



2012/13

# ANNUAL REPORT



**ENRICH** QUALITY OF LIFE





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## About this report

This report details Queensland Urban Utilities' performance during the 2012/13 financial year. It gives us the opportunity to report on our operational, environmental, social, and financial performance against our key business objectives and targets as set out in our corporate and operational plans. This report also outlines the challenges we have experienced and highlights our achievements. It is structured around our 2012-17 corporate objectives, to:

- deliver service that is valued and trusted by customers and the community,
- focus on business efficiency and continuity,
- keep our people safe, capable and dedicated,
- maintain appropriate financial performance,
- deliver sustainable growth.

## 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, but not limited to:

- our residential and commercial customers,
- the community,
- our employees,
- shareholding councils,
- government departments.

We are committed to open and accountable governance, and welcome your feedback on our reporting.

## Interpreter service statement:

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



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Hon. Mark McArdle, MP  
Minister for Energy and Water Supply  
PO Box 15456  
CITY EAST QLD 4002

20 September 2013

Dear Minister

I am pleased to present the *Annual Report 2012/13* 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 requirement can be found at: [www.urbanutilities.com.au/annualreport](http://www.urbanutilities.com.au/annualreport).

Yours sincerely,



Geoff Harley  
Board Chairman  
Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities

# I Introduction

## Who are we

On 1 July 2010, Queensland Urban Utilities was established as a statutory body to be a distributor-retailer under the provision of the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009* and as a service provider under the *Water Supply (Safety and Reliability) Act 2008*.


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

## What we do

Queensland Urban Utilities is primarily responsible for delivering drinking water, recycled water and sewerage services to a population of more than 1.3 million in South East Queensland.

In 2012/13, we:

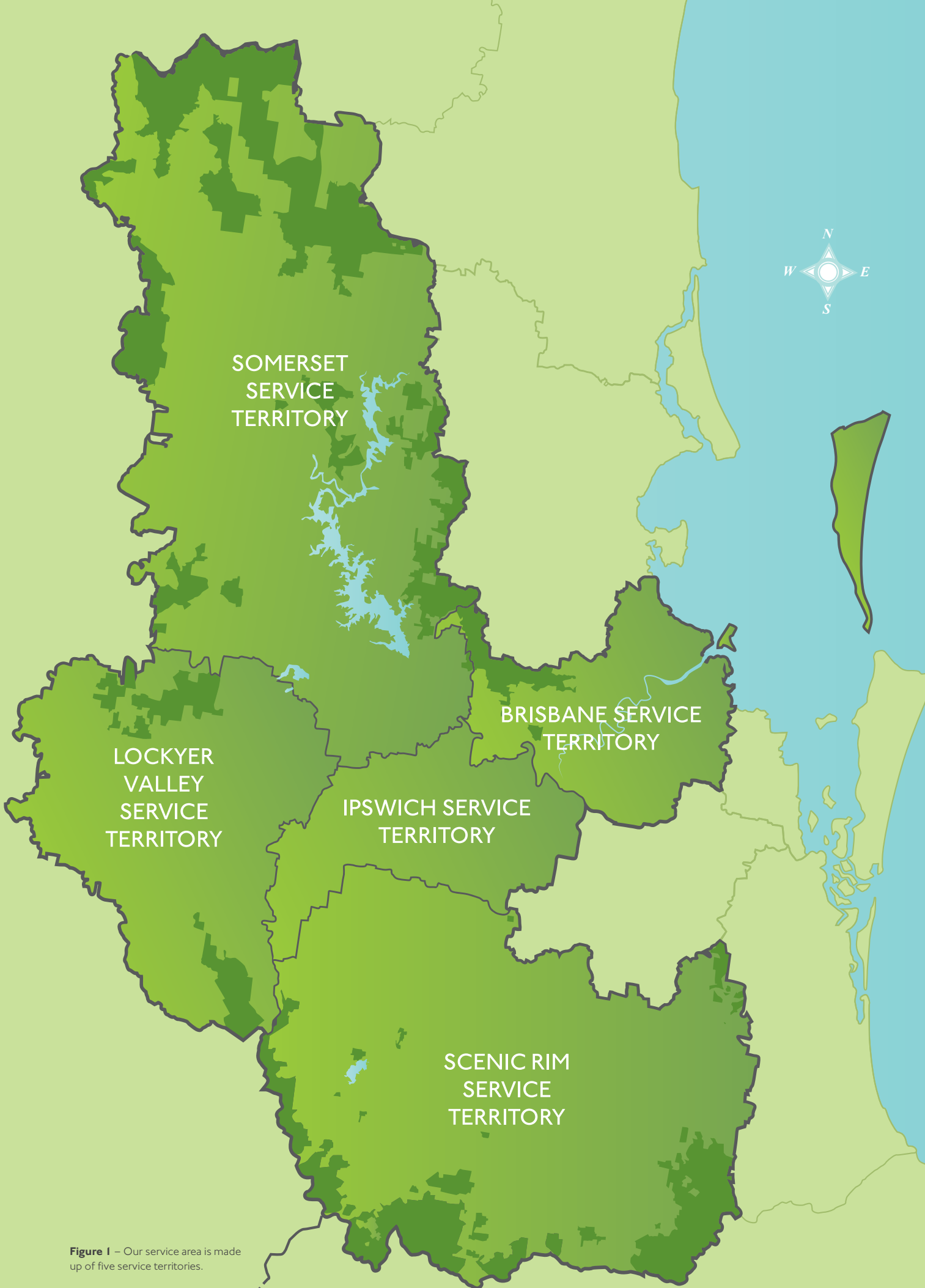
- supplied around 132,000ML of tap water to 516,000 residential dwellings and 37,000 commercial properties,
  - supplied around 9,700ML of recycled water to 110 businesses,
  - supplied around 2,900ML of recycled water to the Western Corridor Recycled Water Scheme,
  - removed and treated around 128,000ML of sewage from 492,000 residential dwellings and 34,000 commercial properties, including 5,200 trade waste customers,
  - responded to more than 24,000 written customer enquiries,
  - answered more than 300,000 customer phone calls,
  - employed more than 1,400 staff.
- These services are delivered via our \$4.5 billion infrastructure network, which includes:
- 125 water reservoirs,
  - 41 water pump stations,
  - 107 water boosters,
  - 336 sewage pump stations,
  - 27 sewage treatment plants,
  - 8,967km of water mains,
  - 9,152km of sewerage mains.



Our Oxley Sewage Treatment Plant is one of 27 sewage treatment plants across our service area.

To support our core services, we undertake the following functions:

1. Provision for water distribution, sewage transportation and treatment including:
  - demand forecasting and management,
  - asset planning,
  - asset management and alterations.
2. Customer interface and service provision relating to:
  - water meter management and data,
  - residential billing and customer management,
  - bulk water billing and contract management,
  - direct supply to large commercial customers, including trade waste management,
  - development assessments.
3. Enabling functions for business sustainability including:
  - strategy deployment,
  - financial and people management,
  - legal, governance and risk management,
  - environmental management,
  - community, shareholder and stakeholder management,
  - regulatory and legislative compliance,
  - information, communication and technology management,
  - procurement and contract management.



**Figure 1** – Our service area is made up of five service territories.



## Our service area

Our customer base lives within a 14,384km<sup>2</sup> area, equivalent to around two-thirds of South East Queensland (see Figure 1). By geographical area, we are the fourth-largest water utility in Australia.

Our service area stretches from Cape Moreton in the east to the outskirts of Toowoomba in the west, up to the Yabba State Forest in the north, and down to the New South Wales border along the Scenic Rim in the south.

## Our operating environment

On 1 January 2013, the environment in which Queensland Urban Utilities operates was reformed under the *South East Queensland Water (Restructuring) and Other Legislation Amendment Act 2012*. The reform saw three South East Queensland bulk water entities (Seqwater, LinkWater and the SEQ Water Grid Manager) amalgamated into one bulk water supplier, Seqwater. It also abolished the Queensland Water Commission.

Queensland Urban Utilities' relationship with other participants in the South East Queensland water industry can be seen in Figure 2.

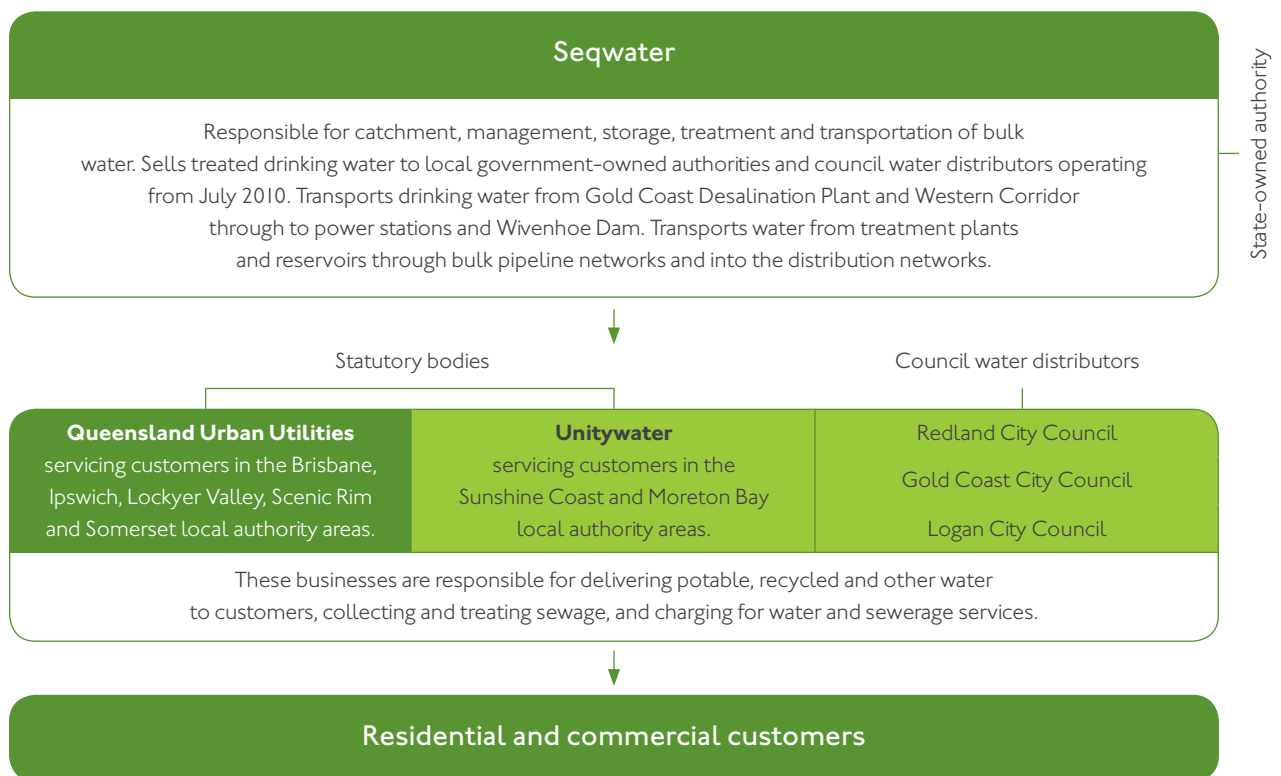


Figure 2 – The South East Queensland water industry as at 1 January 2013.

# I Introduction

## Our stakeholders

We are committed to engaging with our stakeholders – shareholders, customers, the community, developers, all levels of government, regulators and relevant industry groups – to identify and, ultimately, satisfy their needs and expectations.

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

We maintain a strong relationship with our shareholders by regularly reporting on our performance, consulting on our strategic direction, and engaging at all levels on operational matters that are pertinent to each service territory.

We continue to strengthen our relationship with the development industry. This year, we implemented a number of process improvements and service enhancements to better support developers. For example, we held the first of our twice-yearly Development Industry Forums, which enables us to gain an insight into developers' needs and expectations; we launched a microsite specifically for developers, which offers a range of services relating to new connections, land use planning, trade waste and development assessment; and introduced a Development Relationship Manager role within the business to provide support to the development industry.

Our relationship with fellow South East Queensland water industry participants, suppliers, environmental groups, and our Customer and Community Reference Group allows us to work collaboratively to achieve common goals.

## Our strategy

In accordance with the requirements of the *Central SEQ Distributor Retailer Participation Agreement*, we are required to produce a five-year corporate plan annually.

Queensland Urban Utilities' 2012-17 *Corporate Plan* set our future direction, goals and priorities, as defined by the Board and reaffirmed by our shareholders. It conveyed our purpose to "enrich quality of life" and our vision to be "recognised nationally as a leader in the delivery of products and services, and valued as a trusted partner by our customers and community".

In 2012/13, our purpose and vision were supported by five corporate objectives:

- deliver service that is valued and trusted by customers and the community,
- focus on business efficiency and continuity,
- keep our people safe, capable and dedicated,
- maintain appropriate financial performance,
- deliver sustainable growth.

These objectives reinforced the commitment of our Board and Executive Leadership Team to lead Queensland Urban Utilities into a future defined by efficiency, sustainability and growth.

As illustrated within this annual report, our actions and initiatives delivered in 2012/13 have clearly linked to our corporate objectives and have moved us closer towards realising our vision and purpose.

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## 3 Chairman's foreword



### Stakeholder engagement

I am particularly proud of our move towards proactive stakeholder engagement – an approach that has been well-received by our five stakeholders.

The Board is committed to fostering strong and trusting relationships with our stakeholders and holds at least one board meeting in each of our stakeholders' service territories annually. In addition, the CEO and I regularly visit all five regions.

In late 2012, we appointed a full-time Councillor Relationship Manager to support the organisation in building positive and strong relationships with our stakeholders. To date, this appointment has proven highly beneficial.

In June 2013, we conducted an online External Stakeholder Satisfaction Survey, which was sent to the Mayors, Councillors and Chief Executives of our five councils, as well as other stakeholders.

While pleasing to see our satisfaction rating increase to 77.5%, the Board recognises that additional action is required to further strengthen our stakeholder relations, particularly with the development sector.

### Capital program

I am pleased to report that we delivered our 2012/13 capital program on-budget and on-schedule, with \$261 million of infrastructure investment across our five service territories. This investment – part of our \$3.2 billion investment over 10 years – will ensure we support the economic and population growth across our service area.

The Board will continue to oversee the delivery of Queensland Urban Utilities' capital investment program, which supports both economic and population growth across our service territory. In 2013/14, we will invest over \$300 million in water and sewerage infrastructure.

### Minimising price increases

We continued to demonstrate our commitment to South East Queensland families by limiting the increase to our 2013/14 water and sewerage prices to 3.9% (less than a dollar a week), despite rising costs and the need for significant investment in infrastructure projects.

We also experienced lower-than-forecast growth across our service area, which impacted our developer contributions and, in turn, our projected revenue. The Board will closely monitor the housing market in 2013/14, the performance of which will inform our financial decisions moving forward.

### Development sector

This year, the Board focused on strengthening our relationship with the development industry and will continue to do so moving forward.

In 2012/13, we made a number of improvements to better support developers. We held the first of our twice-yearly Development Industry Forums, which enables us to gain an insight into developers' needs and expectations; we launched an information-rich microsite specifically for developers; and appointed a full-time Development Relationship Manager.

### Corporate strategy and planning

Significant work was completed during 2012/13 to produce our road map for the next five years – our 2013-18 *Corporate Plan*. This plan outlines our strategic direction that will keep us well on track to achieve our vision of being recognised for our excellence in water and sewerage services that meets the evolving needs of our customers and enhance our communities.

Our strategic direction is supported by four strategic pillars: customer, shareholders and communities, operational excellence, and people. Each pillar has key focus areas that will drive our improvement initiatives over the next five years.

The Board regularly reviews progress against the corporate plan and holds an annual strategic planning day to consider the future direction of the business.

In 2013/14, the Board will closely focus on the internal Enterprise Excellence Program. This program involves an organisation-wide review to identify and implement opportunities for improvement, which will help shape us into a sustainable and financially viable business.

### Acknowledgements

Thanks must go to our five stakeholders for their ongoing support and to my fellow Board members for their unwavering commitment and stewardship.

I would like to take this opportunity to thank Barry Ball, a founding Queensland Urban Utilities Board member, for his contributions over the past three years. Barry, whose term concluded on 30 June 2013, contributed a wealth of knowledge and experience across a range of disciplines, including water policy and infrastructure delivery.

I am enthusiastic about Queensland Urban Utilities' future and look forward to building on our successes already realised.

**Geoff Harley**  
Board Chairman

## 4 Chief Executive Officer's foreword



Just over a year ago, in July 2012, it was with a great sense of honour and pride that I took on the role of Chief Executive Officer of Queensland Urban Utilities. It has been a rewarding 12 months during which the organisation has taken great

strides to improve our customer service, operational efficiency, and safety performance.

I am pleased to be able to highlight some of the more significant achievements below:

- Our ongoing Customer Experience Program has driven a number of process improvements, including a significant reduction in end-to-end timeframes for new connections. As a result of this program, we have seen our Customer Experience Score increase from 6.1 to 6.4 out of 10, which positions us favourably against well-established utilities.
- A Councillor Relationship Manager was appointed to foster strong and trusting relationships with shareholders by acting as a point of referral for issues or customer concerns that have not been resolved through our regular processes. To date, shareholder feedback on this role has been very positive.
- We achieved a major milestone when we began taking customer calls from our newly established in-house contact centre. To enhance our level of customer service, we introduced training programs for contact centre staff, which reduced the occurrence of errors from 7% to <1%.
- We increased our level of customer engagement and transparency by adopting a proactive approach to social media. Our Twitter and Facebook channels are now regularly utilised for a variety of mutually-beneficial purposes, including community education messages, customer liaison, and service interruption notifications.

I am proud to report that we completed a number of major capital projects in 2012/13, including the \$115 million Goodna Sewage Treatment Plant Upgrade Project, the \$62 million Woogaroo Sewer Upgrade Project, and the \$5 million Toowong Sewer Upgrade Project. We also made significant progress on the \$80 million Woolloongabba Sewer Upgrade Project, which is our largest capital works project to date in Brisbane.

While 2012/13 was a year of positive operational change, it was also one of significant transitional change.

Perhaps the greatest challenge we faced in 2012/13 was the delivery of our Information and Communication Technology (ICT) Separation Program – an exceptionally complex piece of work to establish stand-alone ICT services.

Over four stages, we separated all of our applications, software, data and infrastructure requirements on-time and without interruption to our customers.

We reached another significant milestone, when our Brisbane-based office staff moved from temporary accommodation in Roma Street to a new building in Fortitude Valley. This relocation will further establish our identity as a modern, efficient and customer-focused business.

We continue to foster an organisational culture that supports and encourages safety. In 2012/13 we implemented a number of safety initiatives to improve our performance, including safety induction DVDs for visitors to our worksites, safety training packages for staff, and robust medical assessments for our employees to ensure they are capable of safely conducting high-risk and manual activities.

The safety and well-being of our customers and staff was our primary concern when, in January 2013, the majority of our service area was ravaged by an extreme wet weather event. Thanks to our forward-planning and coordinated response with other agencies, we were able to minimise the potential impact on our customers and communities. I would like to express my heartfelt gratitude to those Queensland Urban Utilities staff who worked around-the-clock to serve our customers as efficiently as possible.

I would like to take this opportunity to thank not just those involved in this emergency event, but all Queensland Urban Utilities staff for their professionalism and dedication displayed throughout the year.

I would also like to extend my thanks to the Board for its ongoing leadership and guidance.

With a refreshed vision in place for the next five years, I look forward to leading Queensland Urban Utilities into a future where we will be recognised for our excellence in water and sewerage services that meet the evolving needs of our customers and enhance our communities.



**Louise Dudley**  
Chief Executive Officer

# 5 Our structure

## 5.1 Our Board

The Queensland Urban Utilities Board is made up of independent members, each of whom contributes a wealth of skills, knowledge and experience, including public and private sector leadership across water policy and governance; local government leadership; finance and economic strategy; corporate development; commercial and financial law; audit; and infrastructure delivery.

As the highest level of governance, the Board carries out its duties in accordance with:

- its governing legislation,
- the *Central SEQ Distributor Retailer Participation Agreement*,
- the *Queensland Urban Utilities Board Charter*,
- the highest levels of ethics and corporate governance.

The Board is accountable under the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009* and its regulations, and the *Participation Agreement* between Queensland Urban Utilities and our five shareholders.

The Board is responsible for setting and overseeing our strategic direction, as well as providing guidance on high-order operational matters.

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.

In addition to these legislative requirements, the Board protects and enhances the long-term shareholder value and ensures sustainable returns.

To facilitate its efficient operation, the Board has three committees:

- i. Audit, Finance and Risk Committee,
- ii. Strategic Asset Management Committee,
- iii. Human Resources and Community Committee.

Each committee operates to a *Terms of Reference*, which describes its purpose, role, responsibilities, composition, structure and membership requirements.

Our governance structure is outlined in Figure 3 on page 4 and our Board members are introduced on page 5.

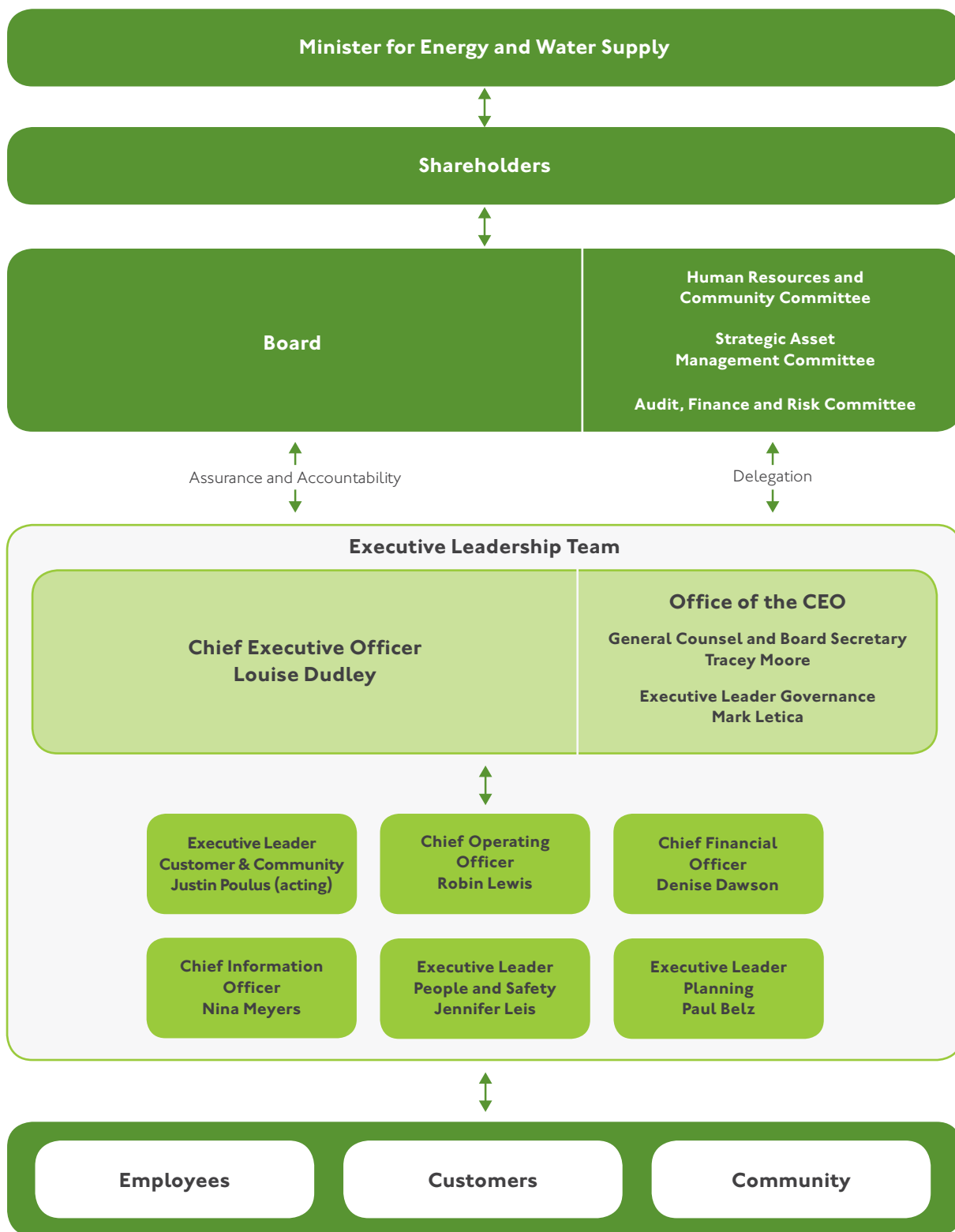


Figure 3 – Queensland Urban Utilities' governance structure.

## 5 Our structure



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

### **Geoff Harley**

Appointed as Board Chairman: 8 October 2012  
LLB, FAICD

Geoff Harley has practised commercial law for more than 40 years and was an adjunct professor of law at the University of Queensland for six years.

During his career, he has held numerous senior management positions including Managing Partner and Partner in Charge of the Brisbane office of Clayton Utz for almost 10 years.

He has previously been chair of the Translink Transit Authority, and CS Energy Limited.

He is also a director of other companies including Queensland Rail.

Geoff is currently consulting for Clayton Utz, Brisbane.

### **Bernard Ponting**

Appointed: 25 June 2010  
LLB (Hons), GDip Legal Practice, Solicitor of the Supreme Court of Queensland, GAICD

Bernard is the deputy chairman of Queensland Urban Utilities.

He has been a solicitor of the Supreme Court of Queensland since 1978 and he has practised at Southport since 1981.

His practice covers a range of legal areas, with an emphasis on commercial, corporate and administrative law matters, and litigation in those areas. His clients are drawn from across Australia and overseas.

Bernard was a board member of the Gold Coast Waterways Authority from 1988 to 1990 and of its successor authority, the Gold Coast Harbour Authority, in 1998.

Bernard is currently a director of Major Brisbane Festivals Pty Ltd, a joint venture of the State Government and the Brisbane City Council, which is responsible for the annual Brisbane Festival.



### **Barry Ball** (Not pictured)

Appointed: 25 June 2010  
*BEng (Civil), GDip Mgt, MAICD*

Barry is deputy director of the Global Change Institute at the University of Queensland, and Water Policy Manager for the International Water Centre. He provides leadership in the area of water policy and governance, institutional strengthening and social change.

Barry held senior management positions with the Brisbane City Council for more than 18 years and has held many positions in organisations devoted to issues of water, planning and natural disaster responses.

Barry's roles within the water sector include being a board member of the Water Sensitive Cities Cooperative Research Centre and the Dow Centre for Sustainable Engineering Innovation.

Barry is a registered professional engineer and was awarded the Australian Public Service Medal for Water Policy.

Barry's term on the Queensland Urban Utilities Board concluded on 30 June 2013.

### **Dennis Cavagna**

Appointed: 25 June 2010  
*BEcon, GDip Fin Planning, GAICD, FCA*

Dennis has a wealth of experience in leadership roles in finance, economics and IT within the water and essential services industries in Victoria.

His professional experience spans some 25 years in the Victorian water industry, including leadership positions with South East Water, Melbourne Water, the Mornington Peninsula and District Water Board and the Department of Water Resources.

Since 2007, as a commissioner of the Essential Services Commission (the independent economic regulator in Victoria), Dennis has been involved with the approval of prices and the quality and reliability of essential utility infrastructure services, including water services.

Dennis is also a board member with Parks Victoria as well as an independent member of both the Risk and Audit Committee of the Victorian Department of Environment and Primary Industries and Audit Committee of VicRoads.

### **Diana Eilert**

Appointed: 25 June 2010  
*BSc (Maths), MComm (Fin & Marketing), GAICD*

Diana is a professional non-executive director, appointed to boards of Queensland Urban Utilities, ASX listed digital business "onthehouse", and AMP Life. She was previously a non-executive director of realestate.com.au (ASX:REA) and chair of GIO Australia and other Suncorp subsidiaries.

Diana's executive career spans more than 25 years with major roles including Group Executive, responsible for Suncorp's entire insurance business, and Group Executive People, Technology, Marketing and Joint Ventures for Suncorp. Diana also worked for 10 years with Citibank where she ran retail credit and risk; the mortgage business; retail funds management business; and the direct bank. Diana built her strength in strategy early in her career as a principal of AT Kearney and, subsequently, as a partner of IBM Consulting. From 2009 until 2012, she gained extensive experience in digital business models, strategy and transformation working with News Ltd, initially consulting, then as head of Strategy and Corporate Development.

### **Paul Emmerson**

Appointed: 25 June 2010  
*BComm, LLB, Solicitor of the Supreme Court of QLD, GAICD*

Over the course of his career as a qualified solicitor, certified practising accountant and registered tax agent, Paul has also acquired first-hand regional and rural business knowledge thanks to his extensive experience in the manufacturing, food processing and farming industries.

Paul has a particular interest in regional development, with a focus on applied land-care and water issues, such as securing a sustainable water supply for the Lockyer Valley 'food bowl'.

Paul remains heavily involved with water user groups, including the Upper Lockyer Valley Water Users Association, Lockyer Water Users Forum and South East Queensland Western Catchment Groups.





From left to right: Denise Dawson, Jennifer Leis, Robin Lewis, Justin Poulus, Mark Letica, Louise Dudley, Paul Belz and Tracey Moore.

## 5.2 Our Leadership Team

Led by Chief Executive Officer, Louise Dudley, our Executive Leadership Team is responsible for the deployment of strategy and the day-to-day service delivery and operations of Queensland Urban Utilities.

The Executive Leadership Team meets regularly to discuss and approve a range of strategic and operational matters with the purpose of achieving the objectives set out in our corporate and operational plans.

The responsibilities of the Executive Leadership Team include, but are not limited to:

- promoting and enhancing integration and collaboration between groups to facilitate consistency and to improve operational performance and service delivery,
- exchanging information and encouraging innovation and idea sharing,
- reviewing and endorsing policies that have the potential to impact other groups,

- advising on the implications of amendments to legislation,
- considering and providing feedback on strategic and operational matters to be considered by the Board.

The Executive Leadership Team operates to a charter that is reviewed regularly to ensure the purpose of the team remains relevant, adaptable and responsive to change.

To assist the Executive Leadership Team in fulfilling its responsibilities, four advisory bodies have been established: the Procurement and Projects Advisory Group (see page 39), the Capital Works Program Committee (see page 39), the Enterprise Excellence Steering Committee, and the Strategic Safety Group (see page 32).



## Denise Dawson

Chief Financial Officer  
*B.Bus, Grad Dip (Acctg), FCPA, GAICD*

Denise Dawson was appointed Chief Financial Officer in November 2012 and is responsible for all financial activities for Queensland Urban Utilities as well as corporate risk and compliance and strategic procurement.

Denise has spent the previous 11 years working for Sydney Water in three general manager roles. Her most recent role was General Manager Corporate Services, responsible for managing and delivering a range of business services including financial shared services, information technology, insurance, risk management, legal and business improvement. Denise was also Chief Financial Officer from 2004 until 2007 and prior to that, General Manager Customer Service.

In addition, Denise spent 20 years in the electricity industry and held general manager positions with United Energy Melbourne and Powerlink Queensland. She has also held finance roles at the South East Queensland Electricity Board.

## Jennifer Leis

Executive Leader People and Safety  
*MAICD, AIMM*

Jennifer is responsible for leading the provision of a range of human resource functions, including: workplace industrial relations, organisational development, performance and reward, recruitment, learning and development, workplace health and safety, and business support.

Jennifer has held senior executive positions within the Brisbane City Council divisions of Retail, City Policy and Strategy, Corporate Services, Major Projects, and Commercial Services. Gaining 24 years of invaluable experience and knowledge in the sewerage, water and electricity industry, her successes have been demonstrated by the delivery of a broad range of critical projects.

Throughout her career, Jennifer has led the development, coordination, and implementation of successful business improvement strategies, integration and change management efforts, as well as increasing operational capability. She was also part of the key team that established Queensland Urban Utilities.

Jennifer continues to inspire, explore and encourage business management processes that foster a constructive culture. She upholds strong leadership values that cascades and influences positive attitudes and behaviours throughout any workplace. Her leadership style encourages her staff to maintain strong work ethics, building relationships to support foundations attaining 'job satisfaction'.

## Mark Letica

Executive Leader Governance  
*BCom, CSA (Cert)*

Mark and his team have primary responsibility for Queensland Urban Utilities' corporate planning, performance measurement and corporate reporting and publications functions. He also oversees the internal audit and corporate property and facilities management functions.

Mark's team is also responsible for stakeholder relationship management, which includes shareholder relations. This ensures Queensland Urban Utilities actively engages and interacts with shareholders and stakeholders to strengthen relationships.

Mark has worked in both state and local governments as well as in the private sector. Before joining Queensland Urban Utilities, Mark was one of the founding members of the Council of Mayors (South East Queensland) water reform program, which was responsible for implementing the institutional water reform arrangements in South East Queensland.

Following this term, Mark was appointed as Program Manager to establish Queensland Urban Utilities. This represented the largest water transaction – and second largest utilities transaction – in Australian history.



**Julie McLellan** (Not pictured)

Executive Leader Strategy and Growth  
*AssocDegAppSci, GradDip (T&D), GAICD*

As Executive Leader Strategy and Growth, Julie was responsible for Queensland Urban Utilities' strategic initiatives and growth opportunities in conjunction with the Board and Executive Leadership Team.

Julie has over 25 years' experience in senior positions within the water industry with an extensive and diverse background in water management.

Prior to joining Queensland Urban Utilities, Julie held the role of Water Resources Manager at Brisbane City Council where she was responsible for leading and developing Council's WaterSmart Strategy, delivering total water cycle solutions for the city of Brisbane. She also led the development of Council's FloodSmart Strategy and delivered the Lord Mayor's Taskforce on Suburban Flooding.

Julie was previously a director on a number of boards, including International RiverFoundation and the Cooperative Research Centre (CRC) for Water Quality and Treatment.

Julie left Queensland Urban Utilities in June 2013 to pursue a role with Healthy Waterways.

**Helen Harding** (Not pictured)

Executive Leader Customer and Community  
*BPhys Ed, MBus, Dip Comp Dir.*

Helen was responsible for leading and managing the Queensland Urban Utilities Customer and Community Group. This included overseeing the marketing and communication, customer service, billing and collections, and demand management programs.

Prior to joining Queensland Urban Utilities, Helen had a 12-year career in the energy retail industry, during which time she held the positions of Acting General Manager, Retail for Babcock and Brown Power, and Senior Manager for Energex Retail Pty Ltd. The latter role involved a range of retail management and marketing roles, including Group Manager, Homesuite (energy related product and services), Manager Strategic Initiatives, and Manager – Full Retail Contestability.

Helen left Queensland Urban Utilities in March 2013.

# 6 Year in review – 2012/13

## 6.1 Our highlights and challenges

### July 2012

- Louise Dudley appointed as new Chief Executive Officer
- Demonstrated our commitment to lowering the cost of living for South East Queensland families by freezing our component of 2012/13 residential water and sewerage accounts
- Launched a new online capital works project map to improve customer awareness of our capital works program
- Co-hosted a community tree planting day with Bulimba Creek Catchment Coordinating Committee (B4C) to help regenerate the Carindale Recreation Reserve

### August 2012

- Acquired the Scientific Analytical Services Laboratory from Brisbane City Council
- Received the MerComm silver award for our 2010/11 Annual Report in the Overall Annual Report: Water Supply Companies category
- Commenced stage two of the \$80 million Woollongabba Sewer Upgrade Project – Brisbane's largest capital works project to date

### September 2012

- Executed a Memorandum of Understanding with UnitingCare Community to enhance the support we offer to financially vulnerable customers

### October 2012

- Launched our in-house contact centre to enhance our level of customer service
- Completed a functional realignment of our operations and maintenance areas to deliver improved customer service, and increased productivity and responsiveness
- Geoff Harley appointed as new Board Chairman
- Received the Innovation Award from pipe manufacturer HOBAS for micro-tunnelling works completed on the Deebing Creek Trunk Sewer Main Upgrade
- Introduced a Councillor Relationship Manager role into the business to foster strong and trusting relationships with our shareholders

### November 2012

- Launched our incident notification service on Twitter and Facebook
- Sponsored the 2012 WaterAid Golf Day, with proceeds going towards helping the world's poorest communities gain access to safe water, sanitation and hygiene education
- Completed the \$62.6 million Woogaroo Sewer Upgrade Project, which involved construction of a 4.7km gravity sewer main

### December 2012

- Improved the design of our website home page to allow for ease of navigation
- Completed the \$5 million Toowong Sewer Upgrade Project, which involved the installation of a 574m sewer line



### January 2013

- Stood-up our Incident, Emergency and Crisis Management Teams to effectively and efficiently respond to South East Queensland's extreme wet weather event
- In consultation with Seqwater, we enacted mandatory water restrictions following the temporary closure of Seqwater's Mount Crosby Water Treatment Plant and proactively deployed bottled water to affected communities
- Completed the \$115 million Goonda Sewage Treatment Plant Upgrade Project, which increased the plant's capacity by almost 40%

### February 2013

- Worked around-the-clock to repair \$2.4 million worth of flood and storm-damaged infrastructure
- Promoted Clean Up Australia Day activities in conjunction with community-based organisations

### March 2013

- Hosted a community tree planting day in Ipswich to celebrate the completion of the Woogaroo Sewer Upgrade Project

### April 2013

- Hosted a community open day at the upgraded Goodna Sewage Treatment Plant
- Announced as a 2013 Healthy Waterways Awards finalist for our Helidon Reed Bed Treatment Scheme and Aratula Regional Lagoon Enhancements Project
- Commenced 24/7 website reporting on all unplanned service interruptions

### May 2013

- Received a bronze award in the 2013 Australasian Reporting Awards for our 2011/12 Annual Report
- Sponsored the Clean Up Award category at the 2013 Healthy Waterways Awards
- Completed works on a new 733m section of water main along Telemon Street, Beaudesert

### June 2013

- Sponsored the Mater Little Miracles fun run for the second consecutive year
- Successfully separated all of our applications, software, data and infrastructure from Brisbane City Council without interruption to our customers
- Won the 2013 PACE Zenith Award (Water and Wastewater) for our leadership in engineering and technological excellence and innovation related to our Goodna Sewage Treatment Plant Upgrade

# 6 Year in review – 2012/13

## 6.2 Performance at a glance

Queensland Urban Utilities' Customer Service Standards outline the commitments, responsibilities and standards that our customers can expect from us in relation to their water and sewerage services. We are committed to achieving these standards by delivering a quality service that meets our customers' evolving needs.

Table I lists our key performance indicators and how we have performed against our service standards over the past three years.

Indicator	Service standard	2010/11 result	2011/12 result	2012/13 result
<b>Water quality</b>				
Water quality complaints	≤8 per 1000 properties	3.2	4.6	2.7
Water quality incidents	≤10 per 1000 properties	0.3	0.04 <sup>1</sup>	0.03
<b>Water supply</b>				
Water pressure	Urban area ≥210kPa Trickle feed areas (and private booster) ≥100kPa	Queensland Urban Utilities undertakes ongoing electronic and manual monitoring of the water network to ensure water supply pressure and volume standards are met. Where an issue is detected or a complaint received, it is investigated and corrective action is undertaken.		
Water volume	Urban area ≥25 L/min Trickle feed areas (and private booster) ≥3.2 L/min			
<b>Customer service</b>				
Calls answered - grade of service	≥80% within 30 secs	75% (% within 20 secs)	83% (% within 30 seconds)	76% (% within 30 secs)
<b>Service connections</b>				
Time to install a new service connection	≥95% within 15 working days (following customer payment)	38%	52%	86%
<b>Continuity of supply</b>				
Number of unplanned water supply interruptions	≤100 per 1000 properties per annum	63	48	63
Restoration of water supply	≥90% unplanned interruptions restored within 5 hours	87%	89%	89%
<b>Response to incidents</b>				
Urgent water	100% within 1 hour	93%	99%	93%
Urgent sewerage		85%	97%	93%
Non-urgent water	100% within 24 hours	78%	97%	92%
Non-urgent sewerage		86%	98%	95%
<b>Notification of interruptions</b>				
Notification of planned interruptions - water and sewerage	48 hours' notice given	Queensland Urban Utilities provides a minimum of 48 hours' notice to our customers before any planned interruption to services. This is done through letterbox notices or hand-delivered calling cards.		

**Table I** – Queensland Urban Utilities' three-year performance, measured against our service standards.

<sup>1</sup> During 2011/12, Queensland Urban Utilities revised its management of water quality incidents to focus on those incidents that required immediate reporting to the regulator. This provided Queensland Urban Utilities with a better focus on managing water quality incidents within our control.

### **Grade of service**

In 2012/13, our faults and emergencies line received 15,798 (28%) more calls compared to 2011/12, thus impacting our result for 'calls answered grade of service'.

A key driver of the increased call volume was the extreme wet weather event in early 2013, where nearly 10,000 calls were received between 28 January and 4 February. Despite the high call volume, 70% of calls were answered within 30 seconds.

Queensland Urban Utilities recently introduced an interactive voice response system to improve our grade of service and direct our customers to the most appropriate contact for their enquiry.

### **Service connections**

Queensland Urban Utilities installed 2,795 new service connections during 2012/13, with 86% installed within 15 working days following customer payment – a marked improvement from 2011/12.

Based on customer feedback received through the Customer Experience Program, the process has been streamlined to simplify how customers apply for a new connection and reduce the timeframe for installation.

While the new process has improved the customer experience, further improvements are planned for deployment in 2013/14.

### **Unplanned water supply interruptions**

During 2012/13, Queensland Urban Utilities restored 89% of unplanned water interruptions within five hours.

Performance was impacted during January 2013 due to an extended period of dry weather conditions, which caused a significant increase in the number of burst water mains. These conditions were closely followed by an extreme wet weather event in late January and above average rainfall through to March 2013, which also impacted our crews' abilities to restore services within five hours.

In 2012/13, Queensland Urban Utilities successfully trialled a number of initiatives to deliver continuous water supply while planned and unplanned works were underway. For example, we constructed and operated a 23,000 litre mobile reservoir with an independent pump and power supply to deliver water to small towns in the Scenic Rim during construction and repair projects. We also implemented a bypass system involving the installation of valves during a three-month water main construction in Beaudesert.

Both of these systems will be rolled out to the wider Queensland Urban Utilities service area during 2013/14.

## 6 Year in review – 2012/13

### 6.3 Looking ahead – our five-year strategic outlook

The Queensland Urban Utilities 2013-18 Corporate Plan outlines our strategic direction for the next five years.

While our purpose – to enrich quality of life – remains unchanged, our vision has been refreshed to clearly articulate our ultimate goal: to be recognised for our excellence in water and sewerage services that meet the evolving needs of our customers and enhance our communities.

Our strategic direction will be supported by four strategic pillars: customer, shareholders and communities, operational excellence, and people. From each pillar stems key focus areas that will influence our initiatives and actions over the next five years (see Table 2).

This plan will keep us well on track to realise a future defined by accountability, efficiency and innovation, resulting in quality in all that we do.

Strategic pillar	Key focus area	Strategic success measures
Customer	Develop customer insight and understanding	<ul style="list-style-type: none"> <li>• Brand index</li> <li>• Customer experience satisfaction</li> <li>• Corporate reputation index</li> </ul>
	Deliver the Queensland Urban Utilities customer experience consistency	
	Influence and educate customers	
Shareholders and communities	Be a forward-looking organisation with the agility and adaptability to act	<ul style="list-style-type: none"> <li>• Shareholder satisfaction</li> <li>• Total shareholder returns</li> </ul>
	Actively engage and interact with shareholders and stakeholders to strengthen relationships	
	Consistently deliver on shareholder expectations	
Operational excellence	Define and deploy operational excellence	<ul style="list-style-type: none"> <li>• Operating cost per property</li> <li>• Operating profit after tax</li> <li>• Return on assets</li> <li>• Research and development investment</li> <li>• Capital program deemed to be prudent and efficient by the Queensland Competition Authority</li> <li>• Capital program delivered against budget</li> <li>• Biosolids production</li> <li>• Total net greenhouse gas emissions</li> <li>• Cogeneration</li> </ul>
	Innovate to identify, assess and adapt to opportunities that align to operational excellence	
	Influence the supply chain and regulatory environment	
People	Create and embed a 'no harm' workplace through employees who value safety	<ul style="list-style-type: none"> <li>• Total injury frequency rate</li> <li>• Organisational culture index</li> </ul>
	Be a performance orientated workforce with strong visible leadership	
	Build a workforce that is adaptable, agile and change resilient	

**Table 2** – Queensland Urban Utilities' strategic direction for 2013-18.

# 7 Deliver service that is valued and trusted by our customers and the community

## Performance summary 2012/13

**Corporate objective:** Deliver service that is valued and trusted by our customers and the community

Strategic outcome	Strategy 2012/13	Achievements and challenges
<b>Recognition and trust in our brand</b>	Develop and implement a brand strategy that supports our strategic direction	<p>Continued to develop and deploy our brand strategy to align our external brand, values and behaviours with our internal brand and culture.</p> <p>Developed a Media and Public Relations Framework.</p> <p>Launched Scientific Analytical Services Laboratories sub-brand (See case study on page 51).</p> <p>Achieved a Brand Index Score of 62 – a six-point growth over 12 months.</p>
	Identify and establish a corporate citizenship presence in the community that supports our vision	<p>Co-ordinated community events in Toowong and Goodna to celebrate the completion of major infrastructure projects.</p> <p>Maintained our Capital Leverage Program (including vehicle livery, on-site signage and newspaper advertisements) to increase customer awareness of our infrastructure investment and benefits to the community.</p> <p>Supported a number of projects and events that met our Sponsorship Strategy criteria, including the Salvation Army Red Shield Appeal and Mater Little Miracles 5ks.</p> <p>Began proactively engaging with customers via Facebook and Twitter (see case study on page 25).</p>
<b>Customer satisfaction</b>	Understand the needs of our customers through effective research and information management	<p>Conducted monthly brand tracking research and twice-yearly industry benchmarking.</p> <p>Conducted ongoing analysis and research based on customers' experiences in the areas of design, connections and correspondence to improve our service delivery.</p> <p>Effectively managed customer information, which resulted in no substantiated complaints regarding breaches of customer privacy and losses of customer data.</p>
	Implement an efficient and consistent customer-focused approach across our business	<p>Launched our in-house contact centre (see case study on page 26).</p> <p>Developed a whole-of-organisation Customer Experience Excellence Framework.</p> <p>Implemented a campaign to encourage customers to pay their water and sewerage accounts via direct debit. Customer take-up of direct debit increased by 22%, which subsequently reduced our cost-to-serve.</p>
	Educate our customers about the value of our services	<p>Continued to communicate 'Think at the Sink' messages to encourage residents to take care of their plumbing and, in turn, reduce potential impact on the environment.</p> <p>Continued to issue our informative quarterly newsletter for residents, <i>In the Pipeline</i>.</p> <p>Maintained our Capital Leverage Program to increase customer awareness of our infrastructure projects and community benefits.</p>

## 7 Deliver service that is valued and trusted by our customers and the community

Strategic outcome	Strategy 2012/13	Achievements and challenges
<b>Operational responsiveness</b>	Demonstrate our commitment to our customers through operational responsiveness	<p>Developed and commenced implementation of our Billing Innovation Strategy, which included:</p> <ul style="list-style-type: none"> <li>• a change to the retrospective billing process that will assist in reducing the number of accounts under investigation and improve the customer experience,</li> <li>• completing a review of our billing system to identify efficiency opportunities to streamline and automate billing and revenue processes.</li> </ul> <p>Implemented a new scripting system for the contact centre to allow for better management of customer contact information and procedures.</p> <p>Launched our new Correspondence Management System, which streamlines the way our Customer Services team captures and manages customer correspondence.</p> <p>Implemented a new commendations process to ensure staff who have been acknowledged by customers for their outstanding work are recognised.</p> <p>Established the Customer Feedback Steering Committee as a means of identifying and addressing systemic issues to ultimately improve operations organisation-wide.</p> <p>Received and processed the largest volume of special meter read (SMR) applications since our establishment. Around 19960 SMR applications were processed in 2012/13 – a 41% increase compared to 2011/12 and a 79% increase compared to 2010/11.</p> <p>Proactively supported property owners who were devastated by the 2013 severe wet weather event by waiving their water and sewerage charges.</p>
<b>An established and effective stakeholder engagement structure</b>	<p>Understand community needs and growth through effective stakeholder and community engagement</p> <p>Work closely with community social groups and provide adequate support for customers facing financial hardship</p>	<p>Gained valuable customer insights by hosting quarterly Customer and Community Reference Group meetings.</p> <p>Co-ordinated community tree planting days in-conjunction with Bulimba Creek Catchment Coordinating Committee to help regenerate reserves around key catchment areas.</p> <p>Held an industry forum with developers and key industry bodies, which enabled us to gain an insight into their needs and expectations.</p> <p>Sponsored and attended community events including the Salvation Army “Bring Your Bills” event in the Lockyer Valley.</p> <p>Maintained our Hardship Program by introducing a referral process to the UnitingCare Community Financial First Aid hotline.</p> <p>Worked with Kildonan Unitingcare to deliver ongoing hardship awareness training for Recovery and Contact Centre teams to better support staff in managing customers in hardship.</p>

### **e-business Strategy**

Our e-business Strategy seeks to provide customers with easier access to key information and more self-service opportunities on our website.

In 2012/13, we implemented the first phase of our e-business approach, which aimed to improve the information presented on our website and provide a range of online application forms for customers.

As part of phase one, we introduced 24/7 reporting of all unplanned service interruptions.

We also introduced a dedicated 'development services' microsite, which offers developers a range of services relating to new connections, land use planning, trade waste, and development assessment.

### **Customer Experience Program**

In September 2012, the Board endorsed a Customer Experience Excellence Framework to support the organisation's priorities around heightened customer focus, increased professionalism and better planning. While this will be an ongoing program, a number of 'quick wins' have already been realised. During 2012/13, we:

- reduced design application turnaround times from 15 days to five days and reduced 'application to construction' turnaround times from 10-12 weeks to four-five weeks,
- introduced coaching and training programs for contact centre staff, which reduced errors from 7% to <1%,
- conducted a Customer Needs and Expectations Study to better define what our customers need, want and expect from our services,
- developed and communicated our new customer statement ("We listen, we care, we deliver"), which will be embedded into all customer communication,
- introduced an internal Continuous Improvement Program, which, to date, has generated 34 improvement suggestions from staff,
- increased our Customer Experience Industry Benchmark from 6.1 to 6.4 out of 10, positioning us favourably against well-established utilities, and above our forecast target of 6.3.

## 7 Deliver service that is valued and trusted by our customers and the community

### Stakeholder engagement

Queensland Urban Utilities has a diverse range of stakeholders including, but not limited to:

- shareholders,
- the Queensland Government,
- the Australian Government,
- customers and communities,
- developers,
- regulators,
- Seqwater (bulk water supplier),
- research groups,
- water industry associations,
- other utilities,
- advocacy groups,
- unions,
- suppliers,
- media,
- business and industry.

Queensland Urban Utilities' Community Engagement Manager, Rebecca Ellis, discusses our Woolloongabba Sewer Upgrade Project with customers.





We use a range of engagement tools to target our stakeholders appropriately and effectively. Examples of these engagement tools are detailed in Table 3.

Engagement tools	Examples
<b>Customer and Community Reference Group</b>	Quarterly forum for customer and community input and advice on a range of issues, including pricing
<b>Development Industry Forum</b>	A twice-yearly forum targeting the development industry to improve planning and delivery of services
<b>Direct communication</b>	Includes phone calls, emails and meetings
<b>Fact sheets</b>	Objective information about a problem, alternative or solution
<b>Focus groups</b>	Small meetings of targeted stakeholder groups used to gather feedback on a particular issue or opportunity
<b>Formal submissions</b>	Formal levels of engagement to record information, inform stakeholders, or seek action
<b>Information sessions</b>	Opportunities for stakeholders to discuss a range of concerns
<b>Public comment</b>	Opportunities for stakeholders to provide comment on a range of relevant topics
<b>Regular corporate publications</b>	Corporate and operational plans Quarterly and annual reports Annual Stakeholder Report
<b>Social media</b>	A mutually beneficial, two-way channel to disseminate information and answer questions about a variety of topics including service interruptions and traffic impacts
<b>Stakeholder and Community Engagement Plans</b>	Initiative and project-specific plans, which outline engagement activities at an individual project level and align with the Corporate Stakeholder Engagement Strategy and Plan
<b>Surveys</b>	Online or written channels for receiving stakeholder feedback and opinions on specific issues
<b>Website</b>	Online access to key information
<b>Workshops</b>	Direct engagement to ensure concerns and aspirations are understood and considered

**Table 3** – Methods we use to engage with our stakeholders.

In June 2013, we conducted an online External Stakeholder Satisfaction Survey, which was sent to Mayors, Councillors and Chief Executives of our five shareholding councils, as well as members of our Customer and Community Reference Group (CCRG), regulators and members of industry groups.

A total of 55 stakeholders responded to the survey – a 34% increase in the response rate experienced in 2011.

The survey results indicated that our proactive approach to stakeholder engagement has been well received, with our overall stakeholder satisfaction rating increasing to 77.5%.

## 7 Deliver service that is valued and trusted by our customers and the community

### Supporting our communities through sponsorship

We continued to sponsor projects and events that support our customers and the community. In 2012/13, we:

- supported fun runs in Brisbane and the Lockyer Valley to help raise funds for the Mater Hospital and Diabetes Queensland, respectively,
- sponsored WaterAid Golf Day to help raise money for the WaterAid charity,
- sponsored the Salvation Army 'Bring in your Bills' event in Lockyer Valley, which was an opportunity for those experiencing financial difficulty to receive face-to-face advice from experts in the finance, legal, support and utilities sectors,
- continued our involvement with the Healthy Waterways Awards as sponsor of the Clean Up Award – an award that recognises the efforts of individuals and community groups in addressing the issue of waterway litter,
- provided in-kind support for the Pocket Community Garden at Woolloongabba,
- provided merchandise and in-kind support for a range of community fundraising efforts, including Kilcoy Bowls Club, Toowong Soccer Club, St John's Ambulance and the Salvation Army,
- sponsored the Salvation Army Red Shield Appeal breakfast in Brisbane,
- sponsored the Lockyer Valley Business Excellence Awards.

Queensland Urban Utilities celebrated with local residents following the completion of our \$5 million Toowong Sewer Upgrade Project.



### **Celebrating milestones with our communities**

To celebrate the completion of our \$5 million Toowong Sewer Upgrade Project, residents were invited to attend a morning of festivities on 19 January 2013 at Toowong Memorial Park.

The upgrade project, which was completed in December 2012, has increased the capacity of the sewer system to cater for long-term growth and development in the area.

Work involved the installation of a 574m sewer line underground and was carried out in four stages to minimise impacts on the community. The new sewer line now supports the original sewerage infrastructure in Toowong that was installed in 1914 and 1929.

On 6 April 2013, we hosted a Goodna Sewage Treatment Plant open day, where around 100 local residents took behind-the-scenes tours of the plant.

Our Chief Executive Officer, Louise Dudley, and Ipswich City Councillors Paul Tully (Division 2) and Victor Attwood (Division 3) cut the ribbon at the plant's official re-opening, following its recent \$115 million upgrade.

The upgrade has increased the plant's operating capacity by 40% to meet future growth requirements and has also improved the plant's performance and environmental sustainability.

### **Introduction of a Councillor Relationship Manager**

In January 2012, the Board considered the outcomes of a broad stakeholder survey conducted in late 2011. Nearly half of the responses received were from shareholders or local government bodies. While the survey indicated a high level of satisfaction with Queensland Urban Utilities, several opportunities to consolidate and refine our stakeholder approach were identified.

One opportunity that was delivered in 2012/13 was the appointment of a Councillor Relationship Manager to provide an interface between Queensland Urban Utilities and the Mayors and Councillors from our five shareholding councils.

The purpose of the role is to provide timely and relevant information about Queensland Urban Utilities' operations and performance, and to foster strong and trusting relationships with shareholders by acting as a point of referral for issues or customer concerns that have not been resolved through our regular customer processes.

The Councillor Relationship Manager is responsible for proactively engaging with Councillors to ensure that Queensland Urban Utilities is meeting customer and community needs in all five service territories.

This function is in addition to existing channels that the Board and Executive Leadership Team use to engage with elected representatives. Such channels include annual presentations to shareholders by the Chairman and Chief Executive Officer, Board meetings hosted in our five shareholder service territories, the annual Special General Meeting for Mayors and Chief Executive Officers, and circulation of information on key capital projects and other initiatives.

Shareholder feedback on the new Councillor Relationship Manager function has been very positive. The role was broadened in January 2013 to include State Government Members of Parliament in Queensland Urban Utilities' service area.

Queensland Urban Utilities will continue to review and strengthen relationships with shareholders and other stakeholders to ensure that our engagement and communication remains responsive and relevant.

## Expanding the scope of our social media activity



In November 2012, we increased our level of customer engagement and transparency by adopting a proactive social media approach. Queensland Urban Utilities' Facebook and Twitter accounts were originally activated in January 2012 with the sole purpose of circulating one-way communication during emergency or crisis events. With the power of social media growing in popularity, Queensland Urban Utilities made the decision to increase our social media activity from reactive, one-way statements, to proactive, two-way conversations.

Our Twitter and Facebook channels are now used for a variety of mutually-beneficial purposes, including community education messages, emergency broadcasts, customer liaison, and service interruption notifications.

The importance of social media was strongly evident during the 2013 flood event and associated water supply issue.

During the seven-day emergency, our social media presence proved to be a valuable information-sharing platform, with almost 700 people (including media and stakeholder organisations) opting to 'follow' our Twitter account for updates on the situation and to engage in conversations with us. This was a 400% increase in our 'follower' base.

Both the Queensland Urban Utilities Facebook and Twitter pages continue to attract new followers. We also regularly receive and respond to a variety of customer interactions, including notifications of water leaks and supply interruptions, questions about billing, compliments for our service and suggestions for service improvement.

*Our Twitter and Facebook channels are utilised for a variety of purposes, including community education and customer liaison*

Case study

## In-house contact centre launch



Queensland Urban Utilities' Customer Service Officer, Manesh Magan.

In October 2012, Queensland Urban Utilities achieved a major milestone when we began taking customer calls from our newly established in-house contact centre.

In preparation for our transition away from using Brisbane City Council's (BCC) call centre services, groups of new Queensland Urban Utilities contact centre recruits underwent a comprehensive four-week induction to equip them with vital business knowledge and prepare them for likely scenarios.

Our in-house contact centre – which utilises the latest in contact centre technology – officially 'went live' on 2 October 2012.

The contact centre manages over 300,000 calls per year via two channels: our general enquiries line and our faults and emergencies line.

BCC continues to provide faults and emergency services after hours, including weekends and public holidays.

Since moving our contact centre in-house, we have realised a number of benefits including the ability to:

- monitor our service quality in real-time,
- cross-skill our contact centre staff,
- design tailored support systems.

*The contact centre manages over 300,000 calls per year*

# January 2013 flood event

Our crews worked around-the-clock to repair infrastructure that was damaged during the extreme wet weather event.

In January 2013, ex-tropical cyclone Oswald passed over parts of Queensland, causing widespread impact to a large proportion of Queensland Urban Utilities' service area.

## **Our flood response**

Forward-planning allowed us to avoid potentially significant damage to our assets and infrastructure. By utilising flood risk mapping, we were able to relocate equipment from 64 sewage pump stations and relocate and install 81 emergency generators.

We responded to flood-related water quality issues in Laidley and Rathdowney by transporting bottled water via helicopter to the affected communities. We were also able to engage in two-way communication with residents via our social media channels.

In addition to responding to water quality issues, our dedicated crews battled the harsh elements while they repaired numerous burst water mains (as many as 30 in one day) and other damaged assets.

The Queensland Urban Utilities contact centre was challenged during this period with close to 10,000 calls received between 28 January and 4 February.

Despite the high call volume, 70% of calls were answered within 30 seconds, falling just short of our grade of service standard (80%). To cater for the high call volume and to maintain continuity of service during the event, we enacted our Disaster Recovery Business Continuity Plan and engaged an outsourced contact centre located in South Australia.

## **Customer assistance**

Queensland Urban Utilities provided financial relief to customers affected by the flooding event, many of whom were devastated just two years earlier during the 2011 flood.

For customers we identified to be 'flood affected', we issued their bills later in the billing cycle, offered them the option of a payment plan, modified any debt recovery processes already in place, and gave consideration to concealed leaks potentially caused by the impact of the flood.

For customers we identified as 'flood devastated', we waived their bills for up to four quarters, suspended any pre-existing debt recovery processes, and considered concealed leaks caused by the impact of the flood.



### Potential loss of water supply

On 29 January 2013, the already challenging situation escalated when, as a result of the extreme weather, Seqwater's Mount Crosby Water Treatment Plant was forced offline due to record turbidity levels in the Brisbane River. This raised the possibility that some Brisbane suburbs would temporarily lose water supply.

At midnight on 29 January, mandatory water restrictions were enacted to help maintain water supply to our customers. Residents were advised to use water for essential purposes only.

In conjunction with Seqwater, Queensland Urban Utilities worked through alternative supply options and developed contingencies in the event of wide-scale water supply loss.

Contingencies included the provision of around 400,000 bottles of water in at-risk locations across Brisbane to ensure no customer would be without drinking water.

Ultimately, our collaborative operational response with Seqwater ensured water supply was maintained across the network until the Mount Crosby Water Treatment Plant returned to full operation on 31 January. Mandatory water restrictions were lifted at midnight on 31 January.

A debrief between Queensland Urban Utilities and Seqwater identified lessons learnt from the incident. A joint action plan was developed to ensure both entities are well prepared should a similar event be encountered in the future.

*Our dedicated crews battled the harsh elements while they repaired numerous burst water mains.*

## 8 Safe, capable and dedicated people

### Performance summary 2012/13

**Corporate objective:** Keep our people safe, capable and dedicated

Strategic outcome	Strategy 2012/13	Achievements and challenges
Clear accountability and alignment	Ensure that accountabilities across the organisation are clearly articulated	<p>Communicated our purpose, vision and values to staff through a variety of channels, including CEO roadshows, signage, team meetings, staff newsletters and regular CEO communiques.</p> <p>Refreshed 'planning for performance' templates for employees covered by the Enterprise Bargaining Agreement (EBA).</p> <p>Developed and implemented performance plans for employees on Common Law Contacts.</p> <p>Revised the Authorities and Delegations Schedule.</p>
Enabling workforce relations	Plan a long-term workforce to support organisational needs	Developed and implemented a suite of policies and procedures to facilitate positive organisational change.
	Support current needs and enable future change and growth through workplace relations and industrial instruments	<p>Developed a revised enterprise bargaining agreement (EBA2) – our second since we were established in 2010. The agreement was developed in consultation with employees and unions, and employees will vote on it in August 2013.</p> <p>Reviewed and rolled-out around 25 different policies and procedures to support EBA2.</p>
Capability uplift and leadership	Understand the benefit of enterprise leadership and deliver a leadership model to support this	Developed and delivered a 'People Leader' induction program to address performance planning, recruitment and culture development. This program was one of the many developed and delivered in 2012/13 to ensure our leaders are equipped with the appropriate tools to address performance management issues and performance planning.
	Foster employee performance through talent acquisition, retention and succession planning	Talent Management Strategy endorsed by the Board and rolled out to the business.
	Deliver a learning and development model, strategy and frameworks that support our current and growth strategies	<p>Delivered a pilot Skills Development Program for leaders to up-skill in giving and receiving feedback and coaching.</p> <p>Introduced a number of online training courses, including fatigue management, front line management and code of conduct.</p>



Strategic outcome	Strategy 2012/13	Achievements and challenges
<b>Embedded culture and commitment</b>	Foster an organisational culture that supports our purpose, vision, organisation values and brand values, behaviours and capabilities	<p>Designed and distributed an organisational culture survey to all employees, which evaluates both the culture and the causal factors affecting the culture. Results are due in August 2013 and will inform action plans for all business leaders.</p> <p>Introduced Culture Leaders to assist in our overall culture change by supporting and encouraging employees to participate in the culture survey and other culture-enhancing initiatives.</p> <p>Continued to present recognition awards to long-serving employees.</p> <p>Continued to present Values Awards to staff for demonstrating their commitment to our organisational values.</p> <p>Streamlined internal communication by implementing a new suite of communication channels.</p> <p>Developed a series of DVDs to build staff understanding of our purpose, vision and brand values, specifically the 'customer and community' value.</p>
<b>Healthy and safe people</b>	Embed health and safety management in everyday life	<p>Implemented a standardised set of Safe Work Method Statements for the entire business.</p> <p>Continued to work with our external safety partners to improve the monitoring and measurement of safety management across the business.</p> <p>Increased safety visibility by installing safety door decals and 'conditions of entry' signage at 29 Queensland Urban Utilities locations.</p> <p>Introduced a highly-mobile safety delivery model, allowing our field staff (our most at-risk group of employees) to easily access advice and direction from our qualified safety advisers.</p> <p>Introduced robust medical assessments to ensure staff working in confined spaces or at heights are safe.</p> <p>Launched a suite of safety induction DVDs for visitors to our worksites.</p>
<b>Tailored remuneration, rewards and recognition</b>	Deliver a commercial remuneration framework that optimises performance outcomes	<p>Completed a performance and reward review of executives, leaders and professionals.</p> <p>Continued to scan external markets to ensure we offer fair and competitive remuneration packages.</p>

## 8 Safe, capable and dedicated people

With end-to-end accountability, our People and Safety group is responsible for a range of functions, including: business partnerships; learning and development; organisational development; performance and reward; workplace health, safety and wellbeing; and workplace relations.

### **Workforce profile**

As at 30 June 2013, Queensland Urban Utilities employed 1,419 staff in a range of professions and trades in permanent full-time, permanent part-time and temporary capacities. This figure included 1,120 permanent employees.

The full-time equivalent staff establishment for permanent employees was 822.

For the 2012/13 financial year, Queensland Urban Utilities recorded a 91.42% permanent retention rate and 10.9% permanent separation rate.

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

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

Following the development of our Workforce Plan in 2012/13, various strategies were implemented to address organisational needs. These included:

- a review of attraction and retention strategies to ensure an alignment between current and future capability requirements,
- building employee relations through ongoing initiatives such as workplace consultative committees, safety committees and the introduction of culture leaders,
- development of an end-to-end performance management framework,
- development of a frontline leadership program.

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

Queensland Urban Utilities continues 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 agreements,
- part-time employment options i.e. where two or more employees share one full-time position, each working on a fractional basis,
- flex-time for all indoor employees covered by the EBA,
- the ability for employees to work from a remote workplace (e.g. their home), 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).

In 2012/13, we streamlined and reviewed our employee-related policies to ensure that the provisions we offer are both market-competitive and sustainable for the business.

### **Performance management**

In 2012/13, a program was developed to build the capability of leaders in performance management. The program – named “The Learning Curve” through an internal competition – contains a number of courses including how to hold a ‘1-2-1’ conversation, how to set objectives, and how to handle difficult conversations.

The learning platforms of these courses are dependent on content and objectives, with some being developed for our e-learning platform and others being delivered face-to-face. This program supports our strategy of having employees who are safe, adaptable, capable, and are committed to achieving our vision and living our values.

### **Industrial and employee relations**

The Employment Consultative Committee (ECC) is the primary forum for industrial matters between Queensland Urban Utilities, our employees, and relevant unions. In 2012/13, the ECC’s primary responsibility was to discuss and negotiate our enterprise bargaining agreement (EBA2).

Like the previous year, no industrial action occurred in 2012/13. This demonstrates that the sound industrial partnerships established before and during EBA1 negotiations have been sustained and all industrial matters have been successfully dealt with locally.

### **Strategic Safety Group**

The Strategic Safety Group leads, reviews and sets direction for the implementation of all Queensland Urban Utilities safety programs.

The group, which comprises the Executive Leadership Team, chairs of safety committees, and the Safety Manager, makes decisions to foster a ‘zero harm’ culture.

The Strategic Safety Group’s responsibilities include, but are not limited to: setting strategic safety goals and objectives, monitoring and tracking progress towards these goals, and reviewing the progress of programs and initiatives.

### **Recognising our people**

We believe it is important to acknowledge staff for a job well done and have a number of recognition processes in place.

In 2012/13, we launched a commendation process whereby staff who formally receive positive feedback from customers are recognised at both a management and CEO level.

We continued to present our Values Awards to recognise those staff who consistently demonstrate their commitment to our organisational values. In 2012/13, there was a focus on our ‘customer and community’ value and awards were presented to staff for outstanding customer service, accountability for customer outcomes, customer and community relationships, and outstanding internal customer service.

We also continued to present our long-serving staff with recognition awards. In 2013, we presented a total of 97 awards, including four to staff who had served 45 years, seven for serving 40 years and 12 for serving 35 years.

# Our employee relations journey



Queensland Urban Utilities'  
Marketing and Communications  
Coordinator, Mel Argue.

Queensland Urban Utilities has been on an employee relations journey since our formation on 1 July 2010. Within the SEQ Water Reform Framework, we negotiated our first enterprise bargaining agreement (EBA 1), which amalgamated all terms and conditions of employment transferred from our five shareholding councils into one succinct industrial document. We also progressed from seven industrial awards to four.

EBA 1 had a nominal expiry date of 30 June 2013, with a renegotiation period of six months. As such, we commenced negotiations with unions in January 2013. EBA2 continues to build on the key deliverables of EBA 1 and will enable us to modernise in a flexible manner to ensure we evolve into a sustainable water and sewerage business.

In 2012/2013, considerable effort was placed on identifying the key target areas of employee relations that Queensland Urban Utilities' leaders needed support in.

Our Employee Relations Team developed and implemented policies and procedures to ensure our leaders understand their roles and can act independently when dealing with their staff on employee relations matters.

Our Employee Relations Team also developed and implemented a suite of documents to facilitate positive organisational change. The suite included:

- a Business Case Impact Assessment (BCIA),
- an Organisational Change Framework,
- an Organisational Change Policy,
- a Retraining, Redeployment and Redundancy Policy and Procedure,
- Redundancy Support Principles.

The suite was successfully piloted during the realignment of our Operations Group, which commenced in November 2012. The policies and procedures provided managers with the correct tools to ensure the right staff were placed in the right roles, resulting in no industrial action.

*EBA2 continues to build on the key deliverables of EBA 1 and will enable us to modernise in a flexible manner*

# Safety: everyone, everywhere, every day

Queensland Urban Utilities' Technical Officer, Leo Bell, demonstrates that safety is our number one priority.



Queensland Urban Utilities is continually moving towards instilling a constructive and positive culture and our safety value is leading this cultural change. In 2012/13, our safety function underwent significant transformation, both in its delivery model and its capacity to communicate safety information to employees.

The new, highly-mobile delivery model places our safety advisors in the field where they can conduct audits for continuous improvement purposes and test any new procedures and processes. It also gives field-based staff ready access to advice and direction from our qualified and experienced safety professionals. Over 2012/13, a number of safety initiatives were developed or progressed. For example, we:

- launched a suite of safety induction DVDs for visitors to our worksites,
- continued to work with our safety partners to help us develop and embed the values, attitudes and behaviours required to succeed with the cultural element of our safety journey,

- developed online safety training packages for staff, covering topics such as fatigue management and fire safety,
- introduced a series of internal communication tools to keep staff up-to-date with safety news and initiatives, including toolbox talks and themed safety alerts,
- introduced robust medical assessments for our employees to ensure they are capable of conducting high-risk and manual activities safely,
- realigned our safety committee to promote an effective escalation and management review process,
- recruited and trained over 40 Health and Safety Representatives (HSRs) to give employees access to representation within the business and within the safety committee structure.

While there are still improvements to be made, the success of the initiatives we have implemented to date are reflected by our declining Total Recordable Injury Frequency Rate.

*In 2012/13, our safety function underwent significant transformation*

# 9 Delivering our services

## Performance summary 2012/13

**Corporate objective:** Focus on business efficiency and continuity

Strategic outcome	Strategy 2012/13	Achievements and challenges
Prudent and efficient asset management	Understand our risks and respond appropriately	<p>Refreshed our Risk Management Framework, which included:</p> <ul style="list-style-type: none"> <li>• establishing a new Risk Management Policy, which clearly states our commitment to a consistent business-wide process,</li> <li>• implementing a new risk management structure, with risk champions and coordinators across the business,</li> <li>• developing a Risk Management Strategy, which outlines improvements to be made over the next 18 months.</li> </ul> <p>Assessed our corporate compliance obligations, which will be included in our 2013/14 Compliance Program.</p>
	Provide infrastructure planning that meets the requirements of all stakeholders and enables timely community growth	<p>South East Queensland Water and Sewerage Design and Construction Code was gazetted in June 2013 (see case study on page 41).</p> <p>Continued to work on our business case for the proposed Lockyer Valley Recycled Water Scheme.</p> <p>Completed a review of the water master plan for the Ipswich region. The updated plan considers forecast growth in the catchment over the next five years.</p> <p>Updated master plans for Luggage Point, Gibson Island, Karana Downs and Wynnum sewage treatment plants.</p> <p>Engaged with Department of Energy and Water Supply, Ipswich City Council and developers to identify opportunities for sustainable water management in the Ripley Valley greenfield development.</p> <p>Completed 100% of our project feasibility documentation currently programmed for the 2013/14 and 2014/15 capital works programs and commenced feasibility studies for the 2015/16 capital works program, with 20% completed as at 30 June 2013.</p> <p>Achieved 100% of our 2012/13 capital works program target (\$261 million), which included flood recovery works. Ten of 12 major projects (greater than \$5 million) and 25 of 35 minor projects (less than \$5 million) were commissioned in 2012/13. Key drivers of our capital program include economic and population growth and environmental compliance.</p> <p>Reviewed our planned maintenance approach to increase our focus on and resource allocation to planned maintenance activities. This has resulted in improved prioritisation and budgeting.</p>

Strategic outcome	Strategy 2012/13	Achievements and challenges
Optimal operational performance	Proactively pursue opportunities for operational efficiency	<p>Introduced a new service delivery model across our five service territories. The new model will improve our customer service, productivity and responsiveness, which will lead to greater organisational efficiencies.</p> <p>Introduced new rosters to improve the customer experience by minimising service disruptions from planned and reactive maintenance and reducing our incident response times.</p> <p>Reduced our end-to-end delivery timeframes for new connections by implementing a revised application process, including a web-based application form for new connections. This streamlined approach has improved the customer experience.</p> <p>Reduced cost-to-serve for design/application processing by adopting a management-by-exception approach.</p>
	Ensure that our systems and processes enable us to regularly monitor, review and improve our performance	<p>Established governance groups and revised processes to improve our information management.</p> <p>Implemented a new correspondence system to improve our management of incoming correspondence.</p> <p>Commenced a fire hydrant testing program across all five service territories and introduced several electronic processes that have resulted in significant cost efficiencies.</p>
	Optimise our asset base with value-added initiatives	<p>Optimised the biosolids dewatering process at our Luggage Point Sewage Treatment Plant, resulting in expected savings of over \$500,000 per year. Similar improvements are being implemented at our other sewage treatment plants.</p> <p>Recommended operation of our thermal hydrolysis process in October 2012 after being out of service since January 2011 due to flood damage. Since the recommencement of operations, we have decreased our volume of sludge production and, subsequently, reduced sludge haulage costs.</p>

## 9 Delivering our services

Strategic outcome	Strategy 2012/13	Achievements and challenges
Optimal operational performance	Plan and deploy efficient and effective technology and systems	<p>To facilitate our technical information, communication and technology (ICT) services separation from BCC, as well as improve the management of our key functions, we:</p> <ul style="list-style-type: none"> <li>• implemented the required ICT organisational structure to support our outsourced operations,</li> <li>• introduced an electronic document and records management system,</li> <li>• consolidated multiple spatial systems and processes into a single enterprise-wide application providing a single point of truth for spatial information.</li> <li>• implemented a legal document and case management system, which links to the corporate electronic records system,</li> <li>• implemented a new payroll system,</li> <li>• implemented our own Dial Before Your Dig service.</li> </ul> <p>Commenced the development of our Supervisory Control and Data Acquisition (SCADA) strategy. SCADA is a control system used to identify and respond to faults and incidents in our network and captures much of the data used to optimise network performance. The strategy will provide a framework for the development, operation and maintenance of SCADA and will provide guidance in terms of the multi-million dollar investment expected over future years.</p>
	Ensure that our governance structure enhances efficient and effective decision making	<p>Approved the following key policies and frameworks:</p> <ul style="list-style-type: none"> <li>• asset management,</li> <li>• environmental,</li> <li>• reflux valve subsidy,</li> <li>• off-reticulation water mains,</li> <li>• infrastructure agreement,</li> <li>• complete set of supporting ICT policies.</li> </ul> <p>Commenced preparation of asset management plans to support the revised asset management policy and framework.</p>
Legal and regulatory compliance	Continue to comply with all regulatory requirements	<p>Drinking Water Quality Management Plan approved by regulator.</p> <p>Signed a Memorandum of Understanding (MoU) with the Queensland Fire and Rescue Service to ensure that legal obligations and community expectations for water flows required for fire fighting purposes are met.</p> <p>Embraced changes to the Department of Environment and Heritage Protection's reporting requirements, which broadened the requirements for notifying sewage spills. As a result, the number of spills we reported increased from 39 in 2011/12 to 61 in 2012/13. However, the volume of sewage spilled reduced from 10.3ML in 2011/12 to 6.6ML in 2012/13.</p>
Environmental sustainability	Deliver best environmental practice	Developed and deployed Environmental Due Diligence training for all staff.



## Managing our assets effectively

Queensland Urban Utilities is committed to ensuring our assets are safe, reliable, sustainable and remain available for the benefit and evolving needs of our customers and the community.

In 2012, we evaluated our asset management system using the Water Services Association of Australia's Aquamark asset management benchmarking framework. This comparative assessment showed that we are well positioned both domestically and internationally.

The benchmarking exercise also highlighted a number of opportunities for improvement. As a result, we have:

- introduced a corporate Asset Management Policy,
- adopted an Asset Management Framework,
- developed Asset Management Plans for all asset classes,
- developed key performance indicators and associated reporting to link strategic outcomes to asset operations and management.

Asset management has been identified as an area that can bring substantial savings to the organisation over the coming years. As such, an Asset Management Improvement Plan for 2014-18 has been developed.

This portfolio of activities demonstrates our commitment to:

- ensuring our assets and infrastructure are safe, reliable, sustainable and remain available for the benefit of our customers and the community,
- ensuring our staff have the right skills and competency to manage all phases of the asset life cycle,
- greater accountability, risk management, service management and financial efficiency.

## Improving our treatment and reuse of biosolids

In 2012, the Queensland Urban Utilities Board adopted a Biosolids Strategy to address the significant operational and capital investment associated with the treatment and ultimate reuse of biosolids.

Biosolids, which are generated at all 27 of our sewage treatment plants, are nutrient-rich organic materials that are a by-product of the sewage treatment process.

The strategy, which includes short, medium and long-term actions, can be summarised into four key performance areas:

1. Reduce biosolids volume and reuse cost
2. Increase renewable energy production
3. Increase operational savings
4. Maximise resource recovery and beneficial reuse

The short-term component of the strategy, which is currently being delivered, focuses on improving the dewatering facilities within several of our sewage treatment plants. These facilities remove water from sewage sludge, which reduces the volume of biosolids produced and, therefore, lowers operational costs.

The strategy has been independently reviewed and endorsed by a biosolids expert.

## ICT Separation

Perhaps the greatest challenge Queensland Urban Utilities faced as an organisation in 2012/13 was the delivery of our ICT Separation Program – an exceptionally complex piece of work to separate our information, communication and technology (ICT) from Brisbane City Council (BCC). To ensure the successful delivery of this significant program of work, it was divided into several smaller projects:

- corporate reporting,
- desktop, standard operating environment and rollout,
- separation of our core financial and procurement systems,
- GIS implementation,
- HiAffinity billing,
- ICT managed services,
- legacy applications migration,
- mobile computing,
- payroll services,
- property data solution,
- telecommunication services.

Over four transition tranches, we successfully separated all of our applications, software, data and infrastructure requirements from BCC without interruption to our customers.

## 9 Delivering our services

### Procurement and Projects Advisory Group

The Procurement and Projects Advisory Group is responsible for reviewing project feasibilities prior to going to market and planning for the sourcing of products and services. It also provides advice and recommendations relating to the awarding of contracts.

The function of this group is to ensure that proper consideration is given to determining the most advantageous arrangements for Queensland Urban Utilities when awarding contracts, and to provide a record of appropriate governance in the procurement process.

### Capital Works Program Committee

The Capital Works Program Committee is responsible for reviewing:

- the progress of the delivery of the capital program,
- master plans and asset management plans,
- the feasibility of major projects and close-out reports,
- completion reviews of major projects.

The committee also approves entry of new major projects (\$5 million+) into the capital investment program and provides advice to the Board in accordance with project approval delegations.

### Innovative fire hydrant testing

In 2012/13, we commenced a major program of work to inspect and undertake maintenance work to all 98,000 fire hydrants across our service area within a two-year period. As at 30 June 2013, all fire hydrants in Gatton and Aratula had been tested, along with 630 fire hydrants in the Ipswich area.

To cope with the high volume of hydrant testing, several innovations have been introduced by the contracted provider of the inspection program, Thiess Services. Most notably, the inspection process is now completely paperless, with all work issued electronically.

These improvements have resulted in significant cost efficiencies for Queensland Urban Utilities.

In June 2013, Queensland Urban Utilities and the Queensland Fire and Rescue Service signed a Memorandum of Understanding, the purpose of which is to document the procedures and communication activities that both parties will adhere to so that legal obligations and community expectations for water flows or fire fighting purposes are met. This includes regularly reporting on the number of hydrant clean-outs and repairs that we have undertaken as part of our planned maintenance program.



Over two years, we will test and undertake necessary maintenance on all 98,000 fire hydrants across our service territory.

Case study

## Engineering solutions to benefit our customers



We strive to engineer solutions that promote a positive customer experience.

During all planned and unplanned infrastructure repair works, we strive to maintain water supply wherever possible. Below are two examples of how we re-engineered solutions to ensure a positive customer experience.

Construction of a new water main along William and Albert Streets, Beaudesert, was scheduled for delivery in July 2012. Original plans indicated that around 600 homes and businesses would lose water for periods of time while the new main was connected into the existing system. Determined to devise an alternative solution, Queensland Urban Utilities staff reviewed the plans and, by installing a number of valves and using bypass hosing, were able to maintain water supply to all properties for the entire schedule.

In Rathdowney, the construction of a new water main was scheduled for between April and June 2013, which would see the whole township without water supply for periods of time during construction. In addition, the reservoir required urgent repair. In response, Queensland Urban Utilities staff reviewed all options and, by installing three valves and establishing a temporary reservoir, water supply was maintained throughout the three-month construction period.

*During all planned and unplanned works, we strive to maintain water supply wherever possible*

Case study

# Consolidating technical standards

Queensland Urban Utilities' Team Leader Service Delivery Support, Peter Granzien.



In 2012/13, the development of the SEQ Water and Sewerage Design and Construction Code marked a new era in technical standards for water and sewerage services infrastructure.

Under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, all South East Queensland water distributor-retailers and Council-owned water distributors were required to develop a uniform code for the design and construction of new water supply and sewerage assets.

In developing the code, Queensland Urban Utilities, along with Unitywater and Gold Coast, Logan and Redland City councils, undertook extensive consultation with stakeholders from across the development and construction industry.

The code includes design criteria, technical standards based on the Water Services Association of Australia national codes, asset information standards and accepted products and materials lists.

It provides a single reference point for the design and construction of water supply and sewerage infrastructure across South East Queensland and replaces the many documents that previously comprised the standards of the individual water service providers, making it much simpler for the development and construction industry to conduct business in the region.

Greater consistency in technical standards across the region is expected to provide long-term benefits, including increased efficiency for engineering consultants and construction contractors, greater ease of compliance, product rationalisation for suppliers, and ultimately lower costs for infrastructure provision.

***Greater consistency in technical standards across the region is expected to provide long-term benefits***

# Woolloongabba Sewer Capacity Upgrade Project



East Brisbane State School students with "Cora the tunnel borer" before she was lowered underground to commence tunnelling.

Construction is well underway on the \$80 million Woolloongabba Sewer Capacity Upgrade Project – Queensland Urban Utilities' largest capital works project to date in Brisbane.

The project will increase the capacity of Woolloongabba's sewerage system to cater for significant development and population growth in the area.

By employing the use of tunnel boring machines – a type of trenchless technology – almost 5.2km of trunk sewer main will be installed up to 17 meters below ground level.

This trenchless method was chosen as it limits the impact on the community, making it ideal for use in heavily urbanised areas, such as Woolloongabba.

Demonstrating our commitment to community engagement, Queensland Urban Utilities involved around 90 local school children in the project by asking them to choose the name and colours of the first tunnel boring machine to go underground.

"Cora the tunnel borer", as it is now known, was painted in bright rainbow colours to reflect the winning entry.

This was a novel way of involving children in the project and introducing them to the concept of how pipes are installed underground.

#### Fast facts

- Age of current sewer pipes: Around 80 years old
- Project cost: Over \$80 million
- Project personnel: Up to 100
- Number of sewer lines: 6
- Access shafts: 37
- Total excavated depth of shafts: 250m
- Largest sewer pipe: 1.4m in diameter

*The project will increase the capacity of Woolloongabba's sewerage system to cater for significant development and population growth in the area*

## 9 Delivering our services

### Caring for the environment

#### Managing our energy consumption

As part of our commitment to energy management, we introduced a number of initiatives that focus on energy management reporting actions. In 2012/13, we:

- progressed the development of the new Energy Information Management System (EIMS) for energy cost and data warehousing and electricity bill validation,
- completed the installation of Electricity Metering System (EMS) and dashboards for measuring, monitoring and displaying electricity performance,
- completed the installation of Meter Data Agent (Acumen) Interval Data System that provides detailed energy data for performance reporting,
- continued installation of process sub-metering at various sites,
- introduced monthly energy and emissions reporting to management and the Board,
- appointed site energy facilitators at large consumption sites to monitor and report on energy consumption, including initiatives to reduce consumption through revised operation of the site.

#### Changing with the climate

Aware of the challenges associated with global warming, Queensland Urban Utilities is well-advanced in the development of our Environmental Resilience Plan (formally known as Climate Change Plan) and Renewable Energy Plan.

##### Environmental Resilience Plan

Once adopted, the Environmental Resilience Plan will be delivered via two strategies: climate change adaptation and climate change mitigation.

Adaptation strategies are needed to ensure we can continue to deliver our services in a changing climate and during extreme weather events. By adopting adaptation strategies, we can reduce the adverse impacts of climate change on our operations.

Mitigation strategies will ensure we are contributing to a reduction in greenhouse gas emissions. We will assess our current level of emissions, implement prioritised actions to reduce them, monitor our performance and adjust our approach as new and innovative ideas and technologies emerge.

As a broad policy commitment, we will include the Environmental Resilience Plan objectives, priorities and actions in all of our decision-making processes and business practices.

##### Renewable Energy Plan

Complementing the Environmental Resilience Plan strategies are a number of strategies within our Renewable Energy Plan, the purpose of which is to:

- embed long-term energy cost reductions through prudent investment in renewable generation to offset electricity purchases,
- achieve reductions in total emissions by a further 33,000 t CO<sub>2</sub>-e per year to a target level of 81,500 by 2018.

By implementing our Renewable Energy Plan, we will position ourselves as an environmentally responsible corporate citizen that delivers value to our customers, communities and shareholders through focused, sustainable and operationally-efficient investment in renewable energy solutions.

### Sewage overflow management

At times, sewage overflows do occur, usually during significant rainfall events when excessive stormwater enters the network. Overflows can also be caused by pipe blockages, mechanical failure and power outages.

Our Sewer Overflow Management Strategy has delivered encouraging results to date. In 2012/13, this customer-focused strategy resulted in:

- proactive communication with affected customers to keep them up-to-date with the status of investigations,
- approval of a Reflux Valve Subsidy policy,
- identification of and action plans for 'hot spot' overflow locations,
- a continuation of the 'Think at the Sink' campaign,
- cleaning and CCTV inspection of 3500m of sewer,
- identification of a three-year sewer upgrade program for Rosewood, with approximately \$850,000 of work to be implemented by 2014,
- monitoring of Oxley Creek and Cabbage Tree Creek health,
- installation of 210 level monitoring devices at emergency relief overflow structures in the Brisbane area.



We continued to communicate 'Think at the Sink' messages to encourage residents to take care of their plumbing and the environment.

## 9 Delivering our services

### **Our commitment to healthy waterways**

Queensland Urban Utilities is committed to improving the health of our local waterways and continues to deliver projects that highlight this.

One such project was the Helidon Sewage Treatment Plant (STP) Upgrade, which achieved finalist status in the Rural and Agriculture Award category of the 2013 Healthy Waterway Awards.

The upgrade involved the construction of reed beds (gravel-filled tanks filled with common reed) to enhance the plant's treatment process while using minimal electrical energy.

Treated sewage flows through the reeds, just below the gravel surface, where suspended solids are trapped among the roots. Bacteria that live in this environment feed on the waste, in turn, treating the water in the most natural way possible.

This cost-effective solution has improved the sewage treatment process and has resulted in a significantly smaller ecological footprint than alternative options.

Queensland Urban Utilities also achieved finalist status in the Sustainable Development Award category for our Aratula Sewage Treatment Plant Upgrade project. When the plant first came into our possession in early 2012, it was struggling to meet environmental compliance regulations. By employing innovative 'constructed wetland' technology, the plant now exceeds environmental performance standards.



Reed beds treating sewage naturally in Helidon.



# 10 Sustainable growth

## Performance summary 2012/13

**Corporate objective:** Deliver sustainable growth

Strategic outcome	Strategy 2012/13	Achievements and challenges
<b>Business positioning</b>	Understand our growth goals and consistently assess potential value-adding alliances	<p>Continued to develop and implement our Business Sustainability Program.</p> <p>Continued to implement a sustainable supply chain, working with our suppliers to positively influence their and our own ethical, social and environmental performance.</p> <p>Implemented a community engagement alliance model with SEQ Catchments.</p> <p>Commenced Global Reporting Initiative (GRI) reporting for sustainability.</p> <p>Acquired Scientific Analytical Services Laboratory from Brisbane City Council (see case study on page 51).</p>
<b>Innovative research and development</b>	Identify our potential technology, research and development partners and a funding strategy to engage with them	<p>Appointed an Innovation, Research and Development Co-ordinator to develop business and research partnerships and evaluate innovative technology and process improvements under a centred and locally deployed research and development model.</p> <p>Established and implemented the Research and Development Framework to deliver both a short-term targeted investment plan (1 – 5 years) and a long-term futures plan to 2030.</p> <p>Developed an innovation framework, which captures ideas through a tiered approach, defining the benefits in relation to operational excellence.</p> <p>Continued to progress projects through our partnerships with:</p> <ul style="list-style-type: none"> <li>• Co-operative Research Centre for Water Sensitive Cities,</li> <li>• Australian Research Council,</li> <li>• Griffith University,</li> <li>• University of Queensland,</li> <li>• Isle Utilities' Technology Approval Group.</li> </ul>

# 10 Sustainable growth

## **Innovation, research and development**

Queensland Urban Utilities recognises that innovation powered by collaboration and strategic partnerships is essential for success. During 2012/13, we were involved in the following projects:

### **Cooperative Research Centre for Water Sensitive Cities**

The Cooperative Research Centre (CRC) for Water Sensitive Cities program brings together global research, expertise and leadership to address the challenges in urban water management.

The CRC for Water Sensitive Cities will produce blue prints to help guide the management of urban water resources for practitioners and developers. These blue prints will also provide support for legislative and regulatory reform, investment prioritisation, design and construction of water sensitive cities, and education and training of a skilled workforce to provide safe, reliable and resilient water supplies now and into the future.

As an essential participant of the CRC for Water Sensitive Cities, Queensland Urban Utilities will invest \$1 million over nine years. Over this time, we will regularly review performance data to ensure our investment remains prudent.

We are currently assessing potential alignments and outputs from our proposed developments and projects with the following CRC for Water Sensitive Cities program streams: society, water sensitive urbanism, future technologies, and adoption pathways.

### **Australian Research Council (ARC) Industry Linkage Project – In-situ Electrochemical Generation of Caustic and Oxygen from Sewage Emission Control in Sewers**

This research project focuses on sewer corrosion and odour generation. Findings from this research will increase our understanding of the chemical conditions within our sewer network, which may lead to extended asset life and reduced operating costs. Queensland Urban Utilities will invest \$100,000 over three years, plus in-kind contributions.

## **South East Queensland Residential End Use Study**

The South East Queensland Residential End Use Study is a scientific collaboration between the Queensland Government, CSIRO, The University of Queensland and Griffith University.

It is designed to quantify and characterise mains water end uses in South East Queensland. Stage one tested around 70 homes located in various South East Queensland regions, each home with varying levels of water efficiency and no internally-connected rain water tanks. Stage two included 320 homes located within Queensland Urban Utilities' and Unitywater's service regions.

The data collected will assist Queensland Urban Utilities in adopting more accurate per capita demands for our 1.3 million customers. The project's level of precision in tracking consumption levels will help us better understand residential usage to inform our planning for future grid infrastructure.

### **Enrichment of Anammox Microorganisms**

Anammox – an abbreviation for Anaerobic Ammonium Oxidation – is a globally-important microbial process of the nitrogen cycle. It is an energy-efficient, cost-effective nitrogen removal process, which requires less oxygen and no organic carbon, in contrast to the conventional denitrification process.

We have commissioned the University of Queensland's Advanced Water Management Centre to enrich anammox microorganisms in small sterile reactor environments.

The next stage of the project will be to establish a pilot enrichment process at one of our sewage treatment plants, which will look to establish this innovative denitrification process on a larger scale to reduce energy usage and operating expenses.

### **Isle Utilities' Technology Approval Group**

Isle Utilities seeks to accelerate the market uptake of step-change technologies by engaging the industry during the pre-commercial stages of development and by leveraging external investment from venture capital investors.

Isle Utilities is a technology and innovation consultancy specialising in clean technology, with a track record in accelerating the development and commercialisation of emerging technologies through the Technology Approval Group (TAG) – the industry forum that drives innovation.

During 2012/13, we commenced trialling or continued to trial a number of emerging technologies, including:

- Acoustic Sensing Technology's SewerBatt product, which uses acoustics to quickly and accurately show what defects, breaks or blockages there may be in a sewerage network,
- JD7's non-disruptive water main CCTV and condition assessment inspection device, which is able to enter the network via small pressure fittings, air valves, or gate valves, thereby eliminating the time and costs associated with excavating,
- the Aquatrip leak detection system, which continuously monitors the flow of water into a property and shuts off water automatically in the event of a burst pipe, leaking fitting or continuously running tap.

### **Our commitment to business sustainability and sustainable growth**

Business sustainability is the process by which businesses manage their financial, social and environmental risks, obligations and opportunities.

Queensland Urban Utilities is committed to excellence in business sustainability and sustainable growth management. Moreover, we strive to achieve and maintain industry best practice in this field.

To assist us in reaching this goal, our operations are influenced by five sustainability principles:

1. Natural sustainability involves natural resources and ecological systems.
2. Social sustainability is the critical component of our relationship with the community.
3. Human sustainability relates to the health, knowledge, skills, motivation and intellectual output of our employees.
4. Manufactured sustainability refers to all materials goods and our infrastructure necessary to provide our services.
5. Financial sustainability reflects the productive power and monetary value of the other four types of sustainability.

# 10 Sustainable growth

## Sustainability programs

During 2012/13, we continued to demonstrate our commitment to sustainability by implementing or furthering a number of sustainability projects. A small selection of these programs is detailed below.

Guided by the concept of 'shared value creation', our Community Empowerment Program continues to set the stage for our unique approach to community engagement. The program involves local community groups in ecological site rehabilitation, planning, and decision-making. An example of this program in action is our long-term relationship with the Bulimba Creek Catchment Coordinating Committee.

In mid-2012, this approach was extended to encompass regional non-governmental organisations, such as South East Queensland Catchments (see case study on page 50).

Our Corporate Social Responsibility Program is driven by our firm commitment to minimise social impacts by underpinning and supporting programs that establish and maintain close relationships with community groups and the wider community.

Our commitment to corporate social responsibility is reflected in our advanced approach to community engagement, which includes local community groups and non-governmental organisations into our project planning and decision-making process.

Our Sustainable Procurement Program continues to develop models that incorporate sustainability principles into all aspects of our procurement process.

We are committed to taking our suppliers on a journey towards sustainable procurement by encouraging them to adopt a sustainability philosophy complementary to our own.

Under the umbrella of our Measuring, Benchmarking, Reporting and Assurance Program, we commenced assessing and reporting our social, economic and environmental performance against the Global Reporting Initiative (GRI) guidelines. The GRI is a non-profit organisation that promotes economic, environmental and social sustainability. In 2012, Queensland Urban Utilities joined GRI as an organisational stakeholder to further our commitment to improving our economic, environmental and social performance, and advancing the sustainability reporting agenda.

Queensland Urban Utilities' 2012/13 Annual Report has been prepared in accordance with core GRI sustainability reporting guidelines. The content index of standard disclosures is available on the Queensland Urban Utilities website.

## Partnering with the community

Queensland Urban Utilities proudly partnered with SEQ Catchments in June 2013.



In June 2013, Queensland Urban Utilities partnered with SEQ Catchments – a not-for-profit, non-government organisation that cares for and values the natural resources and biodiversity of South East Queensland.

As a federal and state government-designated natural resource management body in South East Queensland, SEQ Catchments takes a lead role in aligning investment and activity towards achieving the agreed targets set out in the *South East Queensland Natural Resources Management Plan 2009–2031* (SEQ NRM Plan).

Funds that SEQ Catchments receive from Queensland Urban Utilities for conceptual design, rehabilitation submissions and community liaison, flow back into the community through a variety of channels. For example, the funds help to support the delivery of SEQ Catchments' many natural resource management projects that address issues such as land erosion, waterway health, mangrove protection and weed management.

The funds also contribute to our offset tree plantings which, indirectly, support the implementation of the SEQ NRM Plan.

We are proud of our involvement with SEQ Catchments and the positive health, safety and lifestyle benefits it delivers to the community.

During the past 12 months, we continued our partnership with the Bulimba Creek Catchment Coordinating Committee (B4C) to strengthen community relationships and achieve ecological restoration. More than 900 native trees were planted in Carindale and Goodna when we co-hosted community tree planting days with B4C.

*We are proud of our involvement with SEQ Catchments and the positive health, safety and lifestyle benefits it delivers to the community*

# Scientific Analytical Services Laboratory



In August 2012, Queensland Urban Utilities acquired Scientific Analytical Services Laboratory (SAS) from Brisbane City Council.

This acquisition expanded our service offering to include sampling, analytical and consulting services for industries including water and sewerage, mining, oil and gas, mineral processing, chemical processing, power and energy, hospitality, food and beverage manufacturing, environment and agriculture.

SAS has three purpose-built specialist laboratories, all located on one site in Darra (south-west of Brisbane). The 1,650m<sup>2</sup> facility is equipped with a wide range of state-of-the-art equipment and is staffed by more than 40 highly-skilled professionals.

## Overview of services

For more than 120 years, SAS has been Queensland's preferred scientific laboratory, renowned for its National Association of Testing Authorities (NATA) accredited, world-class services. SAS can:

- design tailored water monitoring programs,
- take on-site measurements and collect samples from sites,
- analyse water, wastewater, soil and air samples,
- supply NATA endorsed reports,
- interpret data to help clients make decisions about operational changes or future monitoring,
- assist with tailored sampling programs, pollution investigations and addressing public health concerns.



Bob Gray, Chemist in Charge, and  
Kylie-Ann Tomlinson, Chemist, at  
Queensland Urban Utilities' SAS Laboratory.

### **Growth agenda**

As SAS operates in a highly competitive and price-driven market, a dedicated business plan has been developed to help identify new growth opportunities to be realised over the next two years.

The intent of the business plan is to provide SAS with a staged approach to achieving business growth with the long-term focus shifting to new services and products being delivered to new customers.

At present, new business opportunities are being sought, initially through consolidation and market penetration strategies.

### **Customer satisfaction**

SAS is committed to delivering accurate results and superior customer service. That is what differentiates SAS from its competitors.

This commitment to our customers was validated by our 2013 SAS customer satisfaction survey results, which revealed:

- 96.5% rated SAS 'excellent' or 'good' overall,
- 50.8% of customers have utilised the services of SAS for over six years,
- 100% of customers would recommend SAS to their colleagues in the industry.

*For more than 120 years, SAS has been Queensland's preferred scientific laboratory*

# 11 Corporate governance

The ASX *Corporate Governance Principles and Recommendations* are the basis upon which Queensland Urban Utilities demonstrates its commitment to sound corporate governance performance and practices.

## Lay solid foundations for management and oversight

### Role of the Board

The Queensland Urban Utilities Board is made up of independent, non-executive members who were appointed in 2010 for terms varying from three to five years (with the exception of our current Chairman, Geoff Harley, who was appointed in October 2012). The appointments were made in accordance with the provisions of the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

The Board operates to a number of heads of power, including, but not limited to, the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

The Queensland Urban Utilities Board is responsible for setting and overseeing the organisation's strategic direction, and providing guidance on higher-order operational matters.

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. This instrument was reviewed and refreshed in 2012/13.

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

The Chief Executive Officer, in turn, sub-delegates her powers, in accordance with Section 53(4) of the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* to officers through an instrument of sub-delegation.

### Membership criteria

Queensland Urban Utilities' governing legislation requires that the Board be comprised of a minimum of four and a maximum of eight members, each of whom is subject to retirement by rotation.

The appointed Board members bring a wealth of skills and expertise to their roles, including, but not limited to, experience in regulated utility, government, legal, engineering, finance and audit environments.

### Responsibilities of the Board

Under s32 of the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, the primary role of the Board is to decide Queensland Urban Utilities' strategies and supporting policies. The Board also ensures that Queensland Urban Utilities performs its functions and exercises its powers in a proper, effective and efficient manner, and that it complies with planning and reporting requirements.

The Board's role and responsibilities are set out in a Board Charter, and include:

1. Monitoring the implementation of policies, strategies, and achievement against objectives.
2. Monitoring compliance with control and accountability systems, regulatory requirements, and ethical standards.
3. Ensuring that appropriate risk management systems, internal control and reporting systems, and compliance frameworks are in place and operating effectively.
4. Informing and approving the business and capital investment plans.
5. Tariff and price determination.
6. Approving the annual and long-term budgets, including operational and capital expenditure.
7. Ensuring the preparation of accurate financial reports and statements.
8. Reporting to shareholders on the performance and state of Queensland Urban Utilities.

### Structure that adds value



## Board meetings

Board ordinary meetings are scheduled monthly in accordance with the Board Charter. Recognising the need to be flexible and adapt to changing environments and circumstances, the Board, from time-to-time, considers routine matters out-of-session by circular resolution or by way of an extraordinary Board meeting where the matter is complex, or requires fulsome discussion.

A summary of attendance of Board members at ordinary and extraordinary Board meetings is set out in Table 4.

To provide advice and support to the Board, the Chief Executive Officer and General Counsel attended ordinary and extraordinary Board meetings during the 2012/13 financial year.

Recognising the need for Board members to have sufficient time to review, consider and seek information prior to an ordinary Board meeting, management circulates Board papers at least five business days before ordinary meetings.

The Board has three sub-committees to assist in the execution of its duties, and to allow for detailed consideration of complex issues or areas of special interest:

1. Audit, Finance and Risk Committee,
2. Strategic Asset Management Committee,
3. Human Resource and Community Committee.

Each committee operates to a Terms of Reference, 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 4.

## Committee meetings

Member	Board	Board		Audit, Finance and Risk	Human Resources and Community	Strategic Asset Management
		Ordinary	Extraordinary			
	Term of Appointment*	12	3	8	9	7
Jude Munro**	(5 years)	1	1	n/a	n/a	n/a
Geoff Harley	(4 years)	9	1	5	7	4
Bernard Ponting	(3 years)	12	3	8	n/a	n/a
Barry Ball	(3 years)	11	3	n/a	n/a	6
Dennis Cavagna	(4 years)	12	3	n/a	n/a	7
Diana Eilert	(4 years)	11	2	n/a	8	5
Paul Emmerson	(3 years)	12	3	8	n/a	2***
Phil Kesby	(4 years)	9	1	n/a	5	n/a
Len Scanlan	(5 years)	11	2	8	n/a	n/a

\* All Board members appointed 25 June 2010, except Geoff Harley (Chairman), who was appointed in October 2012. Geoff was eligible to attend nine meetings in 2012/13.

\*\* June Munro announced her retirement in July 2012. Jude was eligible to attend one meeting in 2012/13.

\*\*\*Not a standing committee member

**Table 4** – Summary of attendance

# 11 Corporate governance

## Recognise and manage risk

### Risk and Assurance Framework

Our Risk and Assurance Framework ensures our ability to manage risk by embedding culture and capability that can rapidly adapt and respond to dynamic changes, demands, opportunities and threats, thereby safeguarding the sustainability and reputation of the business.

The Queensland Urban Utilities Risk and Assurance Framework was developed and implemented in accordance with the AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines. This enables the achievement of organisational goals, compliance with relevant legal and regulatory requirements, facilitates risk-based planning and decision making, promotes and supports a risk-focused culture and improves organisational resilience.

### Audit, Finance and Risk Committee

During 2012/13, the membership of the Audit, Finance and Risk Committee was Len Scanlan (Chair), Bernard Ponting and Paul Emmerson. Geoff Harley attended in his capacity as Board Chairman. In 2012/13, the committee was also attended by the Chief Executive Officer, Chief Financial Officer, Principal Audit Officer, the internal audit provider, Brisbane City Council's Chief Internal Auditor, and the Queensland Audit Office. For transparency and good governance, the papers for the committee are made available to the internal and external auditors, and closed sessions are undertaken as required with the internal and external auditors.

The Audit, Finance and Risk Committee provides independent assurance to the Board on the suitability of Queensland Urban Utilities' accountability and control framework. The committee oversees financial reporting and internal control, risk and compliance and internal audit and external audit.

The Audit Finance and Risk Committee has complied with the objectives as set out in the *Committee Terms of Reference*.

In 2012/13, the Committee met eight times (see page 54 for table of attendance) and conducted the following activities:

- reviewed the organisation's audit activities,
- reviewed the final audit reports and considered key findings released by the Chief Internal Auditor,
- monitored the implementation of audit recommendations and actions,
- reviewed the annual financial statements,
- considered policies for recommendation to the Board,
- considered the *Financial Management Manual and Treasury Report*,
- considered all recommendations by the external audit and the Queensland Audit Office
- reviewed the Gifts and Benefits Register.

### Internal audit review

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

Brisbane City Council's Assurance Security and Ethical Standards unit has been engaged to perform the internal audit function for Queensland Urban Utilities, in accordance with an approved Internal Audit Charter and 2012/13 Audit Plan approved by the Audit, Finance and Risk Committee. The internal audit function is performed independently of management and authorised auditors. Internal Audit has fulfilled its function in accordance with the above requirements.

In 2012/13, Internal Audit undertook thirteen reviews based on the organisation's risk profile and in accordance with the internal audit plan. This excludes the ICT Separation Audit carried out by external auditors.

The reviews are separated into six key categories: internal control and risk management; major projects; revenue assurance; service standards; continuous assurance and special projects. The reviews supported service delivery and internal control management with recommendations for improvements made in the areas of corporate and local governance.

In addition, assurance data reviews are also carried out on a quarterly basis.

Review days by key category, and business unit, are shown in **Tables 5 and 6** respectively.

Review areas 2012/13	Review days
Internal control and risk management	175
Major projects	30
Revenue assurance	30
Continuous assurance	59

**Table 5** – Key review categories

Business unit	Review days
Operations	20
OCEO	25
People and Safety	20
ICT	70
Finance	80
Customer and Community	20
Legal	20

**Table 6** – Review days by business unit excluding continuous assurance

### External scrutiny

The Queensland Audit Office is Queensland Urban Utilities' external auditor under the terms of the *Financial Accountability Act 2009*. Besides the report on financial statements, no other government body, including the Queensland Audit Office, issued any other external scrutiny reports regarding the operations of Queensland Urban Utilities.

### Records management (Public Records Act)

Under the provisions of the *Public Records Act 2002*, we are required to make and keep full and accurate records of our activities and have regard to any relevant policy, standards and guidelines made by the Queensland State Archivist about the making and keeping of public records.

To facilitate our technical separation from Brisbane City Council (BCC) in 2012/13, we:

- commenced an organisation-wide deployment of our electronic document and records management system,
- developed a supporting policy and associated procedures,
- implemented a legal document and case management system, which links to the corporate electronic records system,
- implemented a correspondence management work flow in the electronic document and records management system to facilitate effective management of customer correspondence.

We will continue to build on these initiatives during 2013/14 to further implement and enhance our record keeping systems.

### Prudent asset management

#### Strategic Asset Management Committee

The Strategic Asset Management Committee was chaired by Barry Ball, with Diana Eilert and Dennis Cavagna as standing members.

The committee is responsible for variety of functions, including, but not limited to:

- providing advice to the Board on major strategic initiatives and opportunities,
- providing advice to the Board with regard to the short-term, medium-term and long-term asset management plans and the required levels of funding,
- overseeing the enhancement of capital and asset acquisition and replacement plans and associated prioritisation processes,
- reviewing the capital expenditure programs to ensure they have been prepared at the appropriate level.

During 2012/13, the committee maintained a watching brief on Queensland Urban Utilities' ICT Separation Program and provided regular reports to the Board.

# 11 Corporate governance

## Remunerate fairly and responsibly

### Human Resources and Community Committee

The primary function of this committee is to review and provide direction on matters related to people, including attraction and retention and human resource policies. The committee also has a strong focus on safety, as well as developing constructive and positive stakeholder relationships with our customers, the community and broader stakeholders.

During 2012/13, the committee maintained a watching brief on the Enterprise Bargaining Agreement (EBA2) negotiations.

The committee is chaired by Phil Kesby, with Geoff Harley and Diana Eilert as standing members.

## Promote ethical and responsible decision-making

### Ethical standards and disclosures

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

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

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

### Code of Conduct

Board members and employees are expected to maintain the highest ethical standards in discharging their responsibilities and duties.

Decisions made must be consistent with our organisational values, our policies and procedures, and overarching legislative requirements.

## Official misconduct

Matters that raise a suspicion of official misconduct are referred to the Crime and Misconduct 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.

### Public Sector Ethics Act 1994

Queensland Urban Utilities' *Code of Conduct* was implemented in the latter half of 2011, with a review of content set to occur in 2013/14.

All Queensland Urban Utilities' employees are trained in the *Code of Conduct*, with all new employees required to complete online training.

All training is recorded in Queensland Urban Utilities' learning and development training database, and dates are set to remind employees to undertake online refresher training every two years.

Queensland Urban Utilities' *Code of Conduct* relies heavily on the direction set by the *Public Sector Ethics Act* in relation to the operation of the Act and the application of ethical principles and obligations.

Queensland Urban Utilities' *Code of Conduct* specifically states where employees may take their concerns and outlines possible ramifications if breaches of the *Code of Conduct* occur.

Queensland Urban Utilities' procedures and practices support the *Code of Conduct* as employees are fully aware of their obligations in regards to their ethics and principles – these include their obligation to report 'suspicions of misconduct'. Queensland Urban Utilities' *Code of Conduct* makes direct reference to the four ethics principles:

1. Integrity and impartiality
2. Promoting the public good
3. Commitment to the system of government
4. Accountability and transparency.

### Make timely and balanced disclosures

Being accountable and transparent to our shareholders, customers, community, and stakeholders is a cornerstone principle for Queensland Urban Utilities. We are committed to providing timely, accurate and comprehensive reporting on our performance, and remaining accountable for our actions and decisions.

We produced a corporate plan for the period 2012–17 to set out our future direction, goals and priorities as defined by the Board. The purpose of this plan is to guide us in our forward action. In developing this plan, we consulted our shareholders.

The corporate plan is supported by our operational plan, which identifies our success targets for the current financial year and outlines the strategies we have in place to meet them. The operational plan identifies key risks to service delivery and mitigation strategies. It also articulates our operational performance measures, including customer standards.

Tables 7 and 8 fulfil State Government disclosure obligations for overseas travel and consultancies, respectively.

### Respect the rights of shareholders

Queensland Urban Utilities actively engages with our shareholders on a range of strategic and operational matters.

In the interests of transparency and openness, Queensland Urban Utilities regularly communicates our performance.

In accordance with the Participation Agreement, Queensland Urban Utilities produces a performance report in the first three quarters of each financial year that sets out key achievements, highlights, and operational and financial performance results for the previous quarter.

On 15 October 2012, we hosted our second annual Special General Meeting. The purpose of this meeting was to provide the Mayors and Chief Executive Officers of our shareholding councils with an overview of our performance for the previous year, discuss our strategic direction, and to provide a forum to actively engage with our shareholders.

As a means of providing further transparency on decisions, the Board Chairman writes to the Mayors after each ordinary Board meeting to outline the key outcomes and decisions made.

Name of member and position	Destination and date	Reason for travel	Cost to Queensland Urban Utilities
James Naish (Manager, Services Management) Boro Stojceski (Manager, Infrastructure and Operations)	New Zealand April 2013	To monitor activities associated with the delivery of an outsourced support model for information and communication technology services.	\$7,200

**Table 7** – Overseas travel

## II Corporate governance

Consultancies	\$'000
<b>Capital consultancies</b>	
Engineering and Design	10,219
Infrastructure Feasibilities	2,629
Information Technology	789
Other	-
	<b>13,637</b>
<b>Operational consultancies</b>	
Organisational Efficiency Reviews	747
Expert Specialist and Legal Advice	81
Specialist Engineering Technical Advice	2,653
Expert Specialist Financial, Treasury and Taxation Advice	644
Safety, Culture and Other Human Resource Consultancies	557
Information Technology	12
	<b>4,694</b>
<b>Total expenditure for consultancies</b>	<b>18,331</b>

Table 8 – Consultancies

## 12 Appropriate financial performance

### Performance summary 2012/13

**Corporate objective:** Appropriate financial performance

Strategic outcome	Strategy 2012/13	Achievements
<b>Adequate cash flow</b>	Ensure that our systems and processes enable us to identify all potential funding opportunities	Continued to identify, define and achieve operational efficiencies. Further optimised our capital program to ensure funds are directed to the highest priority works with consideration of changes to population projections. Achieved 100% of our 2012/13 capital works program target.
<b>Financial insight</b>	Manage our financial performance	Revenue 3.1% less than original budget due to major shortfall in developer revenues of \$32.5 million. Excluding developer revenues, actual revenues were 0.24% higher than budget. Total controllable expenditure within 0.5% of original budget. Depreciation 5% less than budget due to no asset revaluation and savings from capital program. Borrowing costs 9.1% less than budget due to lower than expected borrowings from capital program savings. Operating profit before tax \$13.9 million or 8.8% less than original budget. Overall shareholding council returns \$8.6 million or 4.7% less than original budget.

# Glossary

## **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).

## **Lost-time injury frequency rate (LTIFR)**

A lost-time injury is defined as an occurrence that resulted in a fatality, permanent disability or time lost from work of one day/shift or more.

The LTIFR is the number of lost-time injuries per million hours worked, calculated using this equation:-

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

## **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* under s20 of the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

## **Participating/shareholding councils**

Brisbane and Ipswich City Councils and the Lockyer Valley, Scenic Rim and Somerset Regional Councils.

## **Raw water**

Unfiltered water treated before distribution to customers.



### 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.

### Supervisory control and data acquisition (SCADA)

The term usually refers to centralised systems that monitor and control entire sites, or complexes of systems spread out over large areas (anything from an industrial plant to a nation). Most control actions are performed automatically by remote terminal units (RTUs) or by programmable logic controllers (PLCs).

Control functions are usually restricted to basic overriding or supervisory level intervention. For example, a PLC may control the flow of cooling water through part of an industrial process, but the SCADA system may allow operators to change the set points for the flow, and enable alarm conditions – such as loss of flow and high temperature – to be displayed and recorded. The feedback control loop passes through the RTU or PLC, while the SCADA system monitors the overall performance of the loop.

### 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.

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# Statement of Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Revenue</b>			
Utility charges	4	803,835	750,576
Contributions, grants and subsidies	5	105,342	125,853
Insurance	6	7,979	-
Interest received	7	1,451	3,220
Fees and charges	8	29,936	26,461
Other revenue	9	2,396	5,409
<b>Total operating revenue</b>		<b>950,939</b>	<b>911,519</b>
<b>Expenses</b>			
Employee expenses	10	97,009	84,597
Bulk water purchases	11	27,125	224,192
Materials and services	12	161,277	143,398
Depreciation and amortisation	13	146,852	137,702
Finance/borrowing costs	14	117,704	117,823
Loss on disposal of assets	15	4,400	6,793
Other expenses	16	9,233	9,185
<b>Total operating expenses</b>		<b>807,729</b>	<b>723,689</b>
<b>Profit before income tax equivalent</b>		<b>143,210</b>	<b>187,830</b>
Income tax equivalent	24	40,029	55,556
<b>Profit for the year</b>		<b>103,181</b>	<b>132,274</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Increase in asset revaluation surplus	30	154,023	-
Defined benefit plan actuarial gains (losses)	35c	167	(478)
<b>Total other comprehensive income</b>		<b>154,190</b>	<b>(478)</b>
<b>Total comprehensive income</b>		<b>257,371</b>	<b>131,796</b>

The accompanying notes form part of these statements.

# Statement of Financial Position

as at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Current assets</b>			
Cash and cash equivalents	17	56,291	77,806
Trade and other receivables	18	28,069	27,253
Inventories	19	2,529	2,428
Current income tax receivable	20	277	-
Other current assets	20	128,425	149,273
<b>Total current assets</b>		<b>215,592</b>	<b>256,760</b>
<b>Non current assets</b>			
Property, plant and equipment	21	4,933,315	4,506,589
Intangible assets	22	15,008	1,854
Deferred tax assets	24	36,532	29,530
Defined benefit plan	35	780	613
<b>Total non-current assets</b>		<b>4,985,635</b>	<b>4,538,586</b>
<b>Total assets</b>		<b>5,201,227</b>	<b>4,795,346</b>
<b>Current liabilities</b>			
Trade and other payables	27	40,457	36,069
Employee benefits	26	34,007	29,785
Current income tax payable	28	-	23,032
Other current liabilities	28	98,138	90,083
Provision for participation rights	29	22,638	59,759
<b>Total current liabilities</b>		<b>195,240</b>	<b>238,728</b>
<b>Non current liabilities</b>			
Trade and other payables	27	9,025	476
Employee benefits	26	2,991	2,697
Interest bearing liabilities	25	2,019,895	1,874,895
Deferred tax liabilities	24	119,662	42,455
<b>Total non current liabilities</b>		<b>2,151,573</b>	<b>1,920,524</b>
<b>Total liabilities</b>		<b>2,346,813</b>	<b>2,159,252</b>
<b>Net assets</b>		<b>2,854,414</b>	<b>2,636,094</b>
<b>Equity</b>			
Contributed equity	29c	2,538,793	2,538,793
Asset revaluation surplus	30	154,023	-
Retained earnings		161,598	97,301
<b>Total equity</b>		<b>2,854,414</b>	<b>2,636,094</b>

The accompanying notes form part of these statements.

# Statement of Changes in Equity

For the year ended 30 June 2013

	Notes	Retained earnings \$'000	Asset revaluation surplus \$'000	Contributed equity \$'000	Total \$'000
<b>Balance as at 1 July 2011</b>		40,667	-	2,538,793	2,579,460
<b>Contributions by and distributions to Participants</b>					
Participation return to Participants	29	(75,163)	-	-	(75,163)
<b>Total contributions by and distributions to Participants</b>		(75,163)	-	-	(75,163)
Profit for the year		132,274	-	-	132,274
Other comprehensive income					
Defined benefit plan actuarial gains (losses)	35c	(478)	-	-	(478)
<b>Total comprehensive income for the year</b>		131,796	-	-	131,796
<b>Balance as at 30 June 2012</b>		97,301	-	2,538,793	2,636,093
<b>Balance as at 1 July 2012</b>		97,301	-	2,538,793	2,636,093
<b>Contributions by and distributions to Participants</b>					
Participation return to Participants	29	(39,051)	-	-	(39,051)
<b>Total contributions by and distributions to Participants</b>		(39,051)	-	-	(39,051)
Profit for the year		103,181	-	-	103,181
Other comprehensive income					
Defined benefit plan actuarial gains (losses)	35c	167	-	-	167
Increase in asset revaluation surplus	30	-	154,023	-	154,023
<b>Total comprehensive income for the year</b>		103,348	154,023	-	257,371
<b>Balance as at 30 June 2013</b>		161,598	154,023	2,538,793	2,854,414

The accompanying notes form part of these statements.

# Statement of Cash Flows

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
		862,761	816,312
Receipts from customers		89,980	86,815
Developer cash contributions		1,627	3,312
Interest received		42,366	36,711
GST input tax credits from ATO		659	1,428
GST collected from customers		997,392	944,578
<i>Outflows:</i>			
Employee expenses		(103,461)	(95,658)
Suppliers and services		(445,138)	(397,817)
Finance and borrowing costs		(123,104)	(119,441)
Income tax		(58,940)	(42,360)
GST paid to suppliers		(42,366)	(40,736)
GST remitted to ATO		(622)	(1,358)
		(773,631)	(697,368)
<b>Net cash provided by (used in) operating activities</b>	17b	223,761	247,210
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Proceeds from sale of plant and equipment		1,047	871
<i>Outflows:</i>			
Payments for property, plant and equipment		(315,151)	(289,581)
<b>Net cash provided by (used in) investing activities</b>		(314,104)	(288,710)
<b>Cash flows from financing activities</b>			
<i>Inflows:</i>			
Borrowings		145,000	99,910
<i>Outflows:</i>			
Participation rights payments	29	(76,173)	(58,035)
<b>Net cash provided by (used in) financing activities</b>		68,827	41,874
Net increase (decrease) in cash and cash equivalents		(21,515)	374
Cash and cash equivalents at the beginning of the financial year		77,806	77,432
Cash and cash equivalents at the end of the financial year	17	56,291	77,806

The accompanying notes form part of these statements.

# Notes to and forming part of the Financial Statements 2012-2013

## 1. Reporting entity

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 new 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. This valuation was prepared to underpin the water pricing methodology currently under review by the Queensland Competition Authority. 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 are to do the following for its geographic area –

- (a) purchase water;
- (b) distribute water;
- (c) provide the following services to customers –
  - i. water services;
  - ii. wastewater services;
- (d) charge customers for relevant services;
- (e) manage customer enquiries, service requests and complaints;
- (f) on and from 1 July 2010 –
  - i. perform functions under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* and the *Water Supply Act* relating to trade waste and seepage water as a sewerage service provider; and
  - ii. perform particular planning and development assessment functions under the *Planning Act*;
- (g) anything else likely to complement or enhance a function mentioned in paragraphs (a) to (f).

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

### (a) Statement of compliance

These financial statements are general purpose financial statements and have been prepared for the period 1 July 2012 to 30 June 2013 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
- applying 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 26 August 2013.

### (b) Basis of measurement

The financial statements have been prepared on an accrual basis and, except where stated, in accordance with the principles of historical cost.

### (c) Presentation currency and comparatives

Amounts included in the financial statement 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 this financial report 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.

### (d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about specific areas of estimate, uncertainty and critical judgement in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described in the following notes:

Note 21 – Property, plant and equipment reconciliation  
 Note 22 – Intangible assets  
 Note 23 – Key assumptions used in valuation  
 Note 34 – Contingencies

#### (i) Impairment

Queensland Urban Utilities assesses impairment at each reporting date by evaluating conditions specific to Queensland Urban Utilities that may lead to impairment of assets. In accordance with the provisions of AASB 136 *Impairment of Assets*, where an indicator of impairment exists, the recoverable amount of the asset is determined. Value-in-use and fair value less costs to sell calculations performed in assessing recoverable amounts incorporate a number of key assumptions (refer to note 23).

# Notes to and forming part of the Financial Statements 2012-2013

## 2. Basis of preparation (contd)

### (d) Use of estimates and judgements (contd)

- (ii) Provision for impairment of receivables

A provision for impairment of receivables has been made at year end, refer note 18.

### (e) Going concern

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

### (f) New and revised accounting standards

Queensland Urban Utilities did not voluntarily change any of its accounting policies for the year ended 30 June 2013. No amendments to Australian Accounting Standards applicable for the first time for the year ended 30 June 2013 were relevant to Queensland Urban Utilities. Changes applicable for the first time for the year ended 30 June 2013 have had minimal effect on the financial statements, as explained below:

*AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*

The only significant impact from AASB 2011-9 will be that, in the Statement of Comprehensive Income, items within the “Other Comprehensive Income” section will need to be presented in separate sub-sections, according to whether or not they are subsequently re-classifiable to the operating result. Whether or not subsequent reclassification is possible depends on the requirements or conditions in the accounting standard/interpretation that relates to the item concerned.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2013. Queensland Urban Utilities has not applied any amendments or standards that have been issued but are not yet effective. Queensland Urban Utilities does not plan to early adopt any standards or interpretations and the extent of the impact of these has not been determined. Expected impacts of new or amended standards with future commencement dates applicable to 2013/2014 are set out below:

*AASB 13 Fair Value Measurement* sets out a new definition of “fair value” as well as new principles to be applied when determining the fair value of assets and liabilities. This requirement will apply to all assets and liabilities (excluding leases) that are measured and/or disclosed at fair value. AASB 13 will require increased disclosure. A review of methodologies, including instructions to valuers, data used and assumptions has been made and no material impacts are expected.

*AASB 119 Employee Benefits* changes requirements for the measurement of employer liabilities/assets arising from defined benefit plans and the measurement and presentation of changes in such liabilities/assets. As Queensland Urban Utilities has only a small number of staff remaining in the defined benefit plan for LG Super, the impact of this change will be immaterial.

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

## 3. Significant accounting policies

### (a) Revenue

- (a)(i) Utility charges

Utility charges are recognised as revenue on an accrual basis in the period to which they relate. Queensland Urban Utilities issues utility accounts quarterly and monthly with water consumption billed in arrears and the fixed service charge generally billed in advance. An estimation of unbilled water consumption is performed monthly, based on historical information of the customers’ usage and accrued revenue is recognised for this amount. Accruals or prepayments are recognised for fixed access charges billed in arrears or advance.

- (a)(ii) Contributions

#### Developer contributions

Queensland Urban Utilities finances part of its capital works infrastructure program through non-refundable contributions from developers. These contributions received may be in the form of a non-cash contribution (assets) and/or a cash contribution.

#### Non-cash contributions

Non-cash contributions from developers such as water and sewerage infrastructure are recognised as revenue and as non-current assets when the authority obtains control of the assets and becomes liable for any ongoing maintenance. These contributed assets are recognised at their fair value.

#### Cash contributions

Non-refundable cash contributions from developers towards the cost of water supply and sewerage infrastructure are collected by Councils on behalf of Queensland Urban Utilities and transferred to Queensland Urban Utilities when received. Cash developer contributions for specific assets are recognised as a liability where that specific asset has not been constructed at balance date. Cash contributions for assets already constructed or for which there are no performance obligations are recognised as revenue on receipt.

- (a)(iii) Grants and subsidies

Grants and subsidies that are non-reciprocal in nature are recognised as revenue in the year in which control is obtained. Where grants and subsidies are reciprocal in nature, revenue is recognised over the term of funding arrangements.

- (a)(iv) Interest

Interest income is recognised as it accrues in the Statement of Comprehensive Income, using the effective interest method.

- (a)(v) Insurance

Insurance income is recognised when there is near certainty that a claim will be approved and the funds will be received.

- (a)(vi) Other services

Revenue from rendering of a service is recognised upon the delivery of the service to the customers and includes fees and charges from the approved fees and charges schedule and from quotes for services.



# Notes to and forming part of the Financial Statements 2012-2013

## 3. Significant accounting policies (contd)

### (b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### (c) Receivables

Debtors are recognised at the amounts due at the time of invoicing, sale or service delivery for example the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment.

All known bad debts are written off periodically and/or as at 30 June. Subsequent recoveries of amounts previously written off are recognised via an adjustment to finance costs in the Statement of Comprehensive Income.

### (d) Inventories

Inventories held for distribution comprise of stores and materials used in operating, maintenance and capital works activities. These inventories are valued at the lower of cost and net realisable value.

### (e) Property, plant and equipment

#### Recognition

Items of property, plant and equipment with a total value of less than \$5,000, except for network assets, are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

All network assets are capitalised. The term "network asset" is applied to an accumulation of individual items or components operating as a cohesive whole in the provision of a particular service. Computer equipment is to be treated as a network asset. Interconnected infrastructure assets are treated as a network asset.

#### Capital and operating expenditure

Labour and materials expenditure, which are directly attributable to the purchase or construction of an asset, is considered capital expenditure. Expenditure necessarily incurred in either maintaining the operational capacity of assets or ensuring that their original life estimates are achieved, is considered maintenance and is treated as an expense as incurred.

#### Acquisition

Acquisitions of property, plant and equipment are initially recorded at cost. Cost is determined as the value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees, engineering design fees and all other establishment costs.

Donated (non-cash) contributions of items of property, plant and equipment except reserve land are recognised as assets and revenue at fair value. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Revaluation of non-current physical and intangible assets

Land, buildings and infrastructure assets are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*. Assets within each class of property, plant and equipment carried at fair value are subject to ongoing review and revalued as necessary, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date.

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment and fleet assets are measured at cost.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus, except to the extent it reverses a revaluation decrement previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus for that asset.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Materiality concepts under AASB 1031 *Materiality* are considered in determining whether the difference between the carrying amount and fair value of an asset is material.

#### Depreciation

Land is not depreciated. Property, plant and equipments 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. These estimates are reviewed annually. The depreciation method applied to assets is reviewed annually. Details of estimated useful lives of assets are set out below.

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 life or life of the complex asset if shorter.

Property, plant and equipment assets are 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.

# Notes to and forming part of the Financial Statements 2012-2013

## 3. Significant accounting policies (contd)

### (e) Property, plant and equipment (contd)

Class of Fixed Asset	Depreciation Rate	Useful Life
<b>Buildings and improvements</b>	1.25% – 6.66%	7 – 80 years
<b>Plant and equipment:</b>		
Fleet vehicles	10% – 33.33%	3 – 10 years
Fleet machinery	4.55% – 25%	4 – 22 years
Computer and communications equipment	5% – 33.33%	3 – 20 years
Other	1.66% – 20%	5 – 60 years
<b>Infrastructure:</b>		
Water supply network	1% – 10%	10 – 100 years
Sewerage network	0.91% – 10%	10 – 110 years

### (f) Construction work in progress

Property, plant and equipment under construction at year end is valued at cost, including the cost of materials and direct labour and an appropriate proportion of overheads excluding administration costs. Construction work in progress is assessed regularly and where costs cannot be capitalised, they are expensed. Assets under construction are not depreciated until they are complete and commissioned ready for use.

### (g) Intangible assets

#### *Purchased Software*

Amounts paid for computer software in excess of the recognition threshold of \$5,000 are capitalised and then amortised on a straight-line basis over the expected period of benefit (3-20 years) (note 22).

#### *Goodwill*

The goodwill paid on the acquisition of the SAS Laboratories business has been capitalised and is being amortised on a straight-line basis over a period of 5 years.

Useful lives for intangible assets are reviewed annually to ensure these reflect the probability of continuing future benefits. Intangible assets are also assessed for impairment (refer note 23).

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Comprehensive Income as incurred.

Amortisation is based on the cost of an asset less its residual value.

It has been determined that there is not an active market for any of the intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

### (h) Impairment of non-current assets

Each non-current physical and intangible asset is assessed for indicators of impairment annually. If an indicator of possible impairment exists, Queensland Urban Utilities determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Refer note 23.

An impairment loss is recognised immediately through profit or loss in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

# Notes to and forming part of the Financial Statements 2012-2013

## 3. Significant accounting policies (contd)

### (i) 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 2013, 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 in the periods in which they are incurred.

### (j) Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents.

### (k) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

### (l) Financial instruments

A financial instrument is recognised if Queensland Urban Utilities becomes a party to the contractual provisions of the 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 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 party to any derivative financial instruments and does not enter into transactions for speculative purposes.

#### Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any attributable 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,
- Borrowings – held at amortised cost.

# Notes to and forming part of the Financial Statements 2012-2013

## 3. Significant accounting policies (contd)

### (m) 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 and 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, targeted projects undertaken.

Repayments are made in accordance with the arrangements set up for the specific loans, including frequency of loan repayments and new borrowings.

(c) Queensland Urban Utilities has access to a working capital facility with QTC – refer note 17(c).

#### (ii) Participants' loans

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 will be subject to an annually resetting fixed rate; the initial fixed rate for the 2013/2014 financial year will be 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.

### (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 in the Statement of Financial Position at the current salary rates.

#### Annual leave

Accrued annual leave is recognised in current liabilities (employee benefits) and represents the amount that Queensland Urban Utilities has a present obligation to pay resulting from employees' services provided up to balance date. The accrual has been calculated at nominal amounts based on remuneration rates that would be required to be paid if the liability was settled at balance date and includes related on-costs.

#### Time in lieu

Accrued leave in lieu is recognised in current liabilities (employee benefits) and represents the amount which Queensland Urban Utilities has a present obligation to pay resulting from employees' services provided up to balance date. The accrual has been calculated at nominal amounts based on remuneration rates that would be required to be paid if the liability was settled at balance date and includes related on-costs.

#### Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made by Queensland Urban Utilities resulting from employees' services provided up to balance date.

The provision comprises amounts that Queensland Urban Utilities has a present obligation to pay resulting from employees' services provided up to balance 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 departures. Related on-costs have also been included. These are reported as current liabilities (employee benefits).

Amounts that Queensland Urban Utilities does not have a present obligation to pay at balance date are discounted using the rates attaching to national government securities at balance date that most closely match the terms of maturity of the related liabilities. This amount is reported as a non current liability (employee benefits).

# Notes to and forming part of the Financial Statements 2012-2013

## 3. Significant accounting policies (contd)

### (n) Employee benefits (contd)

#### *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 (for example 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 those 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 and includes related on-costs and CPI adjustments.

All other sick leave is non-vesting, and an expense is recognised 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 35.

#### *Key executive management personnel and remuneration*

Key executive management personnel and remuneration disclosures are made in accordance with the section 5 of the Financial Reporting Requirements for Queensland Government Agencies. Refer to note 37 for the disclosures on key executive management personnel and remuneration.

#### *Board Remuneration*

The Participation Agreement discloses the remuneration and benefits of Board Members and the Chairperson. Remuneration includes reasonable travelling, accommodation and other expenses that a Board Member properly incurs in attending Board Meetings or otherwise in connection with the business of Queensland Urban Utilities. 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 38.

### (o) Provisions

Provisions are recorded when Queensland Urban Utilities has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate. The amounts recognised as provisions in relation to the dismantling and removal of assets and the restoration of land on which the assets have been located, have been included in the cost of the assets.

### (p) Trust funds

Funds held in the trust account include deposits lodged to guarantee performance and unclaimed amounts. Queensland Urban Utilities performs only a custodian role in respect of these funds and because they cannot be used for Queensland Urban Utilities purposes they are not considered revenue nor brought to account in the financial statements. They are disclosed in note 36 for information purposes only.

### (q) Finance and borrowing costs

Finance and borrowing costs comprise:

- Bank charges;
- Interest expense on bank overdrafts, short-term and long-term borrowings;
- Unwinding of the discount on provisions;
- Amortisation of discounts or premiums related to borrowings; and
- Ancillary administration charges.

Finance and borrowing costs are recognised in the profit or loss using the effective interest rate method and are expensed in the period in which they are incurred. Finance and borrowing costs that are not settled in the period in which they are incurred are added to the carrying amount of the borrowing.

Finance and borrowing costs directly attributable to a specific capital project that necessarily takes a substantial period of time to prepare for its intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

# Notes to and forming part of the Financial Statements 2012-2013

## 3. Significant accounting policies (contd)

### (r) Taxation

#### *Income tax*

Queensland Urban Utilities is exempt from Commonwealth Government income taxation but is subject to the Local Government Tax Equivalents Regime (LGTER). Under the LGTER, Queensland Urban Utilities pays an income tax and land tax equivalent to its participating Councils in accordance with the requirements of its Participation Agreement.

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

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

Deferred 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 tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred 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 by the 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.

#### *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). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated 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 included in the Statement of Cash Flows on a gross basis. The GST components 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. Fringe benefits tax is paid 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 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 advice given by Queensland Treasury and Trade.

### (t) Participation returns

Participation returns are paid to the participating Councils in accordance with the Participation Agreement. Payment is from 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 2013 was declared on 20 May 2013, refer note 29.

# Notes to the financial statements

For the year ended 30 June 2013

Notes	2013 \$'000	2012 \$'000
<b>4. Utility charges</b>		
Wastewater charges	356,019	352,034
Water base charges	101,133	99,599
Water consumption	346,683	298,945
	<u>803,835</u>	<u>750,576</u>
<b>5. Contributions, grants and subsidies</b>		
Developer contributions – cash	47,990	81,838
Developer contributions – donated assets	57,238	43,849
Grants and subsidies	114	168
	<u>105,342</u>	<u>125,853</u>
<b>6. Insurance</b>		
Insurance recovery	7,979	-
	<u>7,979</u>	<u>-</u>
<b>7. Interest received</b>		
Interest on arrears	417	680
Interest on investments	1,035	2,540
	<u>1,451</u>	<u>3,220</u>
<b>8. Fees and charges</b>		
Property connection fees	10,403	10,511
Professional fees	4,356	2,498
Recycled water	9,771	8,535
Other fees	5,406	4,917
	<u>29,936</u>	<u>26,461</u>
<b>9. Other revenue</b>		
Recovery for damage to services	488	622
Other revenue	1,908	4,787
	<u>2,396</u>	<u>5,409</u>

# Notes to the financial statements

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>10. Employee expenses</b>			
Salaries and wages		85,297	76,359
Annual leave expenses		8,548	7,107
Long service leave expenses		3,100	3,633
Employer superannuation contribution		12,471	11,029
Workers' compensation premium		1,642	764
Payroll tax		5,683	5,002
Other employee related expenses		9,553	8,636
		126,294	112,530
Less: capitalised costs	3(f)	(29,285)	(27,933)
		97,009	84,597
The number of employees including full time and part time employees measured on a full time equivalent basis are:			
		1,105 FTE	1,079 FTE
FTE at 30 June 2013 includes resourcing associated with the separation from Brisbane City Council			
<b>11. Bulk water purchases</b>			
Bulk water purchases		271,254	224,192
Bulk water is purchased from SEQWater. The price for bulk water is currently set by the Queensland Government through the Department of Energy and Water Supply.			
<b>12. Materials and services</b>			
Materials and services		123,554	92,825
Consultancies and legal fees		5,762	4,027
Directors fees	38	419	417
Other supplies and consumables		31,541	46,130
		161,277	143,398
<b>13. Depreciation and amortisation</b>			
Buildings		748	761
Plant and equipment		1,217	764
Fleet		3,089	2,463
Water supply network		43,678	42,622
Sewerage network		95,519	90,167
Intangibles		2,601	925
		146,852	137,702



# Notes to the financial statements

For the year ended 30 June 2013

Notes	2013 \$'000	2012 \$'000
<b>14. Finance/borrowing costs</b>		
Bank charges	2,280	2,419
QTC finance costs	14,568	14,201
Interest on Participants' debt	100,856	101,203
	<u>117,704</u>	<u>117,823</u>
<b>15. Loss on disposal of assets</b>		
Proceeds from disposal of assets	(1,047)	(871)
Less: Cost of assets disposed	5,447	7,664
	<u>4,400</u>	<u>6,793</u>
<b>16. Other expenses</b>		
Impairment of trade receivables	2,132	3,816
Insurance	3,568	2,564
Audit fees*	721	510
Rates and taxes	2,293	2,073
Remissions	21	221
Other	498	1
	<u>9,233</u>	<u>9,185</u>

\* Total external audit fees paid to the Queensland Audit Office relating to the 2012/2013 financial statements are estimated to be \$241,000 (2012: \$264,342). There are no non-audit services included in this amount.

# Notes to the financial statements

For the year ended 30 June 2013

Notes	2013 \$'000	2012 \$'000
<b>17. Cash and cash equivalents</b>		
<b>(a) Cash and cash equivalents</b>		
Cash on hand	1	7
Cash at bank	1,010	84
Short term deposits Commonwealth Bank	46,000	1,000
Short term deposits Queensland Treasury Corporation	9,280	76,715
	56,291	77,806
<b>(b) Reconciliation of operating surplus to net cash from operating activities</b>		
<b>Cash flows from operating activities</b>		
Profit for the year	103,181	132,274
Adjustments for:		
Depreciation and amortisation	146,852	137,702
Loss on sale of property, plant and equipment	4,400	6,793
Donated assets	(57,238)	(43,849)
<b>Increase/decrease in assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	(1,280)	(1,548)
(Increase)/decrease in inventories	(100)	222
(Increase)/decrease in GST input tax credits receivable	187	(603)
(Increase)/decrease in accrued revenue	2,1484	(843)
(Increase)/decrease in prepayment	(633)	(266)
(Increase)/decrease in deferred tax assets	(6,798)	(17,122)
Increase/(decrease) in trade and other payables	957	12,303
Increase/(decrease) in provisions and employee benefits	4,526	124
Increase/(decrease) in unearned revenue	(2,795)	(908)
Increase/(decrease) in interest payable	(174)	1,431
Increase/(decrease) in deferred tax liabilities	11,196	2,1516
Increase/(decrease) in GST payable	(4)	(16)
Net cash from operating activities	223,761	247,210
<b>(c) Funding facilities</b>		
Working capital facility QTC	100,000	100,000
Client specific pool QTC borrowing limit for 30 June	145,000	218,000
Overdraft facility - Commonwealth Bank	5,000	5,000
<b>Total facility</b>	250,000	323,000
Amount of facility undrawn	105,000	223,000

# Notes to the financial statements

For the year ended 30 June 2013

Notes	2013 \$'000	2012 \$'000
<b>18. Trade and other receivables</b>		
<b>Current</b>		
Utility debtors	29,388	25,506
Other debtors	5,417	6,168
Less: Provision for impairment	(10,507)	(8,376)
	24,297	23,298
GST receivable	3,838	4,025
GST payable	(66)	(70)
	3,772	3,955
Total	28,069	27,253
Movements in the provision for impairment		
Balance at beginning of the year	(8,376)	(4,580)
Amounts written off during the year	1	20
Amounts recovered during the year		
(Increase)/decrease in provision recognised in the operating result	(2,132)	(3,816)
Balance at the end of the year	(10,507)	(8,376)
<b>19. Inventories</b>		
Inventories held for use	2,529	2,428
<b>20. Other current assets</b>		
Prepayments	1,422	789
Accrued revenue	1,342	1,281
Accrued water consumption	105,825	86,147
Accrued base charges	8,487	7,545
Accrued interest	74	248
Accrued developer contributions	11,212	53,203
Other	63	60
	128,425	149,273
Current income tax equivalent receivable	277	-
	128,702	149,273

# Notes to the financial statements

For the year ended 30 June 2013

## 21. Property, plant and equipment reconciliation

2013	Land	Buildings	Plant and equipment	Fleet	Water supply network	Sewerage network	Work in progress	Total
	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000
Carrying amount at 1 July	50,110	5,625	3,191	13,688	1,668,960	2,335,914	429,100	4,506,589
Additions at cost	1,001	10,045	3,180	5,906	57,323	358,878	-	436,333
Donated assets	-	-	-	-	32,892	24,346	-	57,238
Disposals	-	(181)	(106)	(1,071)	(2,550)	(1,775)	-	(5,683)
Transfers between classes	-	-	(922)	922	-	-	-	-
Revaluation increments	2,556	737	-	-	85,647	131,092	-	220,032
Additions to work in progress	-	-	-	-	-	-	314,033	314,033
Work in progress capitalised	-	-	-	-	-	-	(450,977)	(450,977)
Depreciation for the year	-	(748)	(1,217)	(3,089)	(43,678)	(95,519)	-	(144,251)
Carrying amount at 30 June	53,667	15,478	4,126	16,357	1,798,595	2,752,936	292,156	4,933,315
Gross carrying amount	53,667	17,240	5,989	23,997	1,931,820	3,038,181	292,156	5,363,050
Accumulated depreciation	-	(1,761)	(1,864)	(7,640)	(133,225)	(285,245)	-	(429,735)
<b>Carrying amount at 30 June*</b>	<b>53,667</b>	<b>15,478</b>	<b>4,126</b>	<b>16,357</b>	<b>1,798,595</b>	<b>2,752,936</b>	<b>292,156</b>	<b>4,933,315</b>

\* Plant and equipment, fleet and work in progress are held at cost; all other classes held at fair value at 30 June.

A fair valuation of Queensland Urban Utilities was undertaken as at 30 June 2013 using a discounted cash flow methodology which determined the fair value of these assets to be \$4.951B. Both the value in use and the fair value models indicated that an increase in the carrying amount of the assets was required. The Board considered that the carrying value (RAB) was materially different to the fair value and elected to revalue the assets to fair value.

Additions acquired during the financial year are valued at cost.

2012	Land	Buildings	Plant and equipment	Fleet	Water supply network	Sewerage network	Work in progress	Total
	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000
Carrying amount at 1 July	50,110	6,461	1,846	12,804	1,596,412	2,289,561	378,289	4,335,484
Additions at cost	-	1,816	2,104	3,976	87,263	124,633	-	219,792
Donated assets	-	-	-	-	28,276	15,573	-	43,849
Disposals	-	(1,891)	(1)	(623)	(369)	(3,686)	-	(6,571)
Transfers between classes	-	-	6	(6)	-	-	-	-
Additions to work in progress	-	-	-	-	-	-	270,603	270,603
Work in progress capitalised	-	-	-	-	-	-	(219,792)	(219,792)
Depreciation for the year	-	(761)	(764)	(2,463)	(42,622)	(90,167)	-	(136,776)
Carrying amount at 30 June	50,110	5,625	3,191	13,688	1,668,960	2,335,914	429,100	4,506,589
Gross carrying amount	50,110	6,566	4,353	18,622	1,750,865	2,513,345	429,100	4,772,962
Accumulated depreciation	-	(941)	(1,162)	(4,934)	(81,905)	(177,431)	-	(266,373)
<b>Carrying amount at cost at 30 June</b>	<b>50,110</b>	<b>5,625</b>	<b>3,191</b>	<b>13,688</b>	<b>1,668,960</b>	<b>2,335,914</b>	<b>429,100</b>	<b>4,506,589</b>

A fair valuation of property, plant and equipment was undertaken as at 30 June 2012 using a discounted cash flow methodology which determined the fair value of these assets to be \$4.769B. As the impairment testing of the assets indicated a value in use of \$4.636B (refer note 23), the Board considered that the carrying value (RAB) was not materially different to the value in use value, hence, elected to retain the assets at the RAB valuation.

Additions acquired during the financial year are valued at cost.

# Notes to the financial statements

For the year ended 30 June 2013

## 22. Intangible assets

	Software purchased		Goodwill		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Carrying amount at 1 July	1,854	1,955	-	-	1,854	1,955
Acquisitions at cost	14,644	825	1,111	-	15,755	825
Amortisation for the year	(2,364)	(925)	(237)	-	(2,601)	(925)
Carrying amount at 30 June	14,134	1,854	874	-	15,008	1,854
Gross carrying amount	18,084	3,571	1,111	-	19,196	3,571
Accumulated amortisation	(3,950)	(1,717)	(237)	-	(4,188)	(1,717)
Carrying amount at 30 June	14,134	1,854	874	-	15,008	1,854

## 23. Key assumptions used in valuation

### (a) Valuation and assumptions

The carrying amount of assets, including intangibles (refer Notes 21 and 22) allocated to the cash-generating unit (CGU) are set out below:

	Carrying amount of assets \$'000	Recoverable amount \$'000	Surplus \$'000
Cash-generating unit – Queensland Urban Utilities	4,948,323	4,951,298	2,975

The Board has adopted the following methodology, key assumptions and approach to determine the recoverable amount for the purpose of impairment testing:

- Queensland Urban Utilities treats its business activities as a single cash-generating unit for the purposes of impairment testing.
- Assumed capital structure is 60% debt and 40% equity.
- Post-tax nominal cash flows are estimated for at least ten years.
- Cash flow projections are based on the Board approved 2013/2014 budget projected for 10 years.
- Cash flow projections are discounted on a mid point basis.
- The Gordon growth model is used for cash flows from year 11 to "in perpetuity".
- The cash flows are effectively EBITDA less renewals capital expenditure allowing for cash flow timing differences.
- Cash flows are estimated using the building block approach consistent with the Queensland Competition Interim Price Monitoring Framework, with a conservative price path for water and sewerage charges for all customers assumed for 10 years within this approach.
- Change in working capital has been taken into account for cash flow requirements.
- A rate from the Reserve Bank of Australia target inflation rate (2.5%) is used as a long term growth rate.
- The discount rate reflects the risk of the cash flows and has been calculated using the WACC and Capital Asset Pricing Model (CAPM) framework.
- For impairment purposes the post-tax nominal discount rate is 6.57%.

### (b) Price path post 1 July 2013

As outlined above, for impairment modelling cash flows are estimated using the building block approach consistently with the Queensland Competition Interim Price Monitoring Framework, with a conservative price path assumed for 10 years within this approach.

The *Fairer Water Prices for SEQ Amendment Bill 2011* was amended in November 2012 to remove the requirement on our Participating Councils to develop and publish final price paths for water and sewerage charges for residential and small customers by 30 March 2013.

The resultant outcome is that Queensland Urban Utilities is required to announce draft water and sewerage prices by 31 March before the start of the financial year, with final prices to be announced by the end of June.

# Notes to the financial statements

For the year ended 30 June 2013

Notes	2013 \$'000	2012 \$'000
<b>24. Income tax expense/(benefit)</b>		
Queensland Urban Utilities is exempt from Commonwealth Government income taxation but is subject to the Local Government Tax Equivalents Regime. Queensland Urban Utilities is only subject to the Commonwealth taxes being Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).		
(a) Income tax expense/(benefit)		
Current tax	33,000	53,777
Deferred tax	9,761	1,779
Adjustments for permanent movement from prior periods	(2,732)	-
	40,029	55,556
(b) Numerical reconciliation of income tax expense to prima-facie tax payable		
Surplus/(Deficit) from operating activities before income tax expense/(benefit)	143,377	187,352
Tax at the the Australian tax rate of 30%	43,013	56,206
Non-deductible expenditure	9	8
Permanent difference - depreciation on acquired assets	1,242	1,150
Permanent difference - accrued leave provisions	(1,487)	(1,808)
Permanent difference - co-operative research centres and goodwill	59	-
Permanent overs/unders	(75)	-
Adjustments for permanent movement from prior periods		
• Depreciation on acquired assets	104	-
• Accrued Leave Provisions	(2,835)	-
<b>Income tax expense/(benefit)</b>	40,029	55,556
(c) Deferred tax equivalent asset		
Opening balance	29,530	12,408
(charge)/credit to income tax statement	6,139	-
Adjustments for deferred tax movement from prior periods	863	17,122
	36,532	29,530
(d) Deferred tax equivalent asset comprises of:		
Provisions	3,560	6,022
Accrued expenses	146	150
Plant and equipment	20,691	18,436
Other	2,986	384
Expenses capitalised for tax	2,269	4,538
Amounts recognised directly in equity:		
• Annual leave and Long Service Leave: SAS Laboratories	6,880	-
<b>Net tax assets</b>	36,532	29,530
(e) Deferred tax equivalents liability		
Opening balance	(42,455)	(20,939)
(charge)/credit to income tax	(11,197)	(21,516)
(charge)/credit to equity	(66,010)	-
	(119,662)	(42,455)
Deferred tax liability comprises of:		
Contributed assets	(46,638)	(42,271)
Other	(7,014)	(184)
Amounts recognised directly in equity:		
Revaluation of plant and equipment	(66,010)	-
<b>Net tax liability</b>	(119,662)	(42,455)

# Notes to the financial statements

For the year ended 30 June 2013

	2013 \$'000	2012 \$'000
<b>25. Interest bearing liabilities</b>		
<b>Non-current</b>		
QTC client specific pool loans	533,089	388,089
Participant loans	1,486,806	1,486,806
Total	2,019,895	1,874,895

No assets have been pledged as security for any liabilities.

All borrowings are in Australian dollar denominated amounts and an amount of \$7,506,199 has been capitalised during the current year (2012: \$5,467,653). There have been no defaults or breaches of the loan agreement during the year.

It is Queensland Urban Utilities' intention to hold its borrowings for their full term. 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 2013 is 4.73% (2012: 5.87%). Interest payments are made monthly in arrears at rates ranging from 4.7251% to 6.7834% (2012: 4.0465% to 6.7834%).

	2013 \$'000	2012 \$'000
	Carrying Amount	Carrying Amount
Balances of outstanding loans were as follows:		
Participant loans	1,486,806	1,486,806
QTC - client specific pool	533,089	388,089
	2,019,895	1,874,895
<b>QTC client specific pool loans</b>		
Opening balance	388,089	288,179
Add: Drawdown of debt	145,000	99,910
	533,089	388,089
<b>Participant loans</b>		
Brisbane City Council	1,241,282	1,241,282
Ipswich City Council	202,309	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
	1,486,806	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 will be subject to an annually resetting fixed rate; the initial fixed rate for the 2013/2014 financial year will be 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.

# Notes to the financial statements

For the year ended 30 June 2013

Notes	2013 \$'000	2012 \$'000
<b>26. Employee benefits</b>		
<b>Current</b>		
Salaries and wages accrued	1,908	882
Annual leave	13,741	12,136
Long service leave	16,997	15,432
Time in lieu	953	912
Vested sick leave	408	423
	<u>34,007</u>	<u>29,785</u>
<b>Non-current</b>		
Long service leave	2,991	2,697
	<u>2,991</u>	<u>2,697</u>
<b>27. Trade and other payables</b>		
<b>Current</b>		
Trade creditors	31,090	29,939
Infrastructure agreement liabilities	5,081	5,081
Other payables	4,286	1,049
	<u>40,457</u>	<u>36,069</u>
<b>Non Current</b>		
Other - lease incentive	9,025	476
	<u>9,025</u>	<u>476</u>
<b>28. Other current liabilities</b>		
<b>Current</b>		
Unearned revenue	4,751	7,422
Accrued expenses	927	1,999
Accrued interest	10,355	10,529
Accrued capital program costs	30,769	30,806
Accrued electricity	3,609	2,683
Accrued bulk water purchases	20,322	17,543
Other	27,405	19,101
	<u>98,138</u>	<u>90,083</u>
Current income tax equivalent payable	-	23,032
	<u>98,138</u>	<u>113,115</u>



# Notes to the financial statements

For the year ended 30 June 2013

	2013 \$'000	2012 \$'000
<b>29. Contributed equity</b>		
<b>(a) Participation rights returns</b>		
In accordance with the Participation Agreement, the Board declared the final participation rights payment of \$22.64m (2012: \$59.76m) on 27 May 2013. Payment will be made on 30 September 2013.	22,638	59,759
An interim participation return was declared on 15 October 2012 and paid on 31 January 2013.	16,413	15,403
Total participation rights paid/payable	39,051	75,162
Amounts per Participant:		
Brisbane City Council	33,196	63,893
Ipswich City Council	4,773	9,186
Lockyer Valley Regional Council	353	679
Scenic Rim Regional Council	407	783
Somerset Regional Council	323	621
	39,051	75,162

## (b) Participation rights percentages

Section 5.2(c) of the Participation Agreement provides for the calculation of the participation rights of each Participant. Participation rights are determined based on each Participants' Regulatory Asset Base (RAB). The RAB is calculated in accordance with the method set out in the Ministerial Direction titled "Queensland Competition Authority Act 1997 section 10(e) Ministers' Direction Notice" as published in the Queensland Government Gazette No. 46 on 9 October 2009.

The RAB and participation rights percentage for each Participant is:

	RAB \$'000	Participation Rights %
Brisbane City Council	3,596,905	85.007%
Ipswich City Council	517,150	12.222%
Lockyer Valley Regional Council	38,199	0.903%
Scenic Rim Regional Council	44,100	1.042%
Somerset Regional Council	34,969	0.826%
	4,231,322	100.000%

# Notes to the financial statements

For the year ended 30 June 2013

## 29. Contributed equity (contd)

### (c) Assets and liabilities transferred

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

	1/7/2010 \$'000
Summary of the transferred assets and liabilities is:	
Property, plant and equipment	4,003,528
Capital works in progress	227,794
Cash	9,006
Employee entitlements	(31,424)
QTC debt transferred to Queensland Urban Utilities	(183,092)
	4,025,812
Represented by:	
Contributed equity	2,538,793
Participant's debt	1,487,019
	4,025,812

## 30. Asset revaluation surplus by class

	Land	Buildings	Water supply network	Sewerage network	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2012	-	-	-	-	-
Revaluation increments	2,556	737	85,647	131,092	220,032
Deferred tax liabilities	(767)	(221)	(25,694)	(39,328)	(66,010)
Balance 30 June 2013	1,789	516	59,953	91,765	154,023

## 31. Financial instruments

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.

### (a) Categorisation of financial instruments

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

Category	Note	2013 \$'000	2012 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	17	56,291	77,806
Trade and other receivables	18	28,069	27,253
<b>Total</b>		84,360	105,059
<b>Financial liabilities</b>			
Trade and other payables	27	49,482	36,545
Interest bearing liabilities	25	2,019,895	1,874,895
<b>Total</b>		2,069,377	1,911,440

# Notes to the financial statements

For the year ended 30 June 2013

## 31. Financial instruments (contd)

### (b) 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	2013 \$'000	2012 \$'000
Cash and cash equivalents	17	56,291	77,806
Trade and other receivables	18	28,069	27,253
<b>Total</b>		<b>84,360</b>	<b>105,059</b>

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 \$10,507,190 for the current year (2012: \$8,375,766).

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amount as indicated.

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

Receivables	2013		2012	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	14,129	-	14,831	-
Past due 31-60 days	8,028	-	5,371	-
Past due 61-90 days	172	-	844	-
More than 90 days	12,476	10,507	10,628	8,376
	34,804	10,507	31,674	8,376

# Notes to the financial statements

For the year ended 30 June 2013

## 31. Financial instruments (contd)

### (c) 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 Entity. 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	2013 Payable in			Total \$'000
	< 1 year \$'000	1-5 Years \$'000	<5 years \$'000	
Participant loans	-	-	1,486,806	1,486,806
QTC client specific pool	-	-	533,089	533,089
Trade and other payables	49,482	-	-	49,482
	49,482	-	2,019,895	2,069,377

Financial liabilities	2012 Payable in			Total \$'000
	< 1 year \$'000	1-5 Years \$'000	<5 years \$'000	
Participant loans	-	1,486,806	-	1,486,806
QTC client specific pool	-	-	388,089	388,089
Trade and other payables	36,545	-	-	36,545
	36,545	1,486,806	388,089	1,911,440

# Notes to the financial statements

For the year ended 30 June 2013

## 31. Financial instruments (contd)

### (d) Interest rate sensitivity analysis

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.

2013		-1%		+1%	
	Net carrying amounts \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and cash equivalents	56,291	(563)	(563)	563	563
QTC client specific pool	533,089	5,331	5,331	(5,331)	(5,331)
<b>Overall effect on profit and equity</b>		4,768	4,768	(4,768)	(4,768)

2012		-1%		+1%	
	Net carrying amounts \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and cash equivalents	77,806	(778)	(778)	778	778
QTC client specific pool	388,089	3,881	3,881	(3,881)	(3,881)
<b>Overall effect on profit and equity</b>		3,103	3,103	(3,103)	(3,103)

# Notes to the financial statements

For the year ended 30 June 2013

## 31. Financial instruments (contd)

### (e) Fair value

Queensland Urban Utilities does not recognise any financial assets or financial liabilities at fair value.

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:

		Carrying Amount \$'000	Fair Value \$'000
<b>2013</b>			
<b>Financial liabilities</b>			
Participant loans	25	1,486,806	1,486,806
QTC client specific pool	25	533,089	537,959
		2,019,895	2,024,765
<b>2012</b>			
<b>Financial liabilities</b>			
Participant loans	25	1,486,806	1,507,071
QTC client specific pool	25	388,089	396,043
		1,874,895	1,903,114

# Notes to the financial statements

For the year ended 30 June 2013

Notes	2013 \$'000	2012 \$'000
<b>32. Operating leases</b>		
<b>(i) Leases as lessee</b>		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	6,302	9,728
Between one and five years	24,713	28,898
More than five years	30,375	22,497
	61,390	61,123
<b>(ii) Leases as lessor</b>		
Non-cancellable operating leases rentals are receivable as follows:		
Less than one year	162	130
Between one and five years	566	407
More than five years	410	475
	1,138	1,012
<b>33. Capital and other commitments</b>		
<b>Contracted but not yet provided for and payable:</b>		
Within one year	83,250	139,515
One year and no later than five years	41,423	33,497
More than five years	-	-
	124,673	173,012

# Notes to the financial statements

For the year ended 30 June 2013

Notes	2013 \$'000	2012 \$'000
<b>34. Contingencies</b>		
<b>Contingent liabilities</b>		
A small number of claims are pending for contract variations, the maximum exposure of which is:	12,000	168
There are 5 (2012:4) appeals in the Planning and Environment Court, it is not possible to make an estimate of the final amount payable at reporting date.		
On or about 5 July 2012 Workplace Health and Safety Queensland (WHSQ) commenced a prosecution by way of Complaint and Summons against Queensland Urban Utilities in the Ipswich Magistrates Court alleging that Queensland Urban Utilities failed to discharge its obligations under section 28 of the WHS Act ( <b>Complaint</b> ) in that workers were exposed to risk to their health and safety arising out of the conduct of Queensland Urban Utilities' business or undertaking. The maximum penalty for this type of offence under the WHS Act is Queensland Urban Utilities is currently finalising a voluntary undertaking with WHSQ. Upon approval of this enforceable undertaking by WHSQ the Complaint will be withdrawn and the contingent liability will be discharged.	1,000	1,000
<b>Contingent assets</b>		
Reimbursement of costs associated with an incomplete contract is pending, the maximum exposure is:	5,930	2,500
Outstanding insurance claims for 2011 wet weather events	37,063	44,319



# Notes to the financial statements

For the year ended 30 June 2013

## 35. Superannuation

Refer to note 10 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 - LGsuper

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

The Accumulation Benefits Fund (ABF).

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 35 (a) to (k)).

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 as required.

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.

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

The audited general purpose financial report of the scheme as at 30 June 2012 (the most recent available) which was not subject to any audit qualification, indicates that 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."

Following the previous actuarial assessment in 2009, Queensland Urban Utilities was advised by the trustee of the scheme, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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

# Notes to the financial statements

For the year ended 30 June 2013

## 35. Superannuation (contd)

	2013 \$'000	2012 \$'000
<b>(a) Reconciliation of the present value of the defined benefit obligation</b>		
Present value of defined benefits obligations at the beginning of the current year	11,341	12,037
Current service cost	285	311
Interest cost	373	535
Contributions by plan participants	142	144
Actuarial losses/(gains)	633	834
Benefits paid	(898)	(2,384)
Taxes and premiums paid	(84)	(136)
<b>Present value of defined benefits obligations at the end of the current year</b>	<b>11,792</b>	<b>11,341</b>
<b>(b) Reconciliation of the fair value of the plan assets</b>		
Fair value of plan assets at the beginning of the year	11,954	13,128
Expected return on plan assets	795	840
Actuarial gains / (losses)	340	(311)
Employer contributions	323	673
Contributions by plan participants	142	144
Benefits paid	(898)	(2,384)
Taxes and premiums paid	(84)	(136)
<b>Fair value of plan assets at the end of the year</b>	<b>12,572</b>	<b>11,954</b>
<b>(c) Reconciliation of the assets and liabilities recognised in the Statement of Financial Position</b>		
Defined benefit obligations (includes contributions tax provision)	11,792	11,341
Fair value of plan assets	(12,572)	(11,954)
<b>Net superannuation asset</b>	<b>(780)</b>	<b>(613)</b>
<b>Defined benefit plan increase/(decrease)</b>	<b>167</b>	<b>(478)</b>
<b>(d) Expense recognised in Statement of Comprehensive Income</b>		
Service cost	285	311
Interest cost	373	535
Expected return on assets	(795)	(840)
Actuarial losses	293	1,145
<b>Superannuation expense</b>	<b>156</b>	<b>1,151</b>
The percentage invested in each asset class at the reporting date:		
Australian equity	16%	24%
International equity	16%	24%
Fixed income	39%	12%
Property	14%	15%
Alternatives/other	13%	25%
Cash	2%	0%

# Notes to the financial statements

For the year ended 30 June 2013

## 35. Superannuation (contd)

### (f) Fair value of plan assets

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

- any of Queensland Urban Utilities' own financial instruments
- any property occupied by, or other assets used by, Queensland Urban Utilities.

### (g) Expected rate of return on plan assets

The expected rate of return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each class are net of investment tax and investment fees. An allowance for asset-based administration expenses has been deducted from the expected return.

	2013 \$'000	2012 \$'000
<b>(h) Actual return on plan assets</b>		
Actual return on plan assets	1,135	529
<b>(i) Principal actuarial assumptions at the reporting date</b>		
Discount rate	3.0% pa	3.5% pa
Expected rate of return on plan assets	n/a	7.0% pa
Expected salary increase rate	3.0% pa	4.25% pa*
* 4.25% for the year ending 30 June 2013 and 3.0% thereafter.		

The expected rate of return on Plan assets includes a reduction to allow for the asset-based administrative expenses of the Plan.

### (j) Historical information

Present value of defined benefit obligation	11,792	11,341
Fair value of Plan assets	12,572	11,954
(Surplus)/deficit in Plan	(780)	(613)
Experience adjustments (gains)/losses – Plan assets	(340)	311
Experience adjustments (gains)/losses – Plan liabilities	469	189
Other adjustments (gain)/loss – change in assumptions	164	645

### (k) Expected contributions

Expected employer contributions for 2014 are \$0.277M (2013: \$0.278M)

## 36. 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	1,136	172
	1,136	172

# Notes to the financial statements

For the year ended 30 June 2013

## 37. Key management personnel and remuneration

### (a) Key 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 2012/2013. 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
<b>Chief Executive Officer</b>	Strategic planning and corporate governance, legal (general counsel), internal audit	Board appointed Band A Contract	Appointed 2 July 2012
<b>Chief Financial Officer</b>	Tax and treasury, financial services, regulatory affairs, financial performance and reporting, financial planning, financial accounting, sourcing, procurement, risk	Board appointed Band A Contract	Appointed 14 November 2012
<b>Chief Operating Officer</b>	Service delivery (West and East), planning, maintenance and renewal planning, major projects and commercial services, source control	Board appointed Band A Contract	Transitioned under the Transfer Scheme 1 July 2010
<b>Chief Information Officer</b>	Strategic planning and program delivery, operations, knowledge management	Board appointed Band A Contract	Appointed 19 March 2012
<b>Executive Leader People and Safety</b>	HR and workforce planning, WH and S, learning and development, remuneration and HR administration, employment arrangements and HR practice, organisational development, Registered Training Organisation	Board appointed Band A Contract	Appointed 1 February 2012
<b>Executive Leader Customer and Community</b>	Billing and revenue, demand and efficiency, customer service, marketing and communications, operation support	Board appointed Band A Contract	Transitioned under the Transfer Scheme 1 July 2010; resigned 15 March 2013
<b>Executive Leader Strategy and Growth</b>	Leading QUU's strategic initiatives and growth opportunities	Board appointed Band A Contract	Appointed 12 June 2012; resigned 30 June 2013

# Notes to the financial statements

For the year ended 30 June 2013

## 37. Key management personnel and remuneration (contd)

### (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 bonuses.

For the 2012/2013 year, remuneration of key executive management personnel increased by between 3.0% and 4.25% (2012: 3.6%) based on a market review of similar roles.

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

Short term employee benefits consisting of base salary, 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. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.

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 bonuses 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.

# Notes to the financial statements

For the year ended 30 June 2013

## 37. Key management personnel and remuneration (contd)

### (b) Remuneration (contd)

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

2013

Position	Short term monetary benefits \$'000	Non-monetary benefits \$'000	Long term employee benefits \$'000	Post employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
Chief Executive Officer (appointed 2 July 2012)*	508	-	13	46	-	566
Chief Financial Officer (appointed 14 November 2012)	187	-	5	17	-	209
Chief Operating Officer	313	-	8	28	-	349
Chief Information Officer	223	-	6	20	-	248
Executive Leader People and Safety	235	-	6	21	-	262
Executive Leader Customer and Community	277	-	7	28	37	349
Executive Leader Strategy and Growth	219	-	5	20	-	244
Acting Chief Financial Officer (1 July 2012 to 13 November 2012)	74	-	2	7	-	83
Acting Executive Leader Customer and Community (15 March 2013 to 30 June 2013)	59	-	1	5	-	66
<b>Total remuneration</b>	<b>2,095</b>	<b>-</b>	<b>52</b>	<b>192</b>	<b>37</b>	<b>2,376</b>

\* The Chief Executive Officer was appointed on 2 July 2012 and prior to this appointment held the position of Chief Financial Officer. Accordingly the amount disclosed as short term monetary benefits includes benefits associated with the role of Chief Financial Officer.

The outgoing Chief Executive Officer resigned with an effective date of 1 July 2012 and left the organisation after taking leave entitlements. The total remuneration paid on resignation was \$153,848.

# Notes to the financial statements

For the year ended 30 June 2013

## 37. Key management personnel and remuneration (contd)

### (b) Remuneration (contd)

2012

Position	Short term monetary benefits \$'000	Non-monetary benefits \$'000	Long term employee benefits \$'000	Post employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
Chief Executive Officer (resigned effective 1 July 2012)	450	-	10	42	-	502
Chief Financial Officer	319	-	9	25	-	353
Chief Operating Officer	311	-	9	28	-	348
Chief Information and Technology Officer	57	-	8	5	-	70
Executive Director People and Safety	77	-	2	2	-	81
Executive Director Retail	269	-	6	24	-	299
Executive Director Strategy and Growth	8	-	-	1	-	8
General Manager Human Resources	112	-	1	10	143	266
Chief Information Officer	172	-	3	22	102	299
General Manager Corporate Services	135	-	4	4	-	143
<b>Total remuneration</b>	<b>1,910</b>	<b>-</b>	<b>51</b>	<b>163</b>	<b>245</b>	<b>2,370</b>

### (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 1 October 2013 (2011/2012 9 October 2012)

The aggregate performance bonuses expected to be paid to all key executive management personnel is \$364,768 (2012: \$309,088).

### (d) Organisational realignment

On 1 February 2012, Queensland Urban Utilities underwent an organisational realignment to more closely align the Executive roles with functions. The position of General Manager, Corporate Services was abolished with some functions transferred to the Chief Financial Officer, Chief Information and Technology Officer, Executive Director Retail, Executive Manager and the Executive Director, People and Safety (this position retained the responsibilities of the General Manager Human Resources).

# Notes to the financial statements

For the year ended 30 June 2013

## 38. Related parties

### Key management personnel compensation

#### (a) Board members

The Board Members who were paid directly or indirectly were:

	2013*		
	Salary and fees \$'000	Superannuation \$'000	Total \$'000
Jude Munro AO (resigned 17/8/12)	12	1	13
Geoff Harley (appointed 8/10/12)	62	6	68
Barry Ball	43	4	47
Dennis Cavagna	43	4	47
Diana Eilert	43	4	47
Paul Emmerson	43	4	47
Phil Kesby	43	4	47
Bernard Ponting (Acting Chair 18/8/12 to 7/10/12)	50	4	54
Len Scanlan	43	4	47
	384	35	418

\* 2013 includes 11 months payments. The CPI increase of 1.3% was applied and monthly rates set at \$7,781 Chair and \$3,935.50 Board members.



# Notes to the financial statements

For the year ended 30 June 2013

## 38. Related parties (contd)

### (a) Board members (contd)

	2012*		
	Salary and fees \$'000	Superannuation \$'000	Total \$'000
Jude Munro AO	101	9	110
Barry Ball	50	5	55
Dennis Cavagna	50	5	55
Diana Eilert	49	6	55
Paul Emmerson	50	5	55
Phil Kesby	50	5	55
Bernard Ponting	50	5	55
Len Scanlan	50	5	55
	450	45	495

\* 2012 includes 13 months payments. The CPI increase of 3.6% was applied and monthly rates set at \$7,770 Chair and \$3,885 Board members. Due to timing the above includes 12 payments at the 2011/2012 rate and 1 payment at the 2010/2011 rate.

### (b) Loans to key management personnel

None of the key management personnel have personal loans with Queensland Urban Utilities outstanding at 30 June 2013.

### (c) Other key management personnel transactions

Transactions with related parties of key management personnel that occurred during the financial year are noted below.

Louise Dudley, Chief Executive Officer, is a Director of LG Super. Queensland Urban Utilities contributed to the fund based on actuarial advice and the total payments for the year were nil (2012: \$332,500). All transactions are made on normal commercial terms.

### (d) Board member transactions

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

# Notes to the financial statements

For the year ended 30 June 2013

## 38. Related parties (contd)

### (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:

	2013 \$'000	2012 \$'000
Brisbane City Council		
Services provided include:	17,481	19,457
information and communication technology, payroll, internal audit, accommodation, contact centre, information management systems, rates processing, sourcing and category management, logistics and warehousing, GIS, radio access		
Brisbane City Council (BCC) communicated their intention not to continue service provision under the TSA's post the expiration date of 30 June 2013.		
During 2012/2013 Queensland Urban Utilities will enter into a range of contracts for managed services to facilitate separation from the BCC systems and services.		
Ipswich City Council		
Services provided include:	242	219
PABX, radio access, GIS, help desk and phones		
Capital commitments to be provided by Brisbane City Council (included in note 33)	10	4,149

## 39. 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:


Income from insurance	7,256	(74)
Assets written off due to damage beyond repair	819	48
Cost of replacement of assets	(12,011)	(18,820)
Cost of repair to assets	(25)	(2,579)
Other costs	(2,684)	(1,073)
Cost to Queensland Urban Utilities	(6,645)	(22,498)


# Certificate of Queensland Urban Utilities

For the year ended 30 June 2013

These general purpose financial statements have been prepared pursuant to section 62 (1) of the *Financial Accountability Act 2009* (the Act), relevant sections 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 year ended 30 June 2013 and of the financial position at the end of that period.

  
**Geoff Harley**  
LLB, FAICD  
  
**Chairperson**  
**Queensland Urban Utilities Board**

  
**Louise Dudley**  
Chartered Accountant  
BCom, GAICD  
  
**Chief Executive Officer**  
**Queensland Urban Utilities**

  
**Denise Dawson**  
BBus, Grad Dip Acctg  
FCPA, GAICD  
  
**Chief Financial Officer**  
**Queensland Urban Utilities**

Date: 26/8/13

Date: 26/8/13

Date: 26/08/13

# Independent Auditor's Report

For the year ended 30 June 2013

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 2013, 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 Chairperson, Chief Executive Officer and Chief Financial Officer.

### *The Board's Responsibility for the Financial Report*

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

# Independent Auditor's Report

For the year ended 30 June 2013

## *Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.


## *Opinion*

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Central SEQ Distributor-Retailer Authority for the financial year 1 July 2012 to 30 June 2013 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 the financial report should note that the 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 report. If users of the financial report 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 report to confirm the accuracy of this electronically presented information.



N GEORGE CPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane







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