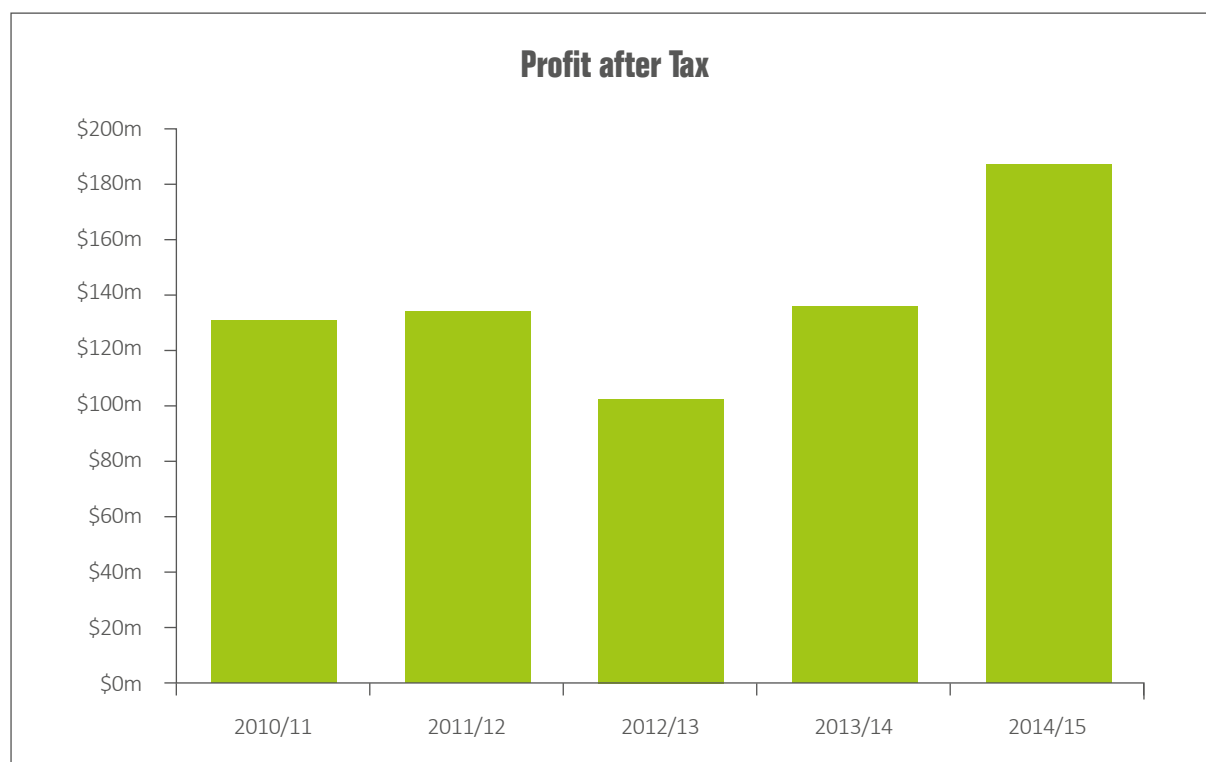
Financial statements are formal records of an organisation's financial performance and consist of five key elements:

- Statement of Comprehensive Income shows our income (what we earn) and our expenses (what we bought) for the current and previous financial years. It also shows profit before and after tax.
- Statement of Financial Position includes our assets (what we own) and our liabilities (what we owe). The difference is called net assets and this equals equity, which represents the amount of our net worth.
- Statement of Changes in Equity shows the movement in the separate components of equity.
- Statement of Cash Flows is a representation of the movement in our cash (bank) balances (where our cash comes from and where it goes).
- Notes to the Financial Statements provide more detail about the line items in each of the above statements together with information about our accounting policies and the establishment of our organisation.

Statement of Comprehensive Income

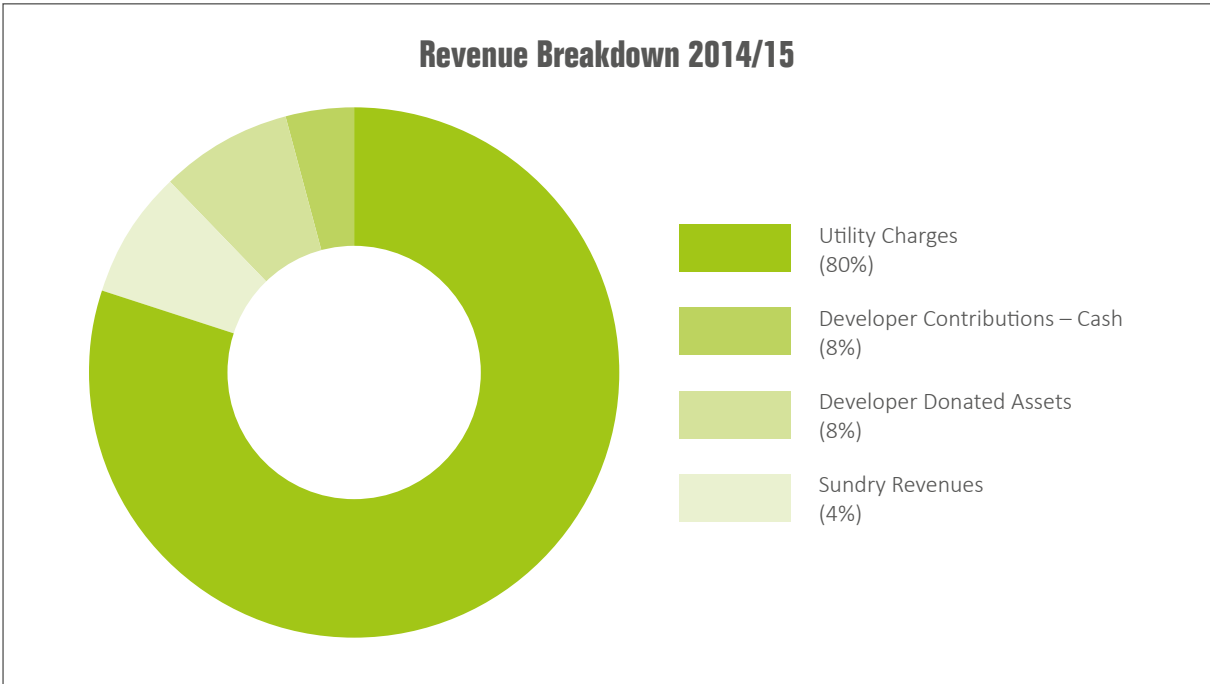
This table shows the sources of revenue (income), operating expenses and our profit before and after tax for five years.

\$M	2010/11	2011/12	2012/13	2013/14	2014/15
Revenue	\$874	\$912	\$951	\$1,069	\$1,193
Operating Expenses	\$685	\$724	\$808	\$876	\$920
Profit Before Tax	\$189	\$188	\$143	\$193	\$273
Taxation Expense	\$58	\$56	\$40	\$60	\$85
Profit After Tax	\$131	\$132	\$103	\$133	\$188

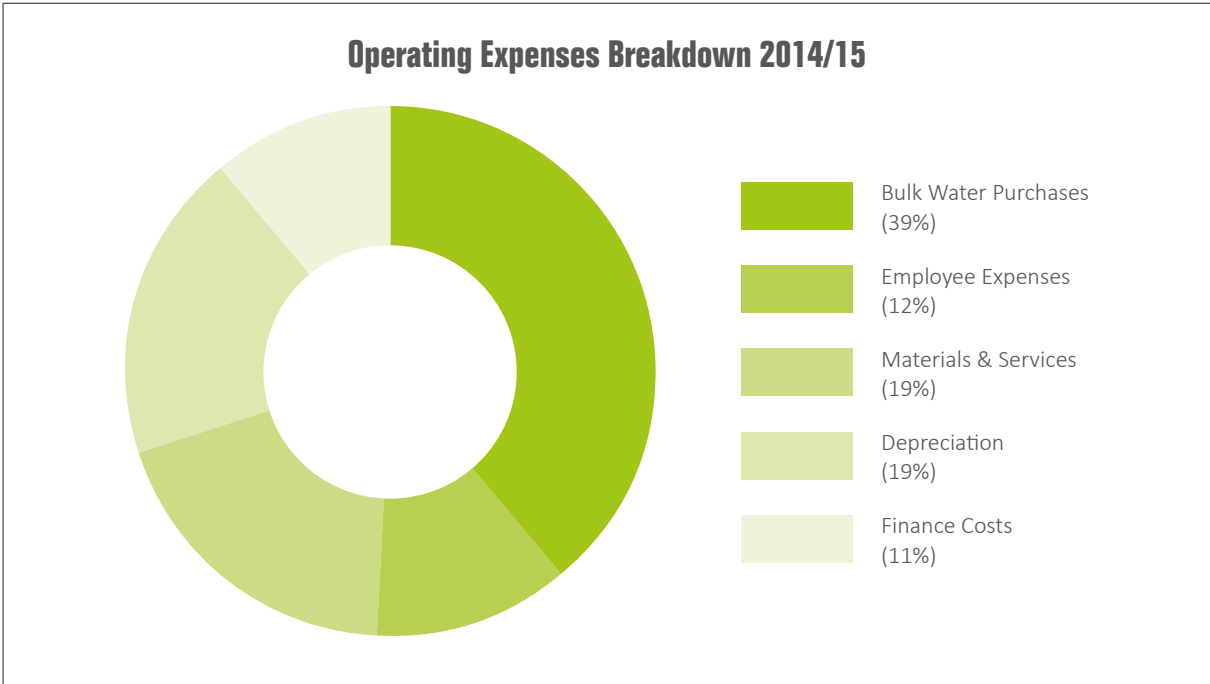


The net result for 2014/15 is a surplus of \$188 million. This result is above the budget result of \$121.2 million contained in our 2014-19 Corporate Plan.

CHAPTER 5: FINANCIAL PERFORMANCE



The increase in our revenue is a function of growth (new property connections and developer contributions), water usage and price increases. Growth impacts utility charges income as well as developer cash and donated assets. Revenue received is used to provide services, maintain existing infrastructure, invest in new infrastructure, and meet shareholders’ returns.



The majority of the operating expenses increase as a result of the increased cost of water and volumetric water consumption. The remaining expenses are largely in line with the previous financial year.

Statement of Financial Position

This statement includes what we own and what we owe.

What do we own (our assets)

The major components of our assets are water and sewerage infrastructure assets. The increase in our total assets is primarily driven by our continued investment in existing and new infrastructure (including developer donated assets). This year an additional \$257 million in total assets were added to our infrastructure which is offset by annual depreciation charges.

\$M	2010/11	2011/12	2012/13	2013/14	2014/15
Total assets	\$4,604	\$4,795	\$5,165	\$5,321	\$5,530

What do we owe (our liabilities)?

Our liabilities include long term debt owed to the State Government and to our Shareholders, amounts owed to suppliers and amounts owed to employees for leave entitlements. Also included is a provision for participation return (dividend) of \$50 million to be paid to our Shareholders in September 2015. This is in addition to the \$25 million paid in January 2015 as an interim dividend payment.

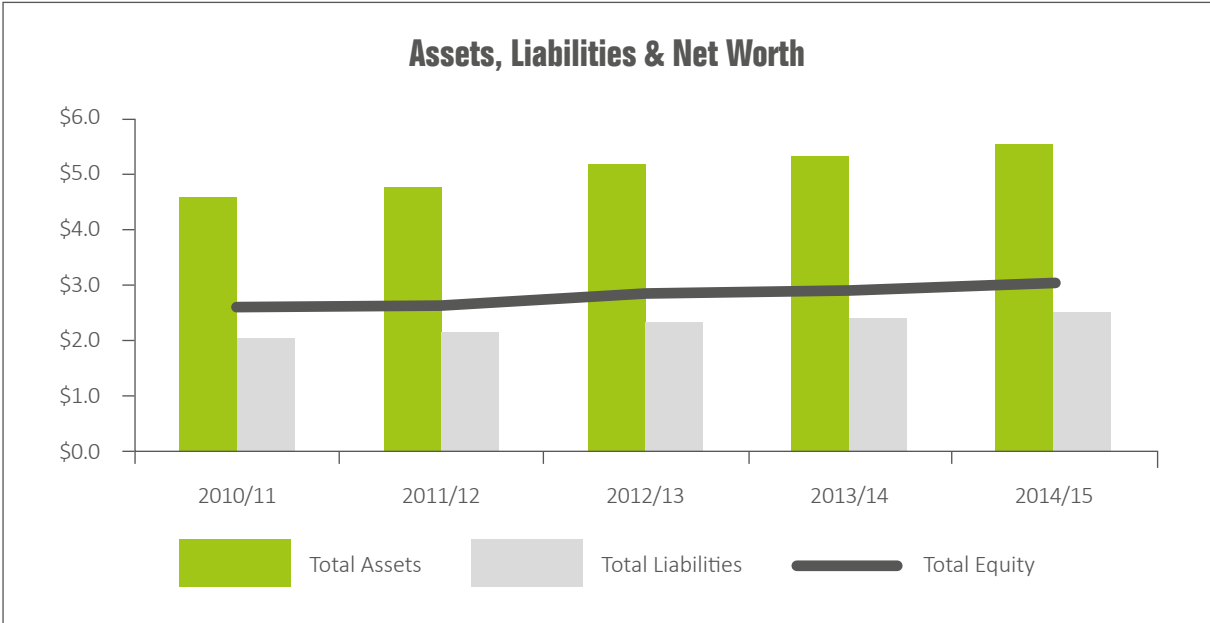
\$M	2010/11	2011/12	2012/13	2013/14	2014/15
Total liabilities	\$2,025	\$2,159	\$2,310	\$2,402	\$2,498

CHAPTER 5: FINANCIAL PERFORMANCE

Statement of Changes in Equity

This explains the changes in the components of equity over the current and previous reporting period. Equity represents our net worth; what we own (total assets) less what we owe (total liabilities). This has continued to grow since we were first established on 1 July 2010.

\$M	2010/11	2011/12	2012/13	2013/14	2014/15
Total equity	\$2,579	\$2,636	\$2,854	\$2,918	\$3,032



Statement of Cash Flows

This statement explains our cash inflows and outflows across operating, investing and financing activities, resulting in our cash balance at the end of each period.

- Operating activities are the normal daily business activities associated with managing our organisation. These include maintenance costs on our network and payments to our staff.
- Investing activities include the cash received from disposal of assets and the amount of cash invested in existing and new infrastructure.
- Financing activities are associated with loans drawn down (borrowed), repayment of loans and returns in the form of participation rights to our Shareholders. This year we have borrowed \$972 million from the State Government (Queensland Treasury Corporation) to repay Brisbane City Council (\$770 million) and Ipswich City Council (\$202 million). Repayment of this debt was at the request of these Shareholders.

\$M	2010/11	2011/12	2012/13	2013/14	2014/15
End cash balance	\$77	\$78	\$56	\$94	\$151

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

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Statement of Comprehensive Income

For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Revenue			
Utility charges	4	948,883	872,397
Contributions	5	196,973	119,182
Grants and subsidies	6	74	14,658
Fees and charges	7	30,381	33,172
Other revenue	8	17,044	29,667
Total operating revenue		1,193,354	1,069,076
Expenses			
Employee expenses	9	106,323	113,159
Bulk water purchases		353,869	313,844
Supplies and services	10	169,578	170,529
Depreciation and amortisation	17 & 18	167,142	167,213
Finance and borrowing costs	11	104,330	97,817
Loss on disposal of assets		10,841	3,742
Other expenses	12	8,122	9,566
Total operating expenses		920,205	875,870
Profit before income tax equivalent		273,149	193,206
Income tax equivalent	13	85,351	59,755
Profit for the year		187,798	133,451
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (losses)	20	449	1,305
Total other comprehensive income		449	1,305
Total comprehensive income		188,247	134,756

The accompanying notes form part of these statements.

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Statement of Financial Position

as at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	14	150,783	94,048
Trade and other receivables	15	34,560	30,019
Other current assets	16	170,729	153,294
Total current assets		356,072	277,361
Non current assets			
Property, plant and equipment	17	5,146,019	5,017,522
Intangible assets	18	24,566	23,067
Defined benefit plan	20a	3,285	2,644
Total non-current assets		5,173,869	5,043,233
Total assets		5,529,941	5,320,594
Current liabilities			
Employee benefits	21	29,966	34,931
Trade and other payables	22	53,426	46,685
Income tax payable	23	29,387	8,924
Other current liabilities	23	146,559	98,357
Participation return	24	49,952	41,136
Total current liabilities		309,289	230,033
Non current liabilities			
Loans and borrowings	25	2,064,895	2,064,895
Employee benefits	21	1,964	2,344
Trade and other payables	22	7,188	8,260
Deferred tax liabilities	26	114,946	96,847
Total non current liabilities		2,188,993	2,172,346
Total liabilities		2,498,282	2,402,378
Net assets		3,031,659	2,918,216
Equity			
Contributed equity		2,538,793	2,538,793
Asset revaluation surplus		154,023	154,023
Retained earnings		338,842	225,400
Total equity		3,031,659	2,918,216

The accompanying notes form part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2015

	Notes	Retained earnings \$'000	Asset revaluation surplus \$'000	Contributed equity \$'000	Total \$'000
Balance as at 01 July 2013		161,598	154,023	2,538,793	2,854,414
Contributions by and distributions to Participants					
Participation return to Participants	24	(70,954)	-	-	(70,954)
Total contributions by and distributions to Participants		(70,954)	-	-	(70,954)
Profit for the year		133,451	-	-	133,451
Other comprehensive income					
Defined benefit plan actuarial gains		1,305	-	-	1,305
Total comprehensive income for the year		134,756	-	-	134,756
Balance as at 30 June 2014		225,400	154,023	2,538,793	2,918,216
Balance as at 01 July 2014		225,400	154,023	2,538,793	2,918,216
Contributions by and distributions to Participants					
Participation return to Participants	24	(74,804)	-	-	(74,804)
Total contributions by and distributions to Participants		(74,804)	-	-	(74,804)
Profit for the year		187,798	-	-	187,798
Other comprehensive income					
Defined benefit plan actuarial gains	20	449	-	-	449
Increase in asset revaluation surplus		-	-	-	-
Total comprehensive income for the year		188,247	-	-	188,247
Balance as at 30 June 2015		338,842	154,023	2,538,793	3,031,659

The accompanying notes form part of these statements.

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Statement of Cash Flows

For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Receipts from customers		1,031,571	968,921
Developer cash contributions		93,163	58,723
Interest received		3,906	2,219
GST input tax credits from ATO		34,031	35,857
GST collected from customers		558	2,171
		1,163,229	1,067,891
<i>Outflows:</i>			
Employee expenses		(125,668)	(118,541)
Suppliers and services		(545,069)	(521,970)
Finance and borrowing costs		(104,460)	(102,246)
Income tax		(46,981)	(37,395)
GST paid to suppliers		(34,031)	(35,857)
GST remitted to ATO		(558)	(2,140)
		(856,766)	(818,149)
Net cash provided by (used in) operating activities	14a	306,462	249,742
Cash flows from investing activities			
<i>Inflows:</i>			
Proceeds from sale of plant and equipment		1,013	1,703
<i>Outflows:</i>			
Payments for property, plant and equipment		(184,753)	(206,230)
Net cash provided by (used in) investing activities		(183,740)	(204,527)
Cash flows from financing activities			
<i>Inflows:</i>			
Borrowings	25	972,309	45,000
<i>Outflows:</i>			
Repayment of long-term borrowings	25	(972,309)	-
Participation rights payments	24	(65,988)	(52,457)
Net cash provided by (used in) financing activities		(65,988)	(7,457)
Net increase (decrease) in cash and cash equivalents		56,735	37,757
Cash and cash equivalents at the beginning of the financial year		94,048	56,291
Cash and cash equivalents at the end of the financial year		150,783	94,048

The accompanying notes form part of these statements.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

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 and by the Queensland Government gazettal of the First and Second Transfer Schemes on 29 June 2010 and 30 September 2010, respectively. 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. The final transfer notice was completed prior to 30 June 2012.

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.

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 2014 to 30 June 2015 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 17 August 2015.

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.

(b) Accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and 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.

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

(b) Accounting estimates and assumptions (cont'd)

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

Note 3 (d) (i) – Utility charges- estimation of unbilled water consumption

Note 3 (d) (ii) – Non-cash contributions

Note 3 (g) – Trade and other receivables – provision for impairment

Note 3 (h) – Revaluation of non-current physical assets

Note 3 (i) – Fair value measurement

Note 3 (j) – Impairment of non-current assets

Note 3 (n) – Employee benefits

Note 15 – Trade and other receivables

Note 17 – Property, plant and equipment

Note 18 – Intangible assets

Note 19 – Key valuation assumptions used

Note 20 – Superannuation

Note 30 – Contingencies

(c) New and revised accounting standards

Queensland Urban Utilities did not voluntarily change any of its accounting policies for the year ended 30 June 2015. There are no Australian Accounting Standard changes applicable for the first time that has a material impact on Queensland Urban Utilities' financial statements.

AASB 2014-1 Amendments to Australian Accounting Standards – Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119 Employee Benefits) provides that employee or third party contributions that meet certain criteria are able (but not required) to be recognised as a reduction of the service cost in the period in which the related service is rendered. As Queensland Urban Utilities has only a small number of staff remaining in the defined benefit plan known as City Defined Benefits Fund, the impact of this change will be immaterial.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2015. Queensland Urban Utilities does not plan to early adopt any standards or interpretations. Expected impacts of new or amended standards with future commencement dates applicable to 2015/2016 are set out below:

AASB 9 *Financial Instruments* (December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) will become effective for reporting periods beginning on or after 1 January 2018. It supersedes AASB 9 (issued in December 2009-as amended) and AASB 9 (issued in December 2010). The main impact of these standards on Queensland Urban Utilities is that they 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. The new 'expected credit loss' model will replace the 'incurred loss' impairment 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.
- amendments to AASB 7 *Financial Instruments: Disclosures* significantly expand the disclosures required in relation to credit risk.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

(c) New and revised accounting standards (cont'd)

AASB 15 *Revenue from Contracts with Customers* and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 will become effective for reporting periods beginning on or after 1 July 2018. The main impacts of these standards on Queensland Urban Utilities are 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.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable or have no material impact on Queensland Urban Utilities' financial statements.

(d) Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to Queensland Urban Utilities 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 below must be met before revenue is recorded.

(i) Utility charges

Utility charges are recognised based on outstanding water consumption and fixed service charges billed in advance. Queensland Urban Utilities 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.

(ii) Contributions

Developer contributions

Queensland Urban Utilities 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 Queensland Urban Utilities or collected by the Councils on behalf of Queensland Urban Utilities. Amounts collected by the Councils are transferred to Queensland Urban Utilities 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 Queensland Urban Utilities obtains the right to receive the cash contribution and the amount of revenue can be reliably measured.

Non-cash contributions

Developer non-cash contributions such as water and sewerage infrastructure are recognised as revenue and as non-current assets at their fair value when Queensland Urban Utilities obtains control of the assets and becomes liable for its ongoing maintenance.

(iii) Fees and charges

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

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

(e) Finance and borrowing costs

Finance and borrowing costs consist of bank charges and interest expense on bank overdrafts, short-term and long-term 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.

(f) Cash and cash equivalents

Cash and cash equivalents include cash at bank and 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 Queensland Urban Utilities' cash management.

(g) 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 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.

(h) 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)	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.

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

Land, buildings and infrastructure assets are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses, where applicable.

Assets within each class of property, plant and equipment carried at fair value are subject to ongoing review and revaluation, as necessary, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

(h) Property, plant and equipment (cont'd)

Plant and equipment and fleet assets are measured at cost.

Queensland Urban Utilities' review of its fair value methodology was based on AASB 13 *Fair Value Measurement* (note 3 (i)). 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.

Depreciation

Land is not depreciated. Other property, plant and equipment is 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	10-110
– Sewerage network	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.

(i) Fair value measurement

Queensland Urban Utilities 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 17 – Property, plant and equipment

Note 19 – Key valuation assumptions used

Note 27 – 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.

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

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

(i) Fair value measurement (cont'd)

- Level 3 – inputs for the asset or liability that are substantially derived from unobservable inputs.

Queensland Urban Utilities 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 Queensland Urban Utilities are outlined in notes 19 and 27.

(j) Impairment of non-current assets

Each non-current physical and intangible asset is assessed for indicators of impairment annually. If possible impairment indicators exist, Queensland Urban Utilities 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 19 (c) for details of Queensland Urban Utilities' 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.

(k) Leases

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

Queensland Urban Utilities 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 2015, Queensland Urban Utilities had not entered into any finance leases.

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.

(l) 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.

(m) Financial instruments

A financial instrument is recognised if Queensland Urban Utilities becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised if Queensland Urban Utilities' contractual rights to the cash flows from the financial assets expire or if Queensland Urban Utilities 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 Queensland Urban Utilities' obligations specified in the contract expire or are discharged or cancelled.

Queensland Urban Utilities is not a party to any derivative financial instrument and does not enter into transactions for speculative purposes.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

(m) Financial instruments (cont'd)

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.

(n) 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, sick leave, workers' compensation and superannuation.

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

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

Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows which Queensland Urban Utilities 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 Queensland Urban Utilities does not have a present obligation to pay at reporting date are discounted using the rates attaching to high quality corporate bonds (2014: national government securities) 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.

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

(n) Employee benefits (cont'd)

Sick leave

The provision for sick leave represents staff entitlements under arrangements that existed prior to 30 June 1996. The reported balances reflect Queensland Urban Utilities 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 who were in service prior to 30 June 1996. 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.

Superannuation

Local Government Superannuation Scheme (LG Super)

Queensland Urban Utilities contributes to LG Super for employees under both the defined benefit scheme and the accumulation superannuation scheme. Queensland Urban Utilities has no liability to or interest in LG Super 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 Queensland Urban Utilities. Accordingly, there is no recognition in the financial statements of any over or under funding of LG Super. Refer to note 20.

Termination benefits

Termination benefits are payable when employment is terminated by Queensland Urban Utilities 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 Queensland Urban Utilities can no longer withdraw the offer of those benefits and when Queensland Urban Utilities recognises costs for a restructuring. 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.

Key executive management personnel and remuneration

Key executive management personnel and remuneration disclosures are made in accordance with part B section 5 of the Financial Reporting Requirements for Queensland Government Agencies. Refer to note 32 for the disclosures on key executive management personnel and remuneration.

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 Queensland Urban Utilities are not included in Board remuneration. To the extent permitted by law, Queensland Urban Utilities must indemnify each Board Member against a liability of that person and the legal costs of that person. Queensland Urban Utilities has an appropriate insurance coverage for Directors and Officers liability.

Detail of payments to each Board Member is included at note 33.

(o) Loan liabilities

(i) Queensland Treasury Corporation (QTC)

(a) General purpose borrowings – Queensland Urban Utilities borrows from QTC to fund a range of non-specific capital projects undertaken. 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 – Queensland Urban Utilities 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.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

(o) Loan liabilities (cont'd)

(i) Queensland Treasury Corporation (QTC) (cont'd)

(c) Queensland Urban Utilities has access to a working capital facility with QTC- refer note 14 (b) for details of the funding facilities.

(ii) Participants' loans

At its inception, Queensland Urban Utilities' Participating Councils provided the Authority with separate fixed rate loans, which expired on 30 June 2013. Prior to their expiry, these loans were extended for a further 10 years under separate loan agreements. These loans are now subject to an annual reset fixed rate (note 25).

Interest payments are made in accordance with the original participant loan arrangements, including interest rates agreed. Refer to notes 11 and 25.

100% of Ipswich City Council Loan and 62% Brisbane City Council Loan have been refinanced by additional debt sourced from existing QTC loan facilities during the financial year. Refer to note 25.

(p) Provision for restructuring

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

(q) Funds held in trust

Funds held in trust include deposits received by Queensland Urban Utilities for standpipe bonds, security deposits to guarantee performance and unclaimed money. Funds held in trust are not recorded in the financial statements and are disclosed in note 31 for information purposes only.

(r) Taxation

Income tax

Queensland Urban Utilities is exempt from Commonwealth Government income taxation but is subject to the Local Government Tax Equivalent Regime (LGTER). Under the LGTER, Queensland Urban Utilities pays an income tax equivalent to its participating Councils' participation rights percentages 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.

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

(r) Taxation (cont'd)

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

Queensland Urban Utilities 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.

(s) Contributed equity

In return for the net assets transferred to Queensland Urban Utilities, each Council participates based on its share of the RAB, comprising of 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 and Trade.

(t) 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, Queensland Urban Utilities will provide to the participating Councils an estimate of the net profit for the first six months and advise the total amount of the Interim Participation Return.

The Final Participation Return for the year ended 30 June 2015 was declared on 18 May 2015, refer note 24 for details.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
4. Utility charges		
Water charges	550,796	496,396
Wastewater charges	398,087	376,001
	948,883	872,397
5. Contributions		
Developer contributions – cash	97,180	69,207
Developer contributions – donated assets	99,793	49,974
	196,973	119,182
6. Grants and subsidies		
NDRRA funding	-	14,574
Other	74	84
	74	14,658
7. Fees and charges		
Property connection fees	6,385	11,089
Professional fees	6,846	4,420
Recycled water	11,013	10,728
Other fees	6,137	6,935
	30,381	33,172
8. Other revenue		
Insurance recovery	9,439	24,339
Interest income	4,221	2,154
Other revenue	3,384	3,175
	17,044	29,667

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

Notes	2015 \$'000	2014 \$'000
9. Employee expenses		
<i>Employee benefits</i>		
Salaries and wages	101,222	108,336
Annual leave expenses	8,332	7,867
Long service leave expenses	1,385	3,098
Employer superannuation contribution	11,718	12,071
<i>Employee related expenses</i>		
Workers' compensation premium	1,261	1,183
Payroll tax	5,561	6,154
Other employee related expenses	233	234
	129,713	138,943
Less: capitalised costs	3(h) (23,390)	(25,784)
	106,323	113,159
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:	1,035 FTE	1,050 FTE
10. Supplies and services		
Materials and services	126,823	128,897
Consultancies and legal fees	4,223	5,084
Directors fees	33 468	415
Other suppliers and consumables	38,064	36,133
	169,578	170,529
11. Finance and borrowing costs		
Bank charges	2,194	2,165
QTC finance costs	31,060	21,609
Interest on Participants' debt	71,076	74,043
	104,330	97,817

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
12. Other expenses		
Audit fees (internal and external)*	804	740
Impairment of trade receivables	937	2,532
Insurance	2,997	3,044
Rates and taxes	2,621	2,522
Other	763	728
	8,122	9,566

*Total external audit fees paid to the Queensland Audit Office relating to the 2014/2015 financial statements are estimated to be \$270,000 (2014: \$280,300). There are no non-audit services included in this amount.

	2015 \$'000	2014 \$'000
13. Income tax equivalent		
Income tax expense		
Current tax expense	67,492	46,485
Deferred tax expense	17,859	12,865
Adjustments for permanent movement from prior periods	-	405
	85,351	59,755
<i>Reconciliation of income tax expense to prima-facie tax payable</i>		
Profit before income tax equivalent	273,149	193,206
Income tax equivalent expense at 30%	81,945	57,962
Non-deductible expenditure	6	5
Permanent difference- depreciation on acquired assets	4,315	2,682
Permanent difference – accrued leave provisions	(1,083)	(1,364)
Permanent difference – co-operative research centres and goodwill	189	65
Permanent overs/unders	-	405
Timing difference – depreciation on intangible assets	(21)	-
Total income tax expense	85,351	59,755

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
14. Cash and cash equivalents		
(a) Reconciliation of cash from operating activities		
Cash flows from operating activities		
Profit for the year	187,798	133,451
<i>Adjustments for:</i>		
Depreciation and amortisation	167,142	167,213
Loss on disposal of assets	10,841	3,742
Donated assets	(99,793)	(49,974)
Change in assets and liabilities		
Change in trade and other receivables	(4,541)	(1,673)
Change in other current assets	(17,437)	(22,338)
Change in trade and other payables	5,669	4,535
Change in employee benefits	(5,345)	277
Change in other current liabilities	44,221	1,349
Change in deferred tax	17,907	13,159
Net cash from operating activities	306,462	249,742
(b) Funding facilities		
Working capital facility QTC	100,000	100,000
Client specific pool QTC borrowing limit for 30 June	60,000	110,000
Overdraft facility – Commonwealth Bank	5,000	5,000
Total facility	165,000	215,000
Amount of facility drawn	165,000	170,000

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
15. Trade and other receivables		
Current		
Trade and other receivables	48,381	43,056
Less: Provision for impairment	(13,821)	(13,037)
	34,560	30,019
<i>Movements in the provision for impairment</i>		
Balance at beginning of the year	(13,037)	(10,507)
Amounts written off during the year	153	2
Increase in provision	(937)	(2,532)
Balance at the end of the year	(13,821)	(13,037)
16. Other current assets		
Accrued utility charges	139,814	126,769
Accrued developer contributions	25,714	21,697
Inventories held for use	2,698	2,536
Other	2,502	2,291
	170,729	153,294

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
17. Property, plant and equipment		
Land:		
At fair value	57,787	57,404
Buildings:		
At fair value	21,603	18,610
Less: Accumulated depreciation	(4,054)	(2,327)
	17,549	16,283
Plant and equipment:		
At cost	7,873	6,290
Less: Accumulated depreciation	(3,492)	(2,519)
	4,381	3,770
Fleet:		
At cost	23,908	25,578
Less: Accumulated depreciation	(11,636)	(9,587)
	12,273	15,991
Water supply network:		
At fair value	2,096,864	1,996,856
Less: Accumulated depreciation	(228,107)	(180,351)
	1,868,756	1,816,505
Sewerage network:		
At fair value	3,383,803	3,254,131
Less: Accumulated depreciation	(496,063)	(392,081)
	2,887,740	2,862,051
Work in progress:		
At cost	297,533	245,517
Total	5,146,019	5,017,522

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

17. Property, plant and equipment (cont'd)

Queensland Urban Utilities has plant and equipment with an original cost of \$0.9m (2014: \$0.6m) and a written down value of zero still being used in the provision of services. These assets are expected to be replaced in 2015/2016.

Queensland Urban Utilities has fleet assets with an original cost of \$0.03m (2014: \$0.07m) that has been written down to a residual value of \$0 (2014: \$0.03m) still being used in the provision services. These assets are expected to be replaced within the next six months.

Queensland Urban Utilities has water supply network with an original cost of \$4.1m (2014: \$3.4m) and a written down value of zero still being used in the provision of services. It is not intended to retire these assets in the next twelve months.

Queensland Urban Utilities has sewerage network with an original cost of \$31.4m (2014: \$4.7m) and a written down value of zero still being used in the provision of services. It is not intended to retire these assets in the next twelve months.

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
2015	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'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	332	3,167	1,619	115	53,005	91,149	-	149,387
Donated assets	775	-	-	-	54,821	44,197	-	99,793
Disposals	(724)	(139)	(57)	(719)	(6,747)	(5,115)	-	(13,501)
Additions to work in progress	-	-	-	-	-	-	201,403	201,403
Work in progress capitalised	-	-	-	-	-	-	(149,387)	(149,387)
Depreciation for the year	-	(1,761)	(952)	(3,115)	(48,828)	(104,541)	-	(159,197)
Carrying amount at 30 June	57,787	17,549	4,381	12,273	1,868,756	2,887,740	297,533	5,146,019
Carrying amount under the cost model	55,232	16,813	4,381	12,273	1,787,264	2,766,012	297,533	4,939,506

A fair valuation of Queensland Urban Utilities was undertaken as at 30 June 2015 using a discounted cash flow methodology which determined the fair value to be \$5.33B (2014: \$5.19B). 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.

The Board considered that the carrying value (RAB) was not materially different to the fair value and elected not to revalue the assets. Additions acquired during the financial year are valued at cost.

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

17. Property, plant and equipment (cont'd)

Reconciliation (cont'd)

	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
2014	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000
Carrying amount at 1 July	53,667	15,478	4,126	16,357	1,798,595	2,752,936	281,075	4,922,234
Additions at cost	3,738	2,099	477	4,652	36,222	198,937	-	246,125
Donated assets	-	-	-	-	31,297	18,677	-	49,974
Disposals	-	-	(23)	(1,574)	(2,466)	(1,381)	-	(5,445)
Transfers between classes	-	-	44	-	41	(85)	-	0
Revaluation increments	-	-	-	-	-	-	-	-
Additions to work in progress	-	-	-	-	-	-	210,566	210,566
Work in progress capitalised	-	-	-	-	-	-	(246,125)	(246,125)
Depreciation for the year	-	(1,295)	(853)	(3,443)	(47,185)	(107,032)	-	(159,808)
Carrying amount at 30 June	57,404	16,283	3,770	15,991	1,816,504	2,862,052	245,517	5,017,522
Carrying amount under the cost model	54,849	15,546	3,770	15,991	1,732,940	2,735,811	245,517	4,804,423

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

18. Intangible assets

	Software purchased		Goodwill		Work in progress		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Carrying amount at 1 July	19,725	14,134	656	874	2,686	11,081	23,067	26,089
Acquisitions at cost	7,892	12,779	-	-	-	-	7,892	12,779
Disposals	(608)	-	(446)	-	-	-	(1,054)	-
Additions to work in progress					10,498	4,384	10,498	4,384
Work in progress capitalised					(7,892)	(12,779)	(7,892)	(12,779)
Amortisation for the year	(7,735)	(7,187)	(210)	(218)	-	-	(7,945)	(7,405)
Carrying amount at 30 June	19,274	19,725	(0)	656	5,292	2,686	24,566	23,067
Gross carrying amount	38,118	30,863	-	1,112	5,292	2,686	43,410	34,661
Accumulated amortisation	(18,844)	(11,138)	-	(456)	-	-	(18,844)	(11,594)
Carrying amount at 30 June – at cost	19,274	19,725	-	656	5,292	2,686	24,566	23,067

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Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

19. Key valuation assumptions used

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

A valuation using the income approach based on discounted cash flows (DCF) was undertaken as at 30 June 2015 by Management and discussed with the Audit and Risk Committee and the Board. The fair value has been independently reviewed by PricewaterhouseCoopers (PWC). The DCF technique involves estimating the future cash inflows, outflows and appropriate terminal value to be derived from the assets and applying an appropriate discount rate to those future cash flows. Modelling has been performed for five scenarios and an average determined. The scenarios include the terminal value inputs below for the price paths specified below.

(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	Growth as forecast by management and maximum allowable revenue (MAR)	(1) FY16 to FY35; (2) MAR FY35	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%	Minimal impact on fair value as when cash outflows on capital are reduced, the MAR is also reduced
Terminal value	Gordon Growth Model; and Regulatory Asset Base (RAB)	(1) Gordon Growth Model (2) RAB (3) RAB x 1.1 (\$5.32B to \$5.55B)	The higher the terminal value the higher the fair value
Weighted average cost of capital (WACC)	Developed by management in consultation with independent experts	Post-tax WACC 6.95%	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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

19. Key valuation assumptions used (cont'd)

(c) Impairment testing

Following assessment of the fair value, Queensland Urban Utilities 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. This assessment resulted to no internal or external indicators of impairment.

(d) Price path post 1 July 2015

Fair value modelling cash flows are estimated using the building block approach consistent with the Queensland Competition Authority Interim Price Monitoring Framework.

As a result of the removal of the requirement for Participating Councils to develop and publish 5-year price paths, Queensland Urban Utilities is now required to publish its water and sewerage prices annually by the end of June.

20. Superannuation

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

Local government superannuation scheme - LG Super

Queensland Urban Utilities 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 City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund;

The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional areas; and

The Accumulation Benefits Fund (ABF).

The ABF is a defined contribution scheme as defined in AASB 119. Queensland Urban Utilities 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. Queensland Urban Utilities engaged an actuary to assess the values and to provide the disclosures in accordance with AASB 119 (refer note 20 (a) to (l)).

The Regional DBF is a defined benefit plan as defined in AASB 119. Queensland Urban Utilities 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 Queensland Urban Utilities 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.

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Central SEQ Distributor-Retailer Authority

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For the year ended 30 June 2015

20. Superannuation (cont'd)

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 Queensland Urban Utilities. 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 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

The next actuarial investigation will be conducted as at 1 July 2015.

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. 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.

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 Queensland Urban Utilities. The more significant risks relating to the defined benefits are:

- Investment risk: The risk that investment returns will be lower than assumed and Queensland Urban Utilities 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.

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 2015

	2015 \$'000	2014 \$'000
20. Superannuation (cont'd)		
(a) Reconciliation of the net defined benefit liability/(asset)		
Net defined benefit liability/(asset) at start of year	(2,644)	(1,105)
Current service cost	302	346
Net interest	(102)	(36)
Actual return on fund assets less interest income	(658)	(744)
Actuarial losses/(gains) arising from changes in financial assumptions	314	(747)
Actuarial losses/(gains) arising from liability experience	(302)	(44)
Employer contributions	(195)	(314)
Net defined benefit liability/(asset) at end of year	(3,285)	(2,644)
(b) Reconciliation of the fair value of the plan assets		
Fair value of plan assets at the beginning of the year	13,305	12,572
Interest income	537	398
Actual return on fund assets less interest income	658	744
Employer contributions	195	314
Contributions by plan participants	100	148
Benefits paid	(3,818)	(787)
Taxes, premiums and expenses paid	(58)	(84)
Fair value of plan assets at the end of the year	10,919	13,305
(c) Reconciliation of the defined benefit obligation		
Present value of defined benefit obligations at beginning of the year	10,661	11,467
Current service cost	302	346
Interest cost	435	362
Contributions by fund participants	100	148
Actuarial loss/(gains) arising from changes in financial assumptions	314	(747)
Actuarial losses/(gains) arising from liability experience	(302)	(44)
Benefits paid	(3,818)	(787)
Taxes, premiums and expenses paid	(58)	(84)
Fair value of plan assets at the end of the year	7,634	10,661
(d) Reconciliation of the effect of the asset ceiling		
The asset ceiling has no impact on the net defined benefit liability/(asset)		

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
20. Superannuation (cont'd)		
(e) Fair value of fund assets as at 30 June 2015 (significant observable inputs – level 2)		
Investment funds – LGsuper diversified growth fund*	10,919	13,305
*The defined benefit assets are invested in the LGsuper diversified growth investment option.		
The percentage invested in each asset class at the reporting date*:		
Australian equity	16%	17%
International equity	18%	18%
Fixed income	37%	35%
Property	13%	12%
Alternatives/other	14%	14%
Cash	2%	4%
*Asset allocation as at 30 June 2015 is not yet available. Asset allocation at 28 February 2015 has been used.		
(f) Fair value of own financial instruments		
The fair value of fund assets includes no amounts relating to:		
<ul style="list-style-type: none"> any of Queensland Urban Utilities' own financial instruments any property occupied by, or other assets used by, Queensland Urban Utilities. 		
(g) Significant actuarial assumptions at the reporting date		
Assumptions to determine defined benefit cost		
Discount rate	4.2% pa	3.3% pa
Expected salary increase rate	2.2% pa until 30 June 2015 and 3% pa thereafter	3.0% pa until 30 June 2018; 2.5% thereafter
Assumptions to determine defined benefit obligation		
Discount rate	3.4% pa	4.2% pa
Expected salary increase rate	2.5% pa	2.2% pa until 30 June 2015; 3.0% thereafter

(h) Sensitivity analyses

The defined benefit obligation as at 30 June 2015 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 2015

20. Superannuation (cont'd)

(h) Sensitivity analyses (cont'd)

	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	2.95% 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)	7,634	7,997	7,295	7,340	7,945

*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 2012 actuarial investigation of the fund, in a report dated 31 March 2013, 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 Queensland Urban Utilities 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 2016 are \$0.193M (2015: \$0.270M).

(l) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 8 years.

	2015 \$'000
Expected benefit payments for the financial year ending on:	
30 June 2016	958
30 June 2017	781
30 June 2018	753
30 June 2019	783
30 June 2020	850
Following 5 years	3,450

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Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
21. Employee benefits		
Current		
Accrued salaries and wages	1,135	4,618
Annual leave	13,032	12,828
Long service leave	14,909	16,582
Time in lieu	788	630
Vested sick leave	102	273
	29,966	34,931
Non-current		
Long service leave	1,964	2,344
	1,964	2,344
22. Trade and other payables		
Current		
Trade creditors	43,874	36,341
Infrastructure agreement liabilities	4,907	5,452
Other payables	4,645	4,891
	53,426	46,685
Non Current		
Lease incentive	7,188	8,260
	7,188	8,260
Total	60,614	54,945
23. Other current liabilities		
Current		
Accrued bulk water purchases	27,306	23,688
Accrued capital program costs	63,933	39,489
Provision for restructuring*	4,556	3,158
Unearned revenue	23,835	1,401
Other	26,930	30,621
	146,559	98,357
Income tax payable	29,387	8,924
	175,946	107,281

*Provision for restructuring includes the restructuring of Finance, Planned Maintenance, Planning and Enterprise Excellence Program functions.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
24. Participation returns		
In accordance with the Participation Agreement, the Board declared the final participation rights payment of \$49.95m (2014: \$41.14m) on 18 May 2015. Payment will be made on 30 September 2015.	49,952	41,136
An interim participation return was declared on 20 October 2014 and paid on 30 January 2015.	24,852	29,819
Total participation rights paid/payable	74,804	70,954
Amounts per Participant:		
Brisbane City Council	63,589	60,315
Ipswich City Council	9,143	8,672
Lockyer Valley Regional Council	675	641
Scenic Rim Regional Council	780	739
Somerset Regional Council	618	586
	74,804	70,954
Cash payments to Participants during the financial year	65,988	52,457
	2015 \$'000	2014 \$'000
25. Loans and borrowings		
Non-current		
QTC client specific pool loans	1,550,397	578,089
Participant loans	514,498	1,486,806
Total	2,064,895	2,064,895

No assets have been pledged as security for any liabilities.

All borrowings are in Australian dollar denominated amounts and an amount of \$2,524,154 has been capitalised during the current year (2014: \$4,550,861). There have been no defaults or breaches of the loan agreements during the year.

No fair value adjustment is made to the carrying amount of the borrowings.

The Weighted Average Borrowing Rate for QTC borrowings as at 30 June 2015 is 4.859% (2014: 4.772%). Interest payments are made monthly in arrears at rates ranging from 2.66% to 4.91% (2014: 3.1% to 4.78%).

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
25. Loans and borrowings (cont'd)		
Balances of outstanding loans were as follows:		
Participant loans	514,498	1,486,806
QTC- client specific pool	1,550,397	578,089
	2,064,895	2,064,895
QTC client specific pool loans		
Opening balance	578,089	533,089
Add: Drawdown of debt	-	45,000
Add: Refinancing of participant loans	972,309	-
	1,550,397	578,089
Participant loans (Opening Balance)	1,486,806	1,486,806
<i>Less repayment of loans</i>		
Brisbane City Council	(770,000)	-
Ipswich City Council	(202,309)	-
	(972,309)	-
Participant loans (Closing Balance)		
Brisbane City Council	471,282	1,241,282
Ipswich City Council	-	202,309
Lockyer Valley Regional Council	14,735	14,735
Scenic Rim Regional Council	14,676	14,676
Somerset Regional Council	13,804	13,804
	514,498	1,486,806

Until 30 June 2013, the Participating Councils had provided loans to Queensland Urban Utilities under separate loan agreements ("Participating Local Government Fixed Rate Loan Agreement (Senior Debt)"), subject to a fixed interest rate of 6.7834% with monthly interest-only payments for 3 years from 1 July 2010. The Councils agreed to extend the loans 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 2015 financial year was 5.08% (2014: 4.98%) with the loans requiring monthly interest-only payments for 10 years from 1 July 2013. The Queensland Treasurer has approved the extension in accordance with the SBFA.

During the 2014/2015 financial year, Ipswich City Council (ICC) and Brisbane City Council (BCC) asked for the repayment of QUU PLG loans amounting to \$202.3 million and \$1.2 billion, respectively. The ICC loan was paid as at 30 June 2015. The BCC loans will be paid in two tranches: (1) \$770 million was paid in May 2015; and (2) the remaining \$471.3 million will be paid post State Government Treasurer's approval.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

26. Deferred tax

Deferred tax equivalents

	Assets		Liabilities		Net	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Provisions	12,305	11,545	-	-	12,305	11,545
Accrued expenses	1,577	1,129	-	-	1,577	1,129
Plant and equipment	450	539	-	-	450	539
Other	9,048	2,790	-	-	9,048	2,790
Expenses capitalised for tax	60	-	-	-	60	-
Accrued income	93	-	-	-	93	-
Contributed assets	-	-	(90,933)	(60,624)	(90,933)	(60,624)
Plant and equipment	-	-	(46,561)	(51,432)	(46,561)	(51,432)
Other	-	-	(793)	(235)	(793)	(235)
<i>Amounts recognised directly in equity:</i>						
Defined benefit plan	-	-	(192)	(559)	(192)	(559)
Tax asset/(liability)	23,533	16,003	(138,479)	(112,850)	(114,946)	(96,847)
Netting off	(23,533)	(16,003)	23,533	16,003		
Net tax asset/(liability)	-	-	(114,946)	(96,847)	(114,946)	(96,847)
Movements in deferred tax assets and liabilities						
Balance at 1 July	16,003	36,532	(112,850)	(119,662)	(96,847)	(83,130)
Current year's income tax equivalent expense	7,530	(20,529)	(25,629)	6,812	(18,099)	(13,717)
Balance at 30 June	23,533	16,003	(138,479)	(112,850)	(114,946)	(96,847)

27. Financial instruments

(a) Financial risk management

Queensland Urban Utilities' 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 Queensland Urban Utilities. Queensland Urban Utilities measures risk exposure for credit risk by ageing analysis, liquidity risk by maturity analysis and interest rate risk by sensitivity analysis.

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

27. Financial instruments (cont'd)

(b) Categorisation of financial instruments

Queensland Urban Utilities has the following categories of financial assets and financial liabilities

Category	Note	2015 \$'000	2014 \$'000
Financial assets			
Cash and cash equivalents	14	150,783	94,048
Trade and other receivables	15	34,560	30,019
Total		185,343	124,067
Financial liabilities			
Loans and borrowings	25	2,064,895	2,064,895
Trade and other payables	22	60,614	54,945
Total		2,125,509	2,119,840

(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. No collateral is held as security relating to the financial assets held by the Authority. Queensland Urban Utilities has minimum exposure to credit risk due to the large number of small value receivables.

The following table represents the maximum exposure to credit risk based on contractual amounts net of any allowances:

Maximum exposure to credit risk Category	Note	2015 \$'000	2014 \$'000
Trade and other receivables	15	34,560	30,019
Total		34,560	30,019

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 \$13,821,037 for the current year (2014: \$13,036,986).

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.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

27. Financial instruments (cont'd)

(c) Credit risk exposure (cont'd)

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

	2015		2014	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Receivables				
Not past due	9,193	-	12,774	-
Past due 31-60 days	7,833	-	6,922	-
Past due 61-90 days	7,522	-	4,709	-
More than 90 days	20,633	13,821	14,797	13,037
	45,181	13,821	39,202	13,037

(d) Liquidity risk

Liquidity risk refers to the situation where Queensland Urban Utilities may encounter difficulty in meeting obligations associated with financial liabilities. Queensland Urban Utilities 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	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

Financial liabilities	2014 Payable in			Total
	<1 year \$'000	1-5 years \$'000	>5 years \$'000	\$'000
Participant loans	-	-	1,486,806	1,486,806
QTC client specific pool	-	-	578,089	578,089
Trade and other payables	46,685	8,260	-	54,945
	46,685	8,260	2,064,896	2,119,841

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

27. Financial instruments (cont'd)

(e) Interest rate risk

Queensland Urban Utilities is exposed to interest rate risk through borrowings and cash deposited in interest bearing accounts. Queensland Urban Utilities 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 Queensland Urban Utilities.

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 Queensland Urban Utilities' 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 Queensland Urban Utilities' exposure to variable interest rates on its borrowings.

2015		-1%		+1%	
		Profit	Equity	Profit	Equity
Net carrying amounts					
\$'000		\$'000	\$'000	\$'000	\$'000
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)
Overall effect on profit and equity		13,996	13,996	(13,996)	(13,996)

2014		-1%		+1%	
		Profit	Equity	Profit	Equity
Net carrying amounts					
\$'000		\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	94,048	(940)	(940)	940	940
QTC client specific pool	578,089	5,781	5,781	(5,781)	(5,781)
Overall effect on profit and equity		4,840	4,840	(4,840)	(4,840)

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

27. Financial instruments (cont'd)

(f) Fair value

Queensland Urban Utilities does not recognise any financial assets or financial liabilities at fair value except cash and cash equivalents which is valued using level 1 inputs.

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:

2015	Note	Carrying amount \$'000	Fair value \$'000
Financial assets			
Cash and cash equivalents	14	150,783	150,783
		150,783	150,783
Financial liabilities			
Participant loans	25	514,498	514,498
QTC client specific pool	25	1,550,397	1,594,406
		2,064,895	2,108,904

2014	Note	Carrying amount \$'000	Fair value \$'000
Financial assets			
Cash and cash equivalents	14	94,048	94,048
		94,048	94,048
Financial liabilities			
Participant loans	25	1,486,806	1,486,806
QTC client specific pool	25	578,089	597,272
		2,064,896	2,084,078

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
28. Operating leases		
(i) Leases as lessee		
Non-cancellable operating lease rentals payable:		
Less than one year	6,321	6,960
Between one and five years	25,412	25,762
More than five years	18,664	24,771
	50,397	57,493
(ii) Leases as lessor		
Non-cancellable operating lease rentals receivable:		
Less than one year	165	168
Between one and five years	573	497
More than five years	946	327
	1,684	992
29. Commitments		
(i) Capital		
Within one year	88,500	69,759
Between one and five years	18,546	32,218
More than five years	-	-
	107,046	101,977
(ii) Other		
Within one year	4,367	6,181
Between one and five years	1,568	5,935
More than five years	-	-
	5,935	12,116

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
30. Contingencies		
Contingent assets		
Reimbursement of costs associated with an incomplete contract is pending, the maximum exposure is:	4,659	4,659
Outstanding insurance claims for 2011 wet weather events were finalised during 2014/2015. There are no further claims.	-	12,730
Contingent liabilities		
A small number of claims are pending for contract variations, the maximum exposure of which is:	12,388	9,394
There are 5 (2014: 4) appeals in the Planning and Environment Court, it is not possible to make an estimate of the final amount payable at reporting date.		
31. Funds held in trust		
Queensland Urban Utilities performs only a custodial role in respect of external Trust Fund money. As such, the balances disclosed below have not been brought to account in the Financial Statements and are shown here for information purposes only:		
Standpipe bonds, security deposits and unclaimed money	755	1,197
	755	1,197

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

32. Key executive management personnel and remuneration

(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 Queensland Urban Utilities during 2014/2015. 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 14 November 2012; Resigned 2 April 2015 Replacement 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 2015

32. Key executive management personnel and remuneration (cont'd)

(b) Remuneration

Remuneration for key executive management personnel is determined by the Board. Remuneration and other terms of employment is 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 2.2% (2014: between 2% and 4%) 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.
- 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% and 25% of total fixed remuneration. The amounts payable are tied to the achievement of pre-determined organisational and individual performance targets as agreed by the Board and the Chief Executive Officer.

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

32. Key executive management personnel and remuneration (cont'd)

(b) Remuneration (cont'd)

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

2015						
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	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
Total remuneration	2,398	22	60	219	-	2,699

* The Superannuation Guarantee was increased from 9.25% to 9.5% from 1 July 2014 in accordance with the Superannuation Guarantee legislation.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

32. Key executive management personnel and remuneration (cont'd)

(b) Remuneration (cont'd)

2014						
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	527	3	13	44	-	587
Chief Financial Officer	342	3	9	32	-	386
Chief Operating Officer (resigned 23 May 2014)**	446	3	11	29	172	661
Acting Chief Operating Officer (from 23 May 2014)	24	-	-	2	-	26
Chief Information Officer	269	3	7	25	-	304
Executive Leader People and Safety (resigned 30 June 2014)	261	3	7	24	-	295
Executive Leader Customer and Community	239	3	6	22	-	270
Executive Leader Planning	123	2	3	11	-	139
Total remuneration	2,231	20	56	189	172	2,668

* The Superannuation Guarantee was increased from 9.00% to 9.25% from 1 July 2013 in accordance with the Superannuation Guarantee legislation.

** Includes performance payments for 2012/2013 and 2013/2014

(c) Performance payments

Individual performance plans 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 30 October 2015 (2013/2014 31 October 2014).

The aggregate performance payments expected to be paid to all key executive management personnel will not be determined until 18 October 2015. 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 within 2015/2016.

The aggregate amount of performance payments made in 2014/2015 with respect to the previous financial year was \$241,037.

CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

33. Related parties

Key management personnel compensation

(a) Board members

The Board Members who were paid directly or indirectly were:

	2015*		Total \$'000
	Salary and fees \$'000	Superannuation \$'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

* 2015 includes 12 months payments. The CPI increase of 3.1% was applied and monthly rates set at \$8,318 Chair and \$4,159 Board members.

	2014*		Total \$'000
	Salary and fees \$'000	Superannuation \$'000	
Geoff Harley	97	9	106
Dennis Cavagna	48	4	52
Diana Eilert	48	4	52
Paul Emmerson	48	4	52
Phil Kesby	48	4	52
Bernard Ponting	48	4	52
Len Scanlan	48	4	52
John Cotter (appointed 14/1/14)	24	2	26
	409	35	444

* 2014 includes 12 months payments. The CPI increase of 2.5% was applied and monthly rates set at \$8,068 Chair and \$4,034 Board members.

(b) Loans to key management personnel

None of the key management personnel have personal loans with Queensland Urban Utilities outstanding at 30 June 2015.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

33. Related parties (cont'd)

(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

Queensland Urban Utilities entered into a number of transitional service agreements (TSA's) with its Participants. The amount of expenditure included in the Statement of Comprehensive Income follows:

	2015 \$'000	2014 \$'000
Brisbane City Council	2,963	3,314
Services provided include: internal audit, accommodation, contact centre (after hours)*, rates processing, sourcing and category management* and property validation*.		

*These services continued in 2015, the remainder ceased in 2014

(f) Returns to Participating Councils

Participation return, income tax equivalents and interest

215,993	193,785
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(g) Debt with Participating Councils

Payment of debt

972,309	-
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CHAPTER 5: FINANCIAL PERFORMANCE

Central SEQ Distributor-Retailer Authority

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

34. Significant weather events

In January 2011 there were a number of significant weather events that affected the business operations across the Brisbane, Ipswich and Lockyer Valley regions. Associated revenue and costs are:

	2015 \$'000	2011-2014 \$'000
Income from insurance*	9,414	41,669
Other income	-	449
NDRRA funding*	-	14,574
Assets written off due to damage beyond repair	-	(23,802)
Cost of replacement of assets	(4,605)	(54,845)
Cost of repair to assets	-	(8,146)
Cost of cleanup	-	(13,673)
Other costs	(139)	(6,361)
Recovery by/(Cost to) Queensland Urban Utilities	4,670	(50,135)

*Income from insurance and NDRRA funding has been included in revenue. These funds represent the reimbursement of losses previously incurred by Queensland Urban Utilities. No further insurance claims are outstanding.

35. 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 – this is the operating profit before tax expressed as a proportion of total revenue and it should be positive over the medium to long term in order to remain financially sustainable.

(b) Capital replenishment ratio – this compares 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 – this assesses 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:

	2015	2014
Operating ratio	23%	18%
Capital replenishment ratio	x 1.70	x 1.52
Debt to revenue ratio	173%	193%

Certificate of Queensland Urban Utilities

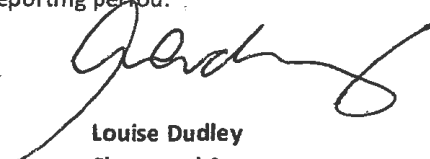
These general purpose financial statements have been prepared pursuant to section 62 (1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62 (1)(b) of the Act we certify that in our opinion:

- (i) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (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 2015 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


Chairperson
Queensland Urban Utilities Board

Date: 17/8/15


Louise Dudley
Chartered Accountant
BCom, GAICD

Chief Executive Officer
Queensland Urban Utilities

Date: 17/8/15


Darryl Rowell
CPA
BCA, MBA

Chief Financial Officer
Queensland Urban Utilities

Date: 17/8/15

QAO
certified statements

CHAPTER 5: 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 Central SEQ Distributor-Retailer Authority, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chairman, 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.

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.

Independent Auditor's Report

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 2014 to 30 June 2015 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

INDICES AND GLOSSARY



INDICES AND GLOSSARY

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Compliance letter to Minister

Office of the Board Chairman
Level 2, 15 Green Square Close
Fortitude Valley QLD 4006

GPO Box 2765
Brisbane QLD 4001

11 September 2015

Hon. Mark Bailey, MP
Minister for Main Roads, Road Safety and Ports
and Minister for Energy and Water Supply
GPO Box 2644
BRISBANE QLD 4001

Dear Minister Bailey

Queensland Urban Utilities 2014/15 Annual Report

I am pleased to present the *Annual Report 2014/15* 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 reporting requirements can be found on page 143 of the document.

Yours sincerely



GEOFF HARLEY
Board Chairman
Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities

INDICES AND GLOSSARY

Compliance checklist

Summary of requirement	Basis for requirement	Page
Letter of compliance	• A letter of compliance from the accountable officer or statutory body to the relevant Minister	ARRs – section 8 Page 142
Accessibility	• Table of contents	ARRs – section 10.1 Page 5
	• Glossary	Page 98
	• Public availability	ARRs – section 10.2 Page 4
	• Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 10.3
	• Copyright notice	<i>Copyright Act 1968</i> ARRs – section 10.4
• Information licensing	<i>Queensland Government Enterprise Architecture – Information Licensing</i> ARRs – section 10.5 Not applicable	
General information	• Introductory information	ARRs – section 11.1 Pages 7-15
	• Agency role and main functions	ARRs – section 11.2 Pages 7-15
	• Operating environment	ARRs – section 11.3 Pages 7-15
	• Machinery of government charges	ARRs – section 11.4 Not applicable
Non-financial performance	• Government's objectives for the community	ARRs – section 12.1 Not applicable
	• Other whole-of-government plans/specific initiatives	ARRs – section 12.2 Not applicable
	• Agency objectives and performance indicators	ARRs – section 12.3 Pages 21-69
	• Agency service areas, and service standards	ARRs – section 12.4 Pages 21-69
Financial performance	• Summary of financial performance	ARRs – section 13.1 Pages 85-88
Governance – management and structure	• Organisational structure	ARRs – section 14.1 Page 71
	• Executive management	ARRs – section 14.2 Pages 18-19
	• Related entities	ARRs – section 14.3 Not applicable
	• Government bodies	ARRs – section 14.4 Not applicable
	• <i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i> (section 23 and Schedule) ARRs – section 14.5 Page 82
Governance – risk management and accountability	• Risk management	ARRs – section 15.1 Pages 78-79
	• External scrutiny	ARRs – section 15.2 Page 78
	• Audit committee	ARRs – section 15.3 Page 73
	• Internal audit	ARRs – section 15.4 Page 78
	• Public Sector Renewal Program	ARRs – section 15.5 Not applicable
	• Information systems and recordkeeping	ARRs – section 15.7 Page 80
Governance – human resources	• Workforce planning, attraction and retention, and performance	ARRs – section 16.1 Pages 80-81
	• Early retirement, redundancy and retrenchment	Directive No.11/12 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs – section 16.2 Not applicable
Open Data	• Open data	ARRs – section 17 Page 83
Financial statements	• Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 18.1 Page 143
	• Independent Auditors Report	FAA – section 62 FPMS – sections 50 ARRs – section 18.2 Pages 144-145
	• Remuneration disclosures	Financial Reporting Requirements for Queensland Government Agencies ARRs – section 18.3 Pages 135-141

INDICES AND GLOSSARY

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.

Gigalitre (GL)

Measurement of volume equal to one billion litres, or one thousand megalitres (refer Megalitre).

ICT

Information and communication technology.

KPI

Key Performance Indicator.

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:-

$$\frac{\text{Number of lost-time injuries} \times 1,000,000}{\text{Total hours worked in accounting period}}$$

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* between Queensland Urban Utilities and our Shareholders under s20 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.



QUEENSLAND
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For more information visit
www.urbanutilities.com.au
or call **13 26 57**

Queensland Urban Utilities
PO Box 2765 Brisbane QLD 4001

ABN 86 673 835 011

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