



ENRICHING QUALITY OF LIFE

2022/23 ANNUAL REPORT

WELCOME

WE ARE PLEASED TO PRESENT URBAN UTILITIES' ANNUAL REPORT FOR FY23.

This report provides an overview of our performance between 1 July 2022 and 30 June 2023 and documents our progress against our shareholder-approved strategic direction.

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

This report has been prepared in accordance with the Annual report requirements for Queensland Government agencies, issued by the Queensland Government in June 2023.

The letter of compliance and the compliance checklist can be found on pages 132 and 133.

READERSHIP

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

ACCESSING THIS REPORT

This report is available on our website: urbanutilities.com.au/about-us/corporateinformation/performance-reports

INTERPRETER SERVICE STATEMENT

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

TELL US WHAT YOU THINK ABOUT THIS REPORT

Visit us at our Head Office:

Level 10, 31 Duncan Street
Fortitude Valley QLD 4006
Monday – Friday 8:30am – 4pm

Phone us on:

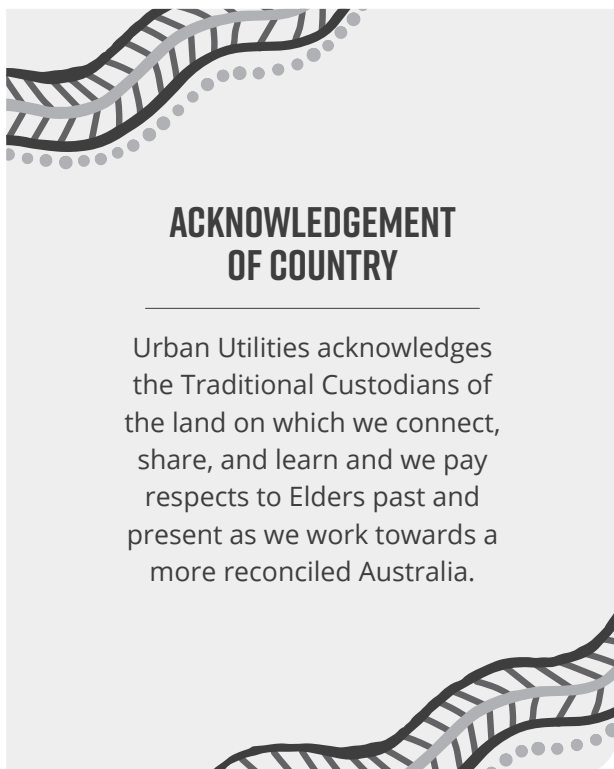
13 26 57 (8am – 5pm weekdays)

Email us at:

customerservice@urbanutilities.com.au

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ACKNOWLEDGEMENT OF COUNTRY

Urban Utilities acknowledges the Traditional Custodians of the land on which we connect, share, and learn and we pay respects to Elders past and present as we work towards a more reconciled Australia.

CONTENTS

WELCOME	2	CHAPTER 4: FINANCIAL PERFORMANCE	64
A message from our Chair and CEO	4	Chief Financial Officer's summary	64
In memory of Graham Thomsen	7	Guide to our Financial Statements	69
Performance snapshot	8	Audited Financial Statements	72
CHAPTER 1: ABOUT US	10	APPENDICES	132
Where we operate	10	Compliance letter to Minister	132
Our strategic direction	11	Compliance checklist	133
Our stakeholders	12	Glossary	135
Our business in numbers	13	Index	136
CHAPTER 2: PERFORMANCE AGAINST STRATEGIC DIRECTION	14		
Strategic Goal 1: Constructive Culture	15		
Strategic Goal 2: Foundational Success	22		
Strategic Goal 3: Environmental Leadership	34		
Strategic Goal 4: Social & Economic Value	38		
Delivery of Strategic Initiatives	42		
CHAPTER 3: CORPORATE GOVERNANCE	44		
Our governance structure	45		
Our shareholders	46		
Our Board	47		
Our Board members	48		
Our Board committees	51		
Our Executive Leadership Team	54		
Our Executive Advisory Groups	57		
Our plan for the future	58		
Our controls and assurance	61		

A MESSAGE FROM OUR CHAIR AND CEO

COMMITTING TO THE CONTINUOUS IMPROVEMENT OF OUR HEALTH AND SAFETY PERFORMANCE

At Urban Utilities, the safety of our people and the public is, and always has been, our number one priority. Regrettably, in October 2022, two of our people were injured, one seriously, while undertaking a high-risk maintenance activity. Thankfully, the team member who sustained serious injuries returned to work in early 2023, while the other team member was able to resume work the following day. In response to the incident, we conducted a thorough investigation to understand how and why it occurred and have since modified the way the activity in question is performed. Importantly, we shared our learnings with the broader industry to help prevent this incident from reoccurring.

While we acknowledge the high-risk nature of our operational work, we've seen too many near-misses this year that could have resulted in serious injury or fatality. In the spirit of continuous improvement, we've regarded each of these incidents as an opportunity to learn and mature, and we now transparently share High Potential Event and Safety Alert notifications with all our employees and contractors. This new initiative helps to raise awareness of health and safety issues, initiate valuable conversations within teams, and build trust between employees, management, and contractors. We are also progressively reviewing all of our high-risk activities and ensuring we have appropriate controls in place to protect our people and members of the community.

Demonstrating our commitment to continuous safety improvement, we conducted an independent review of our safety management, performance, and culture in late 2022. The findings from this review, together with the outcomes from our ISO 45001 recertification safety audit, have provided a baseline for our next cycle of strategic safety improvement, along with priority areas to focus on in FY24 and beyond. Our response will be led by a newly mobilised Enterprise Safety Program, the objective of which is to drive transformational change in our health, safety, and wellbeing behaviour and performance.

SECURING OUR REGION'S WATER FUTURE

Water is at the heart of our much-loved lifestyle in South East Queensland, but we can't take it for granted. Although we're no longer in drought, our drinking water supplies remain under pressure from population growth and an increasingly variable climate, which is why Urban Utilities is planning well ahead to ensure water security for our region, whatever the weather.

In August 2022, we were proud to launch our water leadership plan, Our Water Way, which details the future we're shaping, the challenges we're all facing, and the steps we're taking to ensure a plentiful, safe, affordable, and sustainable water future for our customers and communities.

Our plan takes an 'all options' approach and embraces rainfall-independent supplies, like purified recycled water and desalination.

To help build community trust and acceptance of these alternative water sources, we've increased our focus on driving water literacy in our communities by creating engaging and educational experiences, and having face-to-face conversations about water security and the water cycle.

This year, Urban Utilities had a presence at 15 community events across our service territory, including the Ipswich Show, Esk Show, Boonah Show, Kalbar Sunflower Festival, and Brisbane's Green Heart Fairs. During summer, we gave away edible seedlings for people to take home and grow, while in winter, we launched our Top Drop mini golf course, with each hole representing a different aspect of the water cycle. Both initiatives proved to be effective conversation starters around the value of water and how we all have a role to play in creating a sustainable water future.

BALANCING GROWTH AND FINANCIAL SUSTAINABILITY

We continued to operate in a volatile economic environment, impacted by supply chain issues, high inflation, and rising interest rates. We also experienced lower contributions from property development – a reflection of the downturn in this sector – which impacted the capital revenues that help fund our growth. In addition, we experienced higher operating costs driven by our Wages Remediation Review (see section on the following page), and the effects of the February 2022 flood, including increased expenses relating to biosolids management. Despite this uncertainty, we remained committed to operating our business in a financially sustainable manner, and continued to deliver a range of core and transformational projects to improve our operational efficiency and reduce our operating expenditure.

We also worked hard to keep our prices as low as possible, with the typical residential bill increasing by 5.2% in FY24. At the same time, we will continue to support our growing communities by investing around \$355 million in essential water and wastewater infrastructure across our five council regions. This follows a \$368.8 million investment in new and upgraded infrastructure in FY23.

One of the major projects we commenced was the renewal of the historic Bulimba-Hamilton siphon, which lies 60 metres below the surface of the Brisbane River. The \$54 million project involves replacing one of the two pipes inside the tunnel, which has served Brisbane City well for almost 70 years.

Also in Brisbane, we broke ground on the \$45 million Breakfast Creek Sewer Upgrade, which will see the construction a kilometre-long wastewater pipe four stories underground, running between Bowen Hills and Windsor.

The new pipe will be one of the largest in our 10,000-kilometre wastewater network.

In the Lockyer Valley, we started work on a \$32 million wastewater infrastructure upgrade, involving the construction of a new pump station at Plainland and an 8-kilometre pipe to connect Plainland to the Laidley Wastewater Treatment Plant. These works will cater for projected growth in the area through to 2040.

CONTINUING ON OUR RECONCILIATION JOURNEY

Our vision for reconciliation is to have enduring, constructive, and respectful relationships with Traditional Owners and Aboriginal and Torres Strait Islander Communities. FY23 marks the fourth year of our formal journey of reconciliation, which began in 2019 with the launch of our *Reflect* Reconciliation Action Plan (RAP) – the first in a series of four RAPs.

We are currently in the process of delivering our second RAP, *Innovate*, the focus of which is to develop and strengthen our relationships with Aboriginal and Torres Strait Islander peoples, engage our people and stakeholders in reconciliation, and develop innovative strategies to empower Aboriginal and Torres Strait Islander peoples. An example of the initiatives we've implemented this year can be seen on page 41. We strive to be leaders in reconciliation, and in FY24, will commence our *Stretch* RAP journey, which will see us implement longer-term strategies to advance reconciliation both internally and within our sphere of influence.

ENSURING WE PAY OUR PEOPLE CORRECTLY

We continued to navigate the historical issue of incorrectly paying some of our people, with a dedicated team in place to ensure the matter is handled as efficiently and accurately as possible.

The Wages Remediation Review is focused on two goals: rectifying historical issues where we have incorrectly paid some of our people, and investing in longer-term solutions to address the causes of these issues so they don't happen again.

We remain committed to providing our people – both past and current – with regular and transparent updates on this matter.

VALE GRAHAM THOMSEN

We were deeply saddened by the passing of Board member Graham Thomsen in June 2023.

A valued member of the Urban Utilities Board since 2016, Graham was a stalwart of the water industry, having practiced civil engineering specialising in water management for over 40 years.

We are honoured to include a special feature on Graham's contribution to the water industry on the following page. He will be missed.

ACKNOWLEDGEMENTS

As we close out our thirteenth year of operations, we'd like to convey our appreciation to our five shareholding councils for their ongoing support and partnership.

We'd also like to thank our respective Board and Executive Leadership Team colleagues for their commitment and guidance through what has been another challenging yet rewarding year.

And finally, we want to acknowledge our people for their unwavering dedication, agility, and commitment to upholding Urban Utilities' high standard of service delivery.

We're enormously proud of what Urban Utilities has achieved this year and look forward to furthering our positive impact in FY24.



Bronwyn Morris AM
Chair



Paul Arnold
Chief Executive Officer

IN MEMORY OF GRAHAM THOMSEN

MPHIL (ENGINEERING), RPEQ, CPENG, MAICD 1940 – 2023

In June 2023, we were saddened by the passing of our valued Board member, colleague, and friend, Graham Thomsen.

Graham was appointed to the Urban Utilities Board in 2016. Over his seven years as a Board member, Graham provided us with invaluable strategic guidance and industry expertise, helping shape Urban Utilities into the resilient, customer-centric, and environmentally conscious business that we are today.

A stalwart of the water industry, Graham practiced as a civil engineer with a specialty in water management for over 40 years. As a professional advisor, he worked with state and local government bodies in all aspects of strategic planning, governance, and management of water and wastewater systems.

Throughout his impressive career, Graham successfully led and delivered a variety of large and complex water infrastructure projects, including the Gold Coast Water Coombabah Water Future Program, Redland Shire Council Cleveland Wastewater Treatment Works, and Redland Shire Council Infrastructure Program. The latter program was awarded an Institution of Engineers National Award for Engineering Excellence.

Graham was also a highly experienced Director, having held positions on a number of Boards, including the Queensland Bulk Water Transport Authority, the Southern Regional Water Pipeline Company Pty Ltd, and Wide Bay Water Corporation.

Graham was a Registered Professional Engineer and Fellow of Engineers Australia, a Life Member of Consult Australia, a member of the Institute of Public Works Engineers Australia, a Past Federal Director and Life Member of the Association of Consulting Engineers Australia, a member of the Australian Institute of Company Directors, and an Accredited Mediator of the Institute of Arbitrators and Mediators Australia.

Graham was widely respected and admired, and he will leave an indelible mark on Urban Utilities, the water industry, and all those who had the good fortune of working with him. We will miss his knowledge, advice, and mentorship, but more than that, his respectfulness and kindness. Urban Utilities is a better organisation because of Graham's contribution, and we will remember him with great fondness.

In honour of Graham's lifelong commitment to the water industry and environmental sustainability, Urban Utilities has proudly partnered with the Queensland University of Technology to offer a scholarship in Graham's memory. The undergraduate scholarship will be available to QUT engineering students, with consideration given to those with an interest in the environment and sustainability.



Bronwyn Morris AM
Chair

PERFORMANCE SNAPSHOT

STRATEGIC GOAL 1: CONSTRUCTIVE CULTURE (PAGES 15 - 21)

HIGHLIGHTS AND CHALLENGES

- Conducted an independent review of our safety strategy, performance, and culture.
- Successfully completed our ISO 45001 audit and retained our certification.
- Hosted Cultural Immersion training to improve our leaders' understanding of the role they play in building cultural safety.
- Saw an increase in our employee engagement, enablement, and overall effectiveness.
- Introduced two new types of paid leave and enhanced our parental leave provisions.
- Relocated to our new Head Office, which was designed to encourage flexible, purposeful work.
- Took actions to promote greater acceptance and inclusion of our LGBTQIA+ community.

STRATEGIC GOAL 2: FOUNDATIONAL SUCCESS (PAGES 21 - 33)

HIGHLIGHTS AND CHALLENGES

- Commenced work on the Bulimba-Hamilton Siphon Project.
- Launched a \$32 million upgrade to wastewater infrastructure in the Lockyer Valley.
- Began construction on the \$45 million Breakfast Creek Trunk Sewer Main Upgrade.
- Continued planning for the infrastructure requirements of the 2032 Olympic and Paralympic Games.
- Refreshed the membership of our Customer and Community Reference Group.
- Continued to evolve our digital channels to improve the customer experience.
- Commissioned our innovative Receiving Environment Digital Twin (REDiT).

STRATEGIC GOAL 3: ENVIRONMENTAL LEADERSHIP (PAGES 34 - 37)

HIGHLIGHTS AND CHALLENGES

- Planted 1,100 native gum trees, which are being irrigated with recycled water from the adjacent Helidon Resource Recovery Centre.
- Launched our Water Leadership Plan, Our Water Way.
- Made progress against our Net Zero 2032 Roadmap
- Developed a Strategic Engagement Framework to uplift shareholder, stakeholder, and community engagement in our re-shaping of the water cycle.
- Increased our focus on driving water literacy in our communities.
- Saw an increase in greenhouse gas emissions caused by one of our cogeneration units being offline due to extensive flood damage.

STRATEGIC GOAL 4: SOCIAL & ECONOMIC VALUE (PAGES 38 - 41)

HIGHLIGHTS AND CHALLENGES

- Drafted our inaugural Sustainability Report.
- Partnered with Cleanaway to generate renewable energy from organic food waste.
- Continued to educate and empower school students through our Education Program.
- Supported numerous community events and initiatives through our Sponsorship Program.
- Re-commenced our vulnerable customer home visit initiative.
- Delivered multiple initiatives from our Innovate Reconciliation Action Plan (RAP), which is on track for FY24 completion.

CHAPTER I: ABOUT US

WHO WE ARE

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

Our shareholders are the councils of Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset, and we are governed by an independent Board (see page 47). We operate in a unique environment where we serve the same customers and communities as our shareholders.

We are responsible for delivering drinking water, recycled water, and wastewater services to approximately 633,300 residential properties and 30,300 commercial properties in South East Queensland, and we deliver these services via our vast \$6.7 billion infrastructure network.

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

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

We also operate the Scientific Analytical Services Laboratory, which is responsible for providing water sampling services and chemical and microbiological analysis to a range of industries. You can find out more at:

www.saslaboratory.com.au.

WHERE WE OPERATE

Our 14,384km² geographic area is made up of five local government areas: Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset.



OUR STRATEGIC DIRECTION

OUR PURPOSE

Enrich quality of life.

OUR STRATEGIC GOALS

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

- **CONSTRUCTIVE CULTURE** – We inspire, create, and sustain a constructive culture to deliver high performance.
- **FOUNDATIONAL SUCCESS** – We know our business, we know our customers, and we deliver value for both.
- **ENVIRONMENTAL LEADERSHIP** – We protect and enhance our environment for current and future generations through excellence in water cycle management.
- **SOCIAL & ECONOMIC VALUE** – We advance the wellbeing and prosperity of society by leveraging our unique capabilities.

OUR VALUES

Our values support our purpose, vision, and the development of a constructive culture for Urban Utilities. They provide guidelines for employees on what behaviour is expected and how decisions should be made.

WE CARE

- **WE'RE CONNECTED.** We're here for each other and our customers. We generously share our talent, time and knowledge.
- **WE'RE ALL IN.** We're one team. We've got grit, can always be counted on and love what we do.
- **WE KEEP IT REAL.** We're good humans. We embrace real and meaningful conversations. We bring our whole self to work.
- **WE'RE EVOLVING.** We're curious, we challenge the status quo to create change that adds value.

OUR STAKEHOLDERS

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

HOW WE ENGAGED WITH OUR STAKEHOLDERS

Stakeholders	Key interest areas	How we engaged
Customers and Communities	<ul style="list-style-type: none"> • Water and sewerage prices • Public health • Customer service • Environmental impact • Billing • Financial hardship • Community relations • Corporate and charitable support • Capital works and infrastructure maintenance 	<ul style="list-style-type: none"> • Contact Centre • Printed collateral • Website • Traditional and social media • Events • Focus groups
Shareholders	<ul style="list-style-type: none"> • Strategic direction • Business performance • Economic development • Research and development • Service and infrastructure delivery • Financial performance 	<ul style="list-style-type: none"> • Proactive and reactive shareholder relations • Performance reports • Regional tours • Chair communication (monthly) • Special General Meeting (annual) • Water Netserv Plan
Department of Regional Development, Manufacturing and Water + other QLD government regulators	<ul style="list-style-type: none"> • Legislative compliance • Public health • Environmental management • Financial management • Sustainable policy and legislation • Economic development 	<ul style="list-style-type: none"> • Executive meetings • Relationship management • Advocacy groups • Steering and working committees
Seqwater	<ul style="list-style-type: none"> • Water security & water quality • Bulk water supply 	<ul style="list-style-type: none"> • Operational meetings • Regional planning
Developers	<ul style="list-style-type: none"> • Customer service • Research and development • Infrastructure delivery • Economic development • Technical standards & planning policy 	<ul style="list-style-type: none"> • Relationship management • Industry forums • Dedicated website portal
Partners	<ul style="list-style-type: none"> • Collaborative opportunities • Research and development • Sponsorship • Knowledge sharing 	<ul style="list-style-type: none"> • Forums and events • Site and facility tours • Working group membership • Workshops and meetings • Research partnerships
Suppliers and Contractors	<ul style="list-style-type: none"> • Fairness, equity and transparency in awarding work • Forward visibility of work • On-time payment of invoices • Fairness in dealing with unforeseen circumstances • Compliance with contracts • Modern slavery 	<ul style="list-style-type: none"> • Contract management meetings • Site visits and audits • Variation management • Tenders and expressions of interest

OUR BUSINESS IN NUMBERS

1.6 million
customers

\$6.7 billion
asset base

2.1 million
water meter readings

133,720 ML
of drinking water supplied

\$225 million
total return to shareholders

123,850
drinking water quality tests

126,681 ML
of wastewater collected,
transported and treated

100%
of Customer Service
Standards achieved

2,323
water approval
applications processed

3,745 ML
of recycled water supplied

9,686 km
of water mains

\$150,000+
invested in community
events
and sponsorships

\$368.8 million
invested in infrastructure

10,002 km
of wastewater mains

12,610 MWh
generated from waste

28 wastewater
treatment plants

CHAPTER 2: PERFORMANCE AGAINST STRATEGIC DIRECTION

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

STRATEGIC GOAL 1:

CONSTRUCTIVE CULTURE

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

STRATEGIC GOAL 2:

FOUNDATIONAL SUCCESS

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

STRATEGIC GOAL 3:

ENVIRONMENTAL LEADERSHIP

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

STRATEGIC GOAL 4:

SOCIAL & ECONOMIC VALUE

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

Chapter 2 summarises our performance against the program of work we committed to with our Board and shareholders to realise our four strategic goals.

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

Chapter 2 also contains reporting against the delivery of our six strategic initiatives (see page 22). These are the significant projects across the business that will provide the transformation required to achieve our longer-term business objectives.

Status reporting

Throughout this chapter, our overall performance against strategic measures and strategic initiatives is reported using the following indicators:

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

STRATEGIC GOAL I: CONSTRUCTIVE CULTURE

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

PERFORMANCE SUMMARY

- Conducted an independent review of our safety strategy, performance, and culture.
- Successfully completed our ISO 45001 audit and retained our certification.
- Continued to invest in the growth of our leaders.
- Hosted Cultural Immersion training to improve our leaders' understanding of the role they play in building cultural safety.
- Saw an increase in our employee engagement, enablement, and overall effectiveness.
- Introduced two new types of paid leave and enhanced our parental leave provisions.
- Relocated to our new Head Office, which was designed to encourage flexible, purposeful work.
- Took actions to promote greater acceptance and inclusion of our LGBTQIA+ community.

91%

of our people feel their work group is committed to delivering high quality products and services

89%

of our people feel they are treated with respect as an individual

83%

of our people believe their job provides opportunities to do challenging and interesting work

74%

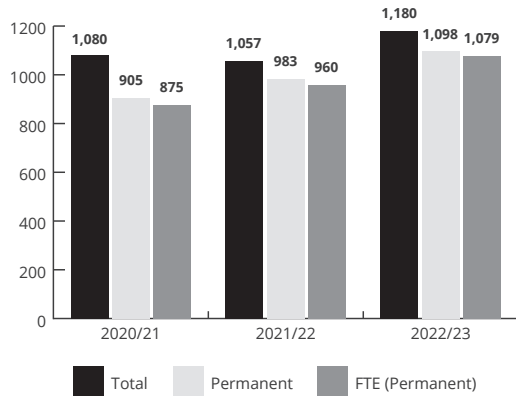
of our people feel proud to work for Urban Utilities

OUR FOCUS FOR FY24

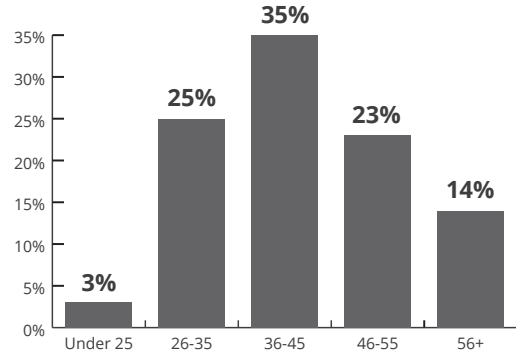
- Begin implementing our Enterprise Safety Improvement Program.
- Complete Phase 1 of our Holistic Health and Wellbeing Program.
- Develop leadership capability at all levels, including emerging leader, safety leadership, and management fundamentals.
- Deliver our Learning and Capability Strategy to build internal capability for current and future needs.
- Use insights from our people to design our desired workplace culture, practices, and environment.
- Continue to deliver across the Diversity, Equity, Inclusion and Belonging portfolio, including developing our next Reconciliation Action Plan.

OUR WORKFORCE PROFILE

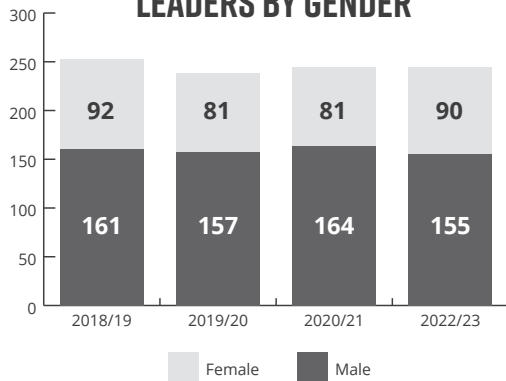
TEAM MEMBERS



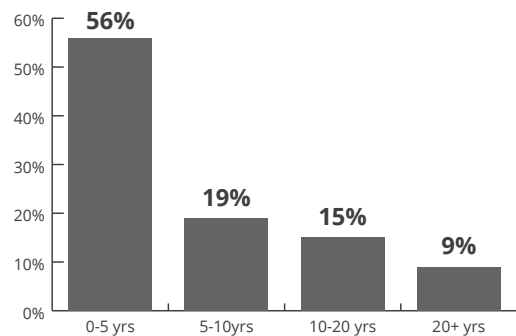
AGE PROFILE (PERMANENT EMPLOYEES)



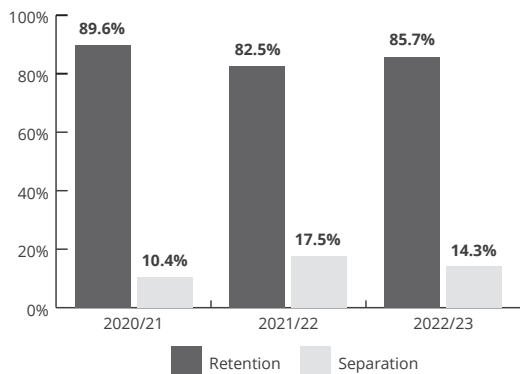
LEADERS BY GENDER



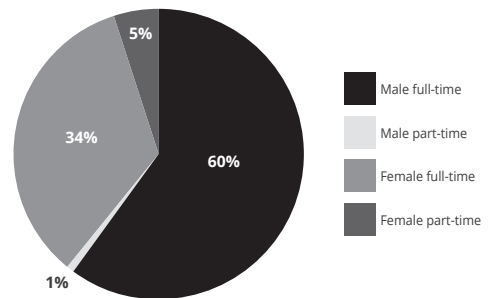
WORKFORCE TENURE



PERMANENT RETENTION & SEPARATION RATES



EMPLOYMENT STATUS (PERMANENT TEAM MEMBERS)



OUR WORKFORCE

OUR WORKFORCE PROFILE

In FY23, our total workforce (1,180) comprised a range of professional and trade roles in permanent full-time and permanent part-time capacities, working under enterprise or individual employee arrangements. This figure excludes agency resources who were employed on a short-term basis to meet ad-hoc business requirements.

Year-on-year, our total workforce increased by 123 team members, which can be attributed to the need for additional resources to support the delivery of strategic projects.

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

Research continues to prove that diversity is essential for any organisation to grow and prosper. In a typically male-dominated industry, we boast distinctly higher female leadership than the industry norm of 25%, as cited in the Australian Government's 2022 Gender Equality Scorecard. In FY23, 36.7% of all Urban Utilities leaders were female.

During FY23, our workforce age profile remained consistent, with the majority (35%) being between 36-45 years of age. Our workforce tenure also remained fairly consistent, with over half (56%) falling in the 0-5-year range.

Finally, our retention rate (85.7%) increased by 3.2%, while our separation rate (14.3%) decreased by the same percentage.

INDUSTRIAL AND EMPLOYEE RELATIONS

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

1. Operational and Field Services Employees' Enterprise Agreement 2021 (operational 4 February 2022);
2. Administrative and Technical Employees' Enterprise Agreement 2022 (operational 21 June 2022); and
3. SAS Laboratory Employees' Enterprise Agreement 2020 (expired 14 August 2021).

The negotiations for the SAS Laboratory Employees' Enterprise Agreement commenced in August 2022 and are ongoing.

CODE OF CONDUCT (PUBLIC SECTOR ETHICS ACT 1994)

All Urban Utilities team members are expected to display the highest ethical standards and conduct themselves in a way that is reflective of our organisational values, policies, and legal obligations.

Prepared in accordance with the *Public Sector Ethics Act 1994*, our *Code of Conduct* sets the minimum standard of behaviour expected in the workplace. It makes it clear that all team members are responsible and accountable for their own conduct and that they are expected to contribute to a constructive, productive, and safe workplace.

Our *Code of Conduct* was last revised in 2020.

OFFICIAL MISCONDUCT

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

PROMOTING A WORK/LIFE BALANCE

We recognise the importance of work/life balance and offer access to various paid and unpaid leave arrangements, over and above the National Employment Standards, including an additional five days of personal/carer's leave each year, study leave, and miscarriage leave. We also offer flexible work patterns and hours of work. This dynamic approach is enabled by smart technology, which allows our people to stay productive and connected, regardless of their location.

In FY23, we introduced two new paid leave types: Connection Day and CARE Days. These new leave types provide greater flexibility around how our people can access their leave.

A Connection Day is for our people to connect with their friends, family, or community, while a CARE Day is intended for proactive self-care or to provide care for others not covered by Carer's Leave. Examples of self-care include prioritising mental health and having preventative health check-ups, while caring for others includes looking after a grandchild or volunteering within the community.

We also enhanced our parental leave provisions to support either parent, regardless of gender or birthing parent, provided they are the primary care giver. These include an increase in paid parental leave from 14 weeks to 18 weeks, paid superannuation during unpaid parental leave, and a reduction to the parental leave eligibility period (now six months, previously 12 months).

WORKFORCE PLANNING, ATTRACTION AND RETENTION

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

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

- a well-established Diversity, Equity, Inclusion and Belonging Program,
- a successful Pathways and Graduate Program,
- a dedicated Talent Acquisition Team and Learning and Capability Team, and
- a Learning Management System that enables self-directed skills and knowledge development.

We are also committed to giving our leaders the tools and support they need to improve their resilience, self-awareness, and ability to coach and communicate. In FY23, we delivered our Fearless Leadership Program, which focused on the core elements of psychological safety, accountability, and structural dynamics to help leaders drive individual, team, and enterprise performance. In addition, we hosted a refreshed Introduction to Coaching workshop, which provided around 90 leaders with the opportunity to develop foundational coaching knowledge and skills.

This year we also:

- Relaunched our UrbanPride Working Group and UrbanPride Allyship Network to help identify opportunities to celebrate our diverse workforce and promote acceptance and inclusion of our LGBTQIA+ community.
- Ran a series of online discussions related to wellbeing, mental health, and resilience.

- Designed and facilitated numerous Team Effectiveness sessions across the organisation, supporting teams to better formulate their purpose, behaviours, and ways of working.
- Stood up the Learning Community of Practice, which brings together like-minded people to deliver better outcomes for our people and our business.
- Began redesigning our corporate induction program to support our new starters.

HEALTH AND SAFETY COMMITTEES

Our Health, Safety and Wellbeing structure is specifically designed to support consultation and communication on relevant issues across our organisation.


The committee structure has two distinct layers:

- **Executive Health, Safety and Wellbeing Group (EHSWG):** This group provides strategic direction and oversight to the application and performance of Urban Utilities' health, safety and wellbeing policies, practices, and management, which commit to protecting the health, safety and wellbeing of our people, contractors, customer, and communities.
- **Line Committees:** These committees bring together Health and Safety Representatives (HSRs), team members and leaders to discuss health and safety issues, and are responsible for implementing best practice safety solutions for their workgroups. The line committees include:
 - Office Administration Safety Committee
 - Field Services Safety Committee
 - Environment and Industrial Safety Committee
 - Petroleum and Gas Advisory Group
 - Electrical Safety Advisory Group
 - Delivery Partner Advisory Group.

In FY23, we had 41 trained HSRs.

PERFORMANCE AGAINST BUSINESS OBJECTIVES

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
Embrace our leadership philosophy and create a work environment that delivers high performance	<ul style="list-style-type: none"> Completed the delivery of our Fearless Leadership Program, aimed at our senior enterprise leaders, to help grow a constructive culture. Hosted coaching workshops for leaders, designed to develop foundational coaching knowledge and skills in a psychologically safe environment. Encouragingly, 96% of participants believed the workshop was a valuable learning experience. Conducted an independent review of our safety strategy, performance, and culture. The findings from this review have provided a baseline for our next cycle of strategic improvement, along with priority areas to focus on in FY24 and beyond. To guide a sustainable and aligned response, we established and mobilised an Enterprise Safety Improvement Program. Successfully completed our <i>ISO 45001 Occupational health and safety</i> audit and retained our certification. 	<p>Growth in constructive leadership behaviour (Leader Effectiveness score %)</p> <p>Target: >83 Result: 83</p> <hr/> <p>Growth in constructive leadership behaviour (Trust index %)</p> <p>Target: >65 Result: 63</p> <p>Our performance challenge: While we did not achieve our overall target, we were pleased to realise a 2% increase in our year-on-year performance. Of note, we saw a 4% uplift in our people agreeing that Urban Utilities is open and honest in its communication with employees, and a 2% uplift in our people saying they have trust and confidence in their immediate manager.</p> <hr/> <p>Serious Injury Frequency Rate (SIFR)</p> <p>Target: Urban Utilities: 0 Service partners: 0</p> <p>Result: Urban Utilities: 0.45 Service partners: 0</p>
		<p>Our performance challenge: In October 2022, two of our people were regrettably injured – one seriously – while performing a high-risk maintenance activity. Pleasingly, the seriously injured team member returned to work in early 2023. An investigation was undertaken to understand how the incident occurred, with an immediate focus on inspecting and assessing all associated risks and controls. The incident acted as a catalyst for a step-change in the way the industry approaches this high-risk activity and saw us partner with an external specialist to design a control outcome to prevent this kind of incident from reoccurring.</p>

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
<p>Enhance the efficient delivery of work through improved employee experience</p>	<ul style="list-style-type: none"> • Conducted our annual Employee Effectiveness Survey (EES) to measure the engagement and enablement of our people. We continue to use these valuable insights to help us improve the employee experience. This year, we achieved our highest enablement score (71%) since we starting tracking in 2014, which is above both Australian and Global Industry norms. We also saw a 1% increase on engagement. • Developed our Employee Value Proposition Strategy, informed by 2022 Employee Experience Survey results, as well as insights from employee engagement workshops. • Engaged a new Voice of the People Program partner, who will focus on uplifting our employee engagement and ongoing feedback surveys. • Transitioned to our new, purpose-built head office, which was designed to encourage flexible, purposeful, and collaborative work. The thoughtful design and fit-out accommodates the varied work, health, cultural and familial needs of our people. • Reviewed and enhanced our leave benefits to cater to the diverse needs of our people and their families, including the way they connect, care for loved ones, and look after themselves. • Re-launched our UrbanPride Working Group and UrbanPride Allyship Network. The purpose of these groups is to help identify opportunities to celebrate our diverse workforce and promote acceptance and inclusion of our LGBTQIA+ community. 	<p>Employee experience (%) </p> <p>Target: >62 Result: 60</p> <p>Our performance challenge: While we did not achieve our overall target, we saw a 2% increase in our year-on-year performance. Of note, we saw a 7% uplift in our people agreeing that work is well organised in their group, and a 4% uplift in our people agreeing they have the information they need to do their job well.</p>

STRATEGIC GOAL 2: FOUNDATIONAL SUCCESS

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

PERFORMANCE SUMMARY

- Commenced work on the Bulimba-Hamilton Siphon Project, which involves replacing the historic wastewater pipe located 60m below the Brisbane River.
- Launched a \$32 million upgrade to wastewater infrastructure in the Lockyer Valley to help support future growth in the region.
- Began construction on the \$45 million Breakfast Creek Trunk Sewer Main Upgrade, which involves building a new pipe that will be one of the biggest in our network.
- Continued planning for the infrastructure requirements of the 2032 Olympic and Paralympic Games.
- Refreshed the membership of our Customer and Community Reference Group.
- Continued to evolve our digital channels to improve the customer experience.
- Commissioned our innovative Receiving Environment Digital Twin (REDiT).

\$368.8m

invested in new and existing infrastructure

100%

of Customer Service Standards achieved for the fourth consecutive year

100%

compliance with Australian Drinking Water Guidelines

OUR FOCUS FOR FY24

- Complete Customer Privacy audit actions.
- Implement a Governance, Risk and Compliance Management System.
- Complete Let's Talk Water (customer engagement program) discovery and capture insights.
- Launch Service Moment Ready (customer service program) to all frontline teams.
- Deliver solutions for five Integrated Catchment/Zone Plans.
- Confirm affordability aspiration and framework.

PERFORMANCE AGAINST CUSTOMER SERVICE STANDARDS

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

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

INDICATOR	SERVICE STANDARD	2018/19 RESULT	2019/20 RESULT	2020/21 RESULT	2021/22 RESULT	2022/23 RESULT	ACHIEVED?
WATER QUALITY							
Annual chemical compliance with <i>Australian Drinking Water Guidelines</i> health limits	All relevant schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	Yes
Bacteriological compliance with the <i>Public Health Act 2005</i>	All relevant schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	Yes
Chemical compliance with the <i>Public Health Act 2005</i>	All relevant schemes compliant	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	Yes
Water quality complaints	≤6 Per 1,000 properties	0.681	0.46	0.33	0.52	0.58	Yes
WATER SERVICE RELIABILITY							
Number of unplanned water supply interruptions	≤100 per 1000 properties per annum	83	89	55	43	46	Yes
Water main breaks	39 breaks per 100 km of water main per year	30.0	31.1	25.35	18.6	18.14	Yes
RESPONDING TO UNPLANNED WATER AND WASTEWATER INTERRUPTIONS							
Urgent incidents	80% within 1 hour	89%	88%	81%	92%	100%	Yes
Non-urgent incidents	80% within 24 hours	77%	92%	91%	91%	97%	Yes
RESTORATION OF SUPPLY AFTER UNPLANNED WATER AND WASTEWATER INTERRUPTIONS							
Restoration of supply	≥90% unplanned interruptions restored within 5 hours	96%	96%	97%	97%	96%	Yes

INDICATOR	SERVICE STANDARD	2018/19 RESULT	2019/20 RESULT	2020/21 RESULT	2021/22 RESULT	2022/23 RESULT	ACHIEVED?
WASTEWATER SERVICE RELIABILITY							
Sewerage main breaks and chokes	30 breaks per 100 km of sewerage main per year	18.4	21.1	23.9	17.56	14.6	Yes
WATER PRESSURE AND FLOW							
Water pressure	<p><i>Urban area</i> ≥21 metres head of water</p> <p><i>Trickle feed areas (and private booster)</i> ≥10 metres head of water</p>	Urban Utilities undertakes ongoing electronic and manual monitoring of the water network to ensure water supply pressure and volume standards are met. Where an issue is detected or a complaint received, it is investigated and corrective action is undertaken.					
Water flow	<p><i>Urban areas</i> ≥25 L/min</p> <p><i>Trickle feed areas</i> ≥3.2 L/min</p>						

MAJOR INFRASTRUCTURE PROJECTS COMPLETED OR PROGRESSED

In FY23, we invested \$368.8 million in new and upgraded infrastructure to improve the reliability and sustainability of our water and wastewater networks. The table below shows the key infrastructure works that were commenced, progressed, or completed during the year.



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





PROJECT TITLE		TOTAL PROJECT INVESTMENT (\$'M)	2022/23 INVESTMENT (\$'M)	COMMENCED	COMPLETED/ ESTIMATED COMPLETION
Brisbane	Virginia Branch Sewer Section 1 Augmentation (Cannery Creek)	65.5	12.7	2021/22	2024/25
	Hamilton Siphon Rehabilitation - Stage 2	54.4	10.3	2022/23	2023/24
	Breakfast Creek Trunk Sewer Augmentation - Stage 1	46.0	17.6	2020/21	2023/24
	Luggage Point STP Augmentation – Stage 1 (PST Works)	21.5	2.7	2018/19	2022/23
	Eagle Farm SPS (SP010) Pressure Surge Management Augmentation - System 1	13.4	10.9	2021/22	2023/24
	Gibson Island STP (ST032) Main Pump Station Switchboards, Motors, and Emergency Generator Replacement	12.9	3.8	2019/20	2022/23
	Gibson Island STP (ST032) Main (HV) Switchboard and Cable Replacement	11.9	4.6	2019/20	2022/23
	Bartleys Hill Reservoir 2 (R046) Walls & Roof Rehabilitation	9.9	0.2	2021/22	2023/24
	Hamilton Siphon Rehabilitation - Stage 1	8.1	6.4	2021/22	2022/23
	Grey Street Sewer Infrastructure Upgrade Phase 2 and 3	28.9	9.7	2021/22	2024/25
Ipswich	Tantivy St, Tivoli (SP351) Pump Station Upgrade Stage 1	24.5	2.3	2022/23	2023/24
	Ipswich RTU Telemetry Network Upgrade	14.0	5.5	2019/20	2023/24
	Swanbank Sewer Augmentation	10.3	1.5	2019/20	2021/22
	Haig St, Ipswich Rising Main (RM355) Renewal	8.2	2.1	2022/23	2023/24
	Hanlon Street Sewage Pump Station (SP322) Upgrade - Stage 1	7.3	0.8	2021/22	2022/23



PROJECT TITLE		TOTAL PROJECT INVESTMENT (\$'M)	2022/23 INVESTMENT (\$'M)	COMMENCED	COMPLETED/ ESTIMATED COMPLETION
Lockyer Valley	Plainland Diversion to Laidley STP	22.8	15.2	2020/21	2023/24
	Laidley STP Effluent Reuse	10.1	5.0	2019/20	2022/23
	Gatton STP Electrical Renewals	3.5	0.2	2022/23	2023/24
Scenic Rim	Appel St, Canungra Reservoir 2 (R133) Rehabilitation	2.6	1.0	2021/22	2023/24
	Elliot Rd, Boonah Pump Station (SP435) Rehabilitation and Upgrade	1.4	0.3	2022/23	2022/23
	Christie St, Canungra SPS SP449 Access Driveway	0.9	0.5	2022/23	2022/23
Somerset	Esk Reservoir Implementation	13.1	0.6	2021/22	2023/24
	Kilcoy (FP-SOM-KIL-CAN) Pipeline Augmentation	1.0	0.4	2022/23	2023/24
	Lowood 1 Reservoir (R102) Rehabilitation	0.6	0.1	2023/24	2024/25




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



PERFORMANCE AGAINST BUSINESS OBJECTIVES


BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
<p>Shape the way future services are provided to ensure we meet community requirements at the lowest sustainable cost</p>	<ul style="list-style-type: none"> Continued to enhance our integrated catchment planning approach – an evidence-based approach to planning and solution development, supported by calibrated modelling. This approach aims to: benefit the community by prioritising performance improvements that protect homes and businesses; improve environmental outcomes; and improve our investment decision making across our service region, as well as in critical activities, such as the Olympic and Paralympic precincts, biosolids and organics management. Progressed integrated Water Zone Plans covering significant areas across our cities and regions. Following planning and options analysis, we advanced the development of localised ‘reuse and recycle’ treatment opportunities. Advanced our planning for the Albion Olympic and Paralympic precinct through ongoing discussions with government and other stakeholders. The planned facility will incorporate reuse and recycle technology, take pressure off urban sewers, and contribute to greening and cooling in the area. Continued discussions with the state government and other stakeholders regarding the integration of reuse and recycle treatment opportunities in the expanded Woolloongabba Olympic and Paralympic precinct. 	<p>Asset utilisation </p> <p>Target: Integrated solution packages developed for key projects from existing plans for CBD to Luggage Point and Ripley/Bundamba; Oxley Creek adaptive plan completed.</p> <p>Result: Integrated Catchment Plans (ICPs) and Integrated Zone Plans (IZPs) have been progressively developed across priority service territories so that our servicing strategy is embedded in our investment decision making.</p> <p>The following plans have been developed, with solution packages now under execution:</p> <ul style="list-style-type: none"> Kedron Brook and Breakfast Creek ICP Norman Creek and Perrin Creek ICP Eagle Farm Pump Station to Luggage Point Resource Recovery Centre ICP Extended S1 Catchment ICP, including water infrastructure investment at the Albion Olympic and Paralympic Precinct Service Region Water Quality IZP Ipswich IZP. <p>Priority integrated solution packages are in execution for the Ripley, Bundamba, and Oxley ICPs.</p>
		<p>Progression of infrastructure to a ‘reuse and recycle’ approach </p> <p>Target: Localised treatment solutions are developed to deliver operational efficiencies and positive environmental outcomes.</p> <p>Result: Localised treatment solutions have been developed in the Kedron Brook and</p>

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
		<p>Breakfast Creek, Norman, and Perrin Creek and the Extended S1 ICPs. They are key components of the endorsed investment pathways to optimise the long-term cost to serve and deliver improved environmental and public health outcomes for these catchments.</p> <p>As part of the Extended S1 ICP, we continue to work actively on the Master Plan for the Albion Olympic Site.</p>
<p>Deliver products and services that our customers prefer</p>	<ul style="list-style-type: none"> Maintained 100% compliance with the Australian Drinking Water Guidelines, with any water quality incidents reported to the regulator within the required timeframe. Experienced a significant ‘taste and odour’ water issue in Eastern Heights, Ipswich, in December 2022. While the water was safe to consume, as defined by the stringent Australian Drinking Water Guidelines (health-based guidelines), the incident adversely impacted customer experience. Continued to proactively manage our drinking water quality by focusing on disinfection and chlorine systems and protocols, active water reservoir management, and improving planning decisions that inform future water network operations. 	<p>Quality of drinking water supplied to customers  <i>(% compliance)</i></p> <p>Target: 100 Result: 100</p> <hr/> <p>Quality and reliability of recycled water  <i>(% of recycled water provided to customers that meets standard)</i></p> <p>Target: 100 Result: 99.9</p> <hr/> <p>Fit-for-purpose biosolids product quality  <i>(% fit-for-purpose beneficial reuse product provided to customers)</i></p> <p>Target: 100 Result: 99.9</p>
		<p>Quality of effluent product  <i>(% of final product meets compliance testing requirements)</i></p> <p>Target: 100 Result: 93.46</p> <p>Our performance challenge: This year’s result was heavily impacted by flood damage to critical process infrastructure at the Oxley Creek Resource Recovery Centre during 2022.</p>

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
<p>Deliver sustainable customer services through optimised planning and active risk management</p>	<ul style="list-style-type: none"> • Continued to improve the risk methodology applied to operational and investment planning for our assets. For example, we: <ul style="list-style-type: none"> – Leveraged insights from our integrated water zone planning and reservoir inspection programs to reduce risks associated with quality and reliability. – Reviewed the criticality of assets at our resource recovery centres to update risks and identify further controls. – Updated our 10-year program for risk-prioritised sewer network inspections and renewals. – Updated our 10-year program for risk-prioritised water mains renewals. – Finalised the business case for our Asset Investment Planning Optimisation Solution and completed a pilot in the Oxley ICP. – Continued to develop our Climate Change Risk Models, with a focus on modelling extreme, long-term environmental changes, such as increasing ambient temperatures and lower-than-average rainfalls. – Started work on our next five-year risk-based condition assessment program. 	<p>Risk profiles across all assets </p> <p>Target: Finalise the development of risk models and continue to improve existing models, ensuring risk and performance knowledge is informing Integrated Catchment Plans and Integrated Zone Plans.</p> <p>Result: Finalised the Reservoir Risk Model to include water quality parameters. Finalised Resource Recovery Centre (RRC) Risk Models at both site and process level. Updated and automated network models with latest environmental and cost data. Established the methodology for assessment of climate change risk to critical assets and built the risk models for flooding and bushfire risk in 2050 and 2100 for RRCs and reservoirs.</p> <hr/> <p>Service and asset reliability </p> <p>Target: Embed the Service Value Framework that will inform optimised planning outcomes to achieve lowest cost of asset ownership.</p> <p>Result: Developed the Service Value Framework, which is in the process of being embedded in the Enterprise Decision Analytics toolset. The use of accepted values for outcomes related to Safety, Public Health, Environment, Customer Experience and Cost to Serve will inform optimised investment planning.</p>

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
<p>Become a truly customer-centric business that delivers an effortless customer experience (CX)</p>	<ul style="list-style-type: none"> Refreshed the membership of our Customer and Community Reference Group, which gives us valuable insights and feedback from key community representatives. At the May 2023 meeting, the group agreed that affordability will be a key focus area, given the cost-of-living pressures many customers are facing. Continued to deliver key programs of work to improve customer satisfaction, including: implementing an integrated experience and communications plan focusing on customer perception of fair charges and value for money; enhancing customer communications across maintenance activities; embedding brand into our customer service training; and optimising our digital customer channels. Began transitioning our focus from assessing customer centricity to driving customer centricity through individual business and employee performance-related measures. Transitioned to a new outsourced debt management partner who will deliver improvements to our recovery process, including better customer support through early intervention, especially for those customers experiencing vulnerabilities. 	<p>Customer at the table  <i>(% business units informed by insights)</i></p> <p>Target: >80 Result: 50</p> <p>Our performance challenge: This year, we focused on applying insights to business teams that directly impact customer outcomes. We did not achieve our target of 80%, as this would've required us to expand our program to include business teams that have limited impact on customer outcomes.</p> <hr/> <p>Effortless customer experience  <i>(% residential customer satisfaction)</i></p> <p>Target: 71 Result: 68</p> <p>Our performance challenge: Perceptions of 'fair charges and value for money' emerged as a key driver of customer satisfaction from the 2022 Moments that Matter research, but was consistently the lowest performing driver throughout FY23. While our customers have not yet felt the impact of the FY24 price increase, it is likely to have a negative impact on this driver, given the current economic climate and cost-of-living pressures being felt by many in our communities. Along with our continued focus on having the right systems, capabilities, and resources in place to support the desired customer experience, we are working to uplift the perception of fair charges and value for money through an integrated communications and experience program.</p>
		<p>Customer-centric mindset </p> <p>Target: All employee plans include at least one customer-related KPI</p> <p>Result: Did not achieve</p> <p>Our performance challenge: The achievement of this target is dependent on the rollout of the Customer Centricity program, which has been delayed. Relevant customer measures and meaningful KPIs for each business team will be incorporated as part of this program rollout.</p>

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
<p>Harness technologies to improve the customer and employee experience and the use the digital systems that provide proactive and real-time monitoring of performance</p>	<ul style="list-style-type: none"> • As a priority, we continued to take action to protect our customers' privacy and data, specifically in relation to our billing system. • Continued to evolve our digital channels to improve the customer experience. This included: <ul style="list-style-type: none"> – Improving the functionality of our MyAccount app, including the provision of easier payment options for customers. – Improving notifications around skipped meter reads, giving affected customers the opportunity to provide a self-meter read for more accurate billing. – Enhancing automatic notifications to better inform customers of works that may impact their properties. • Continued the enhancement of our Supervisory Control and Data Acquisition (SCADA) system to enable improved remote monitoring and management of our assets. • Commissioned our Receiving Environment Digital Twin (REDiT), which is helping us determine our waterway environmental footprint and undertake water emissions scenario planning analysis. • Launched a new Developer Services application portal, which will improve both the customer and employee experience. • Continued to enhance our field mobility devices, making it easier and safer for crews to work. • Increased the coverage of sewerage system assets in our online asset map repository to improve overflow management. We also included additional asset and network shutdown plans to improve our management of assets, safety, and customer impacts. 	<p>Easy to deal with for customers (% of customers that report Urban Utilities is "easy to deal with" via the available digital channels)</p> <p>Target: >73 Result: We no longer use the 'Easy to deal with' measure. We now measure 'Customer Satisfaction' as it better aligns to our customer reporting. Our FY24 measures and targets have been updated to reflect this.</p> <hr/> <p>Digitally enabled workforce (number of programs that digitally uplift the workforce) </p> <p>Target: 4 Result: 4</p> <hr/> <p>Predictive and proactive management of assets (% increase in proactive operation and maintenance preventions) </p> <p>Target: 100 Result: 100</p>

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
	<ul style="list-style-type: none"> • Brought our IT Service Desk in-house for the first time since formation. This has provided a significant uplift in IT service delivery and service management, and has enhanced the employee experience. • Transitioned to our new head office, which involved delivering state-of-the-art technology to allow our people to seamlessly connect with each other and work with purpose. 	
<p>Maintain affordable and transparent pricing for our customers</p>	<ul style="list-style-type: none"> • Maintained our focus on placing downward pressure on customer bills, whilst still allowing for continued investment to support our growing communities. The typical household water and sewerage bill in our service region will increase by 5.2% from July 1, 2023. Urban Utilities' component of the typical household bill is increasing by 6.8%, while the bulk water component is increasing by 2.12%, according to the Seqwater-published price path for FY24. • Cognisant of the ongoing cost-of-living pressures impacting many in our community, we continued to work hard to keep bills as low as possible. Over the past three years, we've kept our component of annual bill changes under 3% and below CPI. This means typical residential customer bills have reduced in real terms for three consecutive years. 	<p>Utility price increase </p> <p>Target: Average annual utility price increases not exceeding CPI in the medium term (FY20-26)</p> <p>Result: Urban Utilities' 6.8% increase, and overall increase of 5.2%, is below the Brisbane 12-month March-to-March CPI measure of 7.4%.</p>

STRATEGIC GOAL 3: ENVIRONMENTAL LEADERSHIP

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

PERFORMANCE SUMMARY

- Planted 1,100 native gum trees, which are being irrigated with recycled water from the adjacent Helidon Resource Recovery Centre.
- Launched our Water Leadership Plan, *Our Water Way*, which details our plans to ensure a plentiful, safe, reliable, affordable, and sustainable supply of water for the future, whatever the weather.
- Made progress against our Net Zero 2032 Roadmap.
- Developed a Strategic Engagement Framework to uplift shareholder, stakeholder, and community engagement in our re-shaping of the water cycle.
- Increased our focus on driving water literacy in our communities by delivering engaging and educational experiences.
- Saw an increase in greenhouse gas emissions caused by one of our cogeneration units being offline due to extensive flood damage.

1,100
native gum trees planted

12,610
MWh generated from waste through cogeneration



52,000
visits to our dedicated water security webpage




1,000kg
of metal from refurbished task chairs diverted from landfill and sent to appropriate recycling channels


OUR FOCUS FOR FY24

- Deliver environmental regulatory approvals for S1 and Gatton investments.
- Complete the Value of Saved Water project with Seqwater, which will inform a decision-making framework for investment that delivers benefits across the urban water cycle.
- Issue our Nutrient Net Zero plan.
- Stand up the Water 2032 and Beyond advocacy group.

PERFORMANCE AGAINST BUSINESS OBJECTIVES

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
<p>Reduce our environmental footprint</p>	<ul style="list-style-type: none"> • Progressed the next phase of work for our transition to renewable electricity, which includes options for partnerships across government agencies and with other stakeholders. • Made considerable progress in the 'understand' phase for Scope 3 greenhouse gas emissions. • As part of Urban Utilities' Nutrient Offsets Science Program, we progressed a considerable piece of work to determine if broad-scale streambank/riparian rehabilitation in upper freshwater catchments is feasible to offset increasing nutrient emissions from our downstream urban WWTPs. • Planted 1,100 native gum trees alongside the existing 1,600 trees planted in 2019, to create a total of seven hectares of koala habitat. The plantation is irrigated with nutrient-rich recycled water from the adjacent Helidon Resource Recovery Centre. • Generated 12,610 MWh through cogeneration and 224 MWh through solar. 	<p>Reduce emissions to air, water, and land </p> <p>Target: No increase year-on-year for greenhouse gas emissions</p> <p>Result: Not available until October 2023.</p> <p>Performance challenge: While this year's final GHG emissions data won't be finalised until October 2023, we expect to see an increase on last year due to increased operational emissions from our Resource Recovery Centres (RRC). This increase is due to one of our cogeneration units being offline for a period of time owing to extensive damage from the February 2022 floods. This resulted in reduced power cogeneration and higher methane venting, as the Luggage Point RRC's methane flare capacity was, at times, exceeded. Construction is currently underway to significantly increase the flare capacity at Luggage Point, which will allow us to capture and burn excess methane generated by the plant's digesters and will support reduction of our operational emissions.</p>
		<p>Target: Continue implementation of the Roadmap to Net Zero </p> <p>Result: Achieved. Examples of progress in FY23 include:</p> <ul style="list-style-type: none"> • Engaging a partner to optimise the output and maintenance of our solar assets over the next 10 years. This will ensure guaranteed performance into the future. • Developing a holistic fleet category strategy that will give consideration to electric vehicles and how and when they can be incorporated. • Developed our first supply chain carbon footprint. We identified key carbon contributors and began working with them to understand their decarbonisation journey and priorities.

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
<p>Reshape the water cycle by reusing and recycling to maximise the value of water</p>	<ul style="list-style-type: none"> Developed a Strategic Engagement Framework to uplift shareholder, stakeholder, and community engagement in our re-shaping of the water cycle, including the delivery of Integrated Catchment and Zone Plans. The framework has informed our Communication and Engagement Plan for the Extended S1 ICP, which incorporates the elements of education, communication, community research, and shareholder, stakeholder, and community engagement. Continued to work towards maximising the reuse of recycled water in western catchments to provide opportunities for this valuable resource, as well as improve environmental outcomes. Entered the next phase of work to embed wet weather alternatives into our Integrated Catchment Planning. This includes making further enhancements to our Wet Weather Management Framework, which focuses on better understanding our general environmental duty. Launched our water leadership plan, <i>Our Water Way</i>, which details the future we're shaping, the challenges we're all facing, and the steps we're taking to ensure a plentiful, safe, affordable, and sustainable water future for our customers and communities. Increased our focus on driving water literacy in our communities by delivering engaging and educational experiences, and having face-to-face conversations about water security and the water cycle. Launched WaterTalk, an online community hub where customers can join the conversation and help shape the future of their water and wastewater services. Since its launch in August 2022, the hub has accrued 594 registered members and attracted over 150,000 visits. 	<p>Supply of recycled water in western catchments (% reuse of dry weather flow into wastewater treatment plants) </p> <p>Target: >70 Result: 55.9</p> <p>Performance challenge: This year's reuse percentage was heavily impacted by reduced recycled water demand due to prolonged effects of wet weather.</p> <hr/> <p>New standard for management for wet-weather flows (% of strategic business cases that adopt the standard for wet weather management) </p> <p>Target: 100 Result: 100</p> <hr/> <p>Indirect potable reuse accepted by the community </p> <p>Target: Maintain 60% community acceptance Result: 65%</p>

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
<p>Partner locally to improve environmental liveability, sustainability, and resilience in our communities</p>	<ul style="list-style-type: none"> Continued to work with strategic stakeholders on Priority Development Areas and future urban land planning activities, including those related to the 2032 Olympic and Paralympic precincts. Made a submission to the federal government and engaged with several states regarding controlling PFAS at the source. Engaged with the Department of Environment and Science regarding our revegetation master plan. 	<p>Evidence of partnerships with relevant shareholders, stakeholders and community </p> <p>Target: Engage at all levels of Government to improve environmental liveability, sustainability, and resilience in our communities Result: Achieved</p> <hr/> <p>Improved perception as a trusted environmental custodian – Corporate Reputation Index (%)</p> <p>Target: >60 Result: We no longer track Corporate Reputation. Instead, we track 'Trust' as our key relationship measure. Our FY24 measures and targets have been updated to reflect this.</p>

STRATEGIC GOAL 4: SOCIAL & ECONOMIC VALUE

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

PERFORMANCE SUMMARY

- Drafted our inaugural Sustainability Report.
- Partnered with Cleanaway to generate renewable energy from organic food waste.
- Continued to educate and empower school students through our Education Program.
- Supported numerous community events and initiatives through our Sponsorship Program.
- Re-commenced our vulnerable customer home visit initiative.
- Delivered multiple initiatives from our Innovate Reconciliation Action Plan, which is on track for FY24 completion.

14,720

people directly engaged by our Education Program

\$150k+

invested in community events and initiatives

85.5%

year-on-year increase in spend with First Nations suppliers





98%




of our people in relevant roles have completed modern slavery training

OUR FOCUS FOR FY24

- Publish our inaugural Sustainability Report.
- Complete our Innovate Reconciliation Action and commence the delivery of our Stretch RAP.
- Explore new partnerships with leading South East Queensland waste managers to expand our role in the organic waste processing market.
- Continue to investigate the possibility of building a new Sustainable Water Precinct that will meet current and future industry demand for a sustainable water supply.

PERFORMANCE AGAINST BUSINESS OBJECTIVES

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
<p>Create societal value through our essential products and services</p>	<ul style="list-style-type: none"> Began developing our first Environmental, Social and Governance framework, which helped inform our first Sustainability Report and will guide strategic sustainability decisions moving forward. Joined the Australian Water Association's new program, 'Partnerships for Resilient and Climate Smart Water Sectors', a key component of which involves inbound and outbound knowledge-sharing tours. In April 2023, three of our people travelled to Can Tho, Vietnam, to tour water treatment and distribution facilities. We subsequently hosted five guests from the Vietnam Water Supply and Sewerage Association and Can Tho Water Supply and Sewerage Company. Our guests toured the Luggage Point and Helidon Resource Recovery Centres and learnt about our innovative ways of working. 	<p>Creation of human, social, financial and natural benefits (\$ social value created) </p> <p>Target: >\$50m Result: Achieved</p>
<p>Enhance community liveability by embracing circular economy practices and protecting the community from emerging contaminants</p>	<ul style="list-style-type: none"> Continued to deliver our Cannery Creek Sewer Upgrade project, as planned. This nature-based solution will reduce wet weather overflows for customers, improve the health of Cannery Creek and provide new amenities for the community to enjoy. Nature-based solutions are the way of the future as they focus on outcomes that are better for the community, better for the environment, and more cost effective. Continued to investigate the possibility of building a new Sustainable Water Precinct that will meet current and future industry demand for a sustainable water supply. In the interim, we are exploring alternative supply options for commercial customers to help them achieve improved sustainability outcomes. Partnered with Cleanaway, Australia's largest waste management company, to generate renewable energy from organic food waste that's unable to be sold or donated by major supermarkets. Completed construction of an organics receipt facility at the Luggage Point Resource Recovery Centre in December 2022, allowing our digesters to directly accept and treat organic slurried food waste, in addition to fat, oil and grease waste. All latent digester capacity is expected to be utilised by December 2023, which is significantly ahead of schedule. 	<p>Delivery of alternative solutions beyond our core products, which enhance liveability</p> <p>Target: Commence physical works for Cannery Creek and advance the Sustainable Water Precinct</p> <p>Result: Cannery Creek works progressed as planned. </p> <p>Due to external challenges, our FY23 Sustainable Water Precinct targets were not met. We are currently engaging with stakeholders to explore a long-term solution that leverages a combination of existing assets. </p> <hr/> <p>Reduction of our cost of treatment through the commercial utilisation of capacity for co-digestion of organic waste (kL of high strength liquid organic waste under contract and being treated) </p> <p>Target: >60 kL Result: Achieved</p>

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
<p>Enhance community liveability by embracing circular economy practices and protecting the community from emerging contaminants</p>	<ul style="list-style-type: none"> • Began exploring additional strategic partnership opportunities for organic waste processing. • In partnership with the Australian Research Council Hub for Nutrients in a Circular Economy (NiCE), the University of Melbourne and Griffith University, we progressed a project to employ world-first electrochemical technology that converts urine directly into fertilisers for urban farming and gardening. • As at 30 June 2023, there were 38 projects in the Innovation, Research and Development (IR&D) pipeline, with 63% focused on resource recovery, 21% on emerging contaminants, and 16% on recycled water. 	<p>Deployment of innovative solutions that are addressing the impact of emerging contaminants, resource recovery and recycled water </p> <p>Target: Continued investment in IR&D pipeline through to deployment Result: Achieved</p>
<p>Enhance community prosperity and wellbeing by supporting vulnerable customers, minority groups and local business, and by creating employment and education opportunities</p>	<ul style="list-style-type: none"> • Re-commenced our vulnerable customer home visit initiative, which had been on hold since 2020 due to COVID-19. Home visits provide compassionate and respectful face-to-face contact with some of our most vulnerable customers. The individuals we visited – one of whom was a drought and flood-affected farmer – appreciated both the personalised service and our efforts to alleviate their financial stress. • Our Vulnerable Customer Working Group attended a pilot course for domestic and family violence awareness, facilitated by Uniting Training, will be rolled out to all customer-facing team members in FY24. • Delivered our most robust Education Program to date, which included 126 individual engagements, reaching over 14,720 people. This year, we launched two new education initiatives: <ul style="list-style-type: none"> – A kindy show to educate our younger audience about only flushing the 3Ps (pee, poo, and paper). – Water Stories First Nations Visual Art Experience – an interactive workshop that raises awareness about water and its deep connection to First Nations culture, histories, and stories. 	<p>Financial investment leading to measurable community benefits, including health, economic and training outcomes </p> <p>Target: >\$4 million Result: Achieved</p>
		<p>Drive reconciliation and improve the economic, health and social opportunities for Aboriginal and Torres Strait Islander people </p> <p>Target: Reconciliation Action Plan (RAP) initiatives complete. Stretch RAP delivered. Result: We are in the process of delivering our Innovate RAP, and will begin developing our Stretch RAP in FY24.</p>

BUSINESS OBJECTIVE	PERFORMANCE COMMENTARY	HOW WE MEASURED OUR SUCCESS
<p>Enhance community prosperity and wellbeing by supporting vulnerable customers, minority groups and local business, and by creating employment and education opportunities</p>	<ul style="list-style-type: none"> • Delivered or progressed a number of initiatives from our Innovate Reconciliation Action Plan (RAP), including the following: <ul style="list-style-type: none"> - Engaged a Supply Nation partner to review HR and recruitment policies and procedures to identify opportunities to be more inclusive and provide special measures, where appropriate. - Reviewed our Social Procurement Framework aimed to advance Aboriginal and Torres Strait Islander procurement opportunities. - Developed Welcome to Country and Acknowledgement of Country protocols. - Implemented a Cultural Competency Learning Strategy. - Hosted an interactive, full-day Cultural Immersion Program to improve our leaders' understanding of the important role they play in building cultural safety. Close to 300 of our people completed this program in FY23, including the Board. - Developed and delivered a tailored cultural awareness e-learning program for all employees. 	

DELIVERY OF STRATEGIC INITIATIVES

TRUST VOICE AND BRAND

Overall objective:

Build trust with customers, shareholders, and stakeholders through meaningful engagement, experiences, and insights to shape and deliver value across all of our services.

Status:



Performance summary:

- Refreshed our Customer and Community Reference Group, which provides us with valuable insights and feedback from key community representatives.
- Established Let’s Talk Water 2.0 Customer Engagement Program, including launch of the WaterTalk community engagement portal. The portal has received 151,800+ views since its launch in August 2022.
- Developed our Service Moment Ready program, which empowers our customer-facing team members to deliver exceptional experiences. This program will be rolled-out from July 2023.

RESHAPE THE WATER CYCLE

Overall objective:

Transform our water cycle to create a legacy of reliable, affordable, and resilient water for future generations.

Status:



Performance summary:

- Our work to reshape the water cycle is progressing at pace, with nine Integrated Sewer Catchment Plans and four Integrated Water Zone Plans under development.
- Developed and implemented our Strategic Engagement Framework for the S1 sewer upgrade, including preparation for scaling across all future Integrated Catchment/Zone Plans.
- Internet of Things (IoT) proof of concept went live in Kilcoy, which tests affordable, scalable network monitoring that enables proactive management of the network.

PROTECT OUR PLACE

Overall objective:

Lead the enhancement of our region’s environment through rejuvenating our catchments, enhancing waterways, rehabilitating ecosystems, and accelerating our path to Net Zero.

Status:



Performance summary:

- Progressed the next phase of work for our transition to renewable electricity, which includes options for partnerships across government agencies and with other stakeholders.
- Made considerable progress in the ‘understand’ phase for Scope 3 greenhouse gas emissions.
- As part of our Nutrient Offsets Science Program, we progressed a considerable piece of work to determine if broadscale streambank/riparian rehabilitation in upper freshwater catchments is feasible to offset increasing nutrient emissions from our downstream urban wastewater treatment plants.
- Planted 1,100 native gum trees alongside the existing 1,600 trees planted in 2019, to create a total of seven hectares of koala habitat. The plantation is irrigated with nutrient-rich recycled water from the adjacent Helidon Resource Recovery Centre.
- Saw an increase in GHG emissions due to increased operational emissions from our Resource Recovery Centres (RRC). This was due to one of our cogeneration units being offline for a period of time as a result of extensive damage sustained during the February 2022 floods.

GROWTH AND DIVERSIFICATION

Overall objective:

Active diversification of our revenue and service models to improve business resilience and adapt to the evolving needs of our customers and communities.

Status:



Performance summary:

- Continued to investigate the possibility of building a new Sustainable Water Precinct that will meet current and future industry demand for a sustainable water supply. In the interim, we are exploring alternative supply options for commercial customers to help them achieve improved sustainability outcomes.
- Partnered with Cleanaway, Australia's largest waste management company, to generate renewable energy from organic food waste that's unable to be sold or donated by major supermarkets.
- Completed construction of an organics receival facility at the Luggage Point Resource Recovery Centre in December 2022, allowing our digesters to directly accept and treat organic slurried food waste, in addition to fat, oil and grease waste.

PEOPLE WITH PURPOSE

Overall objective:

Create environments that drive high performance in our people, enabled by a psychologically safe culture, leading workspaces, and contemporary digital capabilities.

Status:



Performance summary:

- Transitioned to our new Head Office at 31 Duncan Street. The purpose-built premises enables our people to work flexibly, in an environment that supports connection and collaboration.
- Achieved our target of 2% improvement in employee effectiveness.
- Confirmed a new Voice of People platform, which will replace the current Employee Effectiveness Survey, allowing more agile and frequent pulse checking from FY24.
- Rolled out Cultural Immersion training to all leaders, supporting implementation of our Innovate Reconciliation Action Plan.

WATER 2032 AND BEYOND

Overall objective:

Position Urban Utilities as an essential enabler and risk mitigator of the 2032 Games, whilst accelerating delivery of our 2032 Aspiration.

Status:



Performance summary:

- Planning in Olympic and Paralympic precincts is progressing at pace, with strong collaboration between state government, local government, major utilities/service providers and developers.
- Continued to take an active leadership and influencing role in all options being considered for water security, including purified recycled water.
- Collaboration with Seqwater progressing on the Value of Water project at the Albion precinct.
- Established the Water 2032 and Beyond advocacy group to elevate Urban Utilities' voice in industry, government, and businesses across our region.

CHAPTER 3: CORPORATE GOVERNANCE

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

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

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

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

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

OUR GOVERNANCE STRUCTURE



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

OUR SHAREHOLDERS

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

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

Our Participation Agreement is available on our website.

OUR BOARD

ROLE OF THE BOARD

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

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

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

- Deciding on our direction, strategies, and financial objectives, and ensuring appropriate resources are available.
- Establishing and maintaining our corporate strategies and monitoring their implementation.
- Establishing and monitoring a framework to assess compliance with legislation and government policy.
- Establishing and monitoring a framework to ensure compliance with control and accountability systems, regulatory requirements, and ethical standards.
- Establishing and monitoring a framework to ensure that appropriate risk management systems are in place and are operating effectively.
- Informing and approving our business plans and capital investment plans.
- Determining tariffs and pricing.

- Establishing and monitoring a framework to ensure the preparation of accurate financial reports and statements.
- Approving the terms and conditions of major contractual relationships.
- Appointing the Chief Executive Officer and Executive Leadership Team.
- Monitoring performance of and setting remuneration of the Chief Executive Officer.
- Reporting to shareholders on the performance and state of the business.

To discharge its obligations and responsibilities, the Board describes the powers vested in and reserved by the Board. Outside of these reserved powers, the Chief Executive Officer has the authority to manage and oversee the day-to-day operations and activities of Urban Utilities.

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

CONFLICT OF INTEREST

The Board is acutely aware of its members' obligations to avoid conflicts of interest between their duties to Urban Utilities and their personal interests. A Conflicts of Interest policy has been in place for the duration of the reporting period. The policy sets out the obligation of Board members to declare any material interests relevant to the activities of Urban Utilities, and to ensure that conflict arising from any material interest is noted and managed in accordance with the policy.

OUR BOARD MEMBERS

BRONWYN MORRIS AM (CHAIR)

B.Com, FCA, FAICD

Bronwyn was appointed to the Urban Utilities Board in July 2017 and was appointed Chair from 1 July 2019.

She is an experienced non-executive director and has served on boards in the ASX-listed, public, private, government and not-for-profit sectors spanning a range of industries, including infrastructure, energy, financial services, retail, and managed services.

Bronwyn currently serves on the boards of Dalrymple Bay Infrastructure Limited, National Intermodal Corporation and Menzies Health Institute Queensland. She is chair of the RACQ Foundation.

Bronwyn is a Chartered Accountant and former partner of KPMG.

MARK GRAY (DEPUTY CHAIR)

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

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

He is a highly experienced Company Director, and is currently Chair of Sugar Terminals Limited. He is also a Non-Executive Director of Data#3, the Northern Australia Infrastructure Facility, The Royal Flying Doctor Service - Queensland Section, Services and Foundation, and Queensland Cricket.

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

LUCIA CADE

**BEng, BEc, MEngSc,
MBA, FAICD, FIEAust**

Lucia was appointed to the Urban Utilities Board on 1 October 2021.

She is an experienced non-executive director with a professional engineering and commercial background. She has previous professional experience in engineering, executive and advisory roles in infrastructure, utilities and professional services working in global technical services, listed companies, government organisations and private enterprises.

Lucia currently chairs the boards of South East Water and Paintback, and serves as a director on the boards of Carbon Revolution, Engineers Australia, the Cooperative Research Centre for Future Fuels, and Methodist Ladies College, Kew. She serves on the Monash University Engineering Dean's Advisory Board.

AMANDA COOPER**BA**

Amanda was appointed to the Urban Utilities Board on 1 July 2021.

She has a deep understanding of local government, specifically in the fields of infrastructure planning and delivery and urban planning and development.

Amanda was a member of Brisbane City Council's Civic Cabinet from 2008-2019 and Chair of two senior portfolios: the Neighbourhood Planning and Development Assessment Committee and the Brisbane Infrastructure Committee. She was also the Councillor for Bracken Ridge from 2007-2019.

With extensive industry knowledge and experience, Amanda has overseen the delivery of more than 36 Neighbourhood Plans; the largest planning review undertaken by Council in over a decade; and over a billion dollars' worth of city shaping infrastructure projects.

GERARD PENDER**GAICD**

Gerard was appointed to the Urban Utilities Board on 1 July 2022.

He has practiced as a solicitor for over 40 years, and is currently the Managing Director of long-standing Ipswich-based law firm Walker Pender Group Lawyers, which has a strong commitment to the Ipswich region in ensuring all community members receive quality and professional legal representation.

A stalwart of the Ipswich community, Gerard served as a local Councillor in the 1990s and is affiliated with a number of community-based organisations, including Habitat for Humanity and Ipswich Hospice Care. Notably, Gerard was awarded Ipswich Businessman of the Year in 2017.

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

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

She has extensive directorship experience across a range of sectors, including financial services, infrastructure, health, energy, and transport.

Julie-Anne's current roles include President of the National Competition Council, non-executive director of ActewAGL and Icon Water, a member of the board of the Australian Reinsurance Pool Corporation and non-executive member of the Office of the National Rail Safety Regulator.

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

She is a former Deputy Chancellor of QUT, President of the Queensland Law Society, and Chair of RACQ, Queensland's largest mutual.

PHILLIP STRACHAN

B.Com, FCPA, MAICD

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

He has extensive experience in operations and finance at the executive level. He's held a number of executive roles with the Rio Tinto Group over a 35-year career, including the Chief Executive Officer of the global Bauxite and Alumina businesses based in Brisbane and Chief Financial Officer at the Rio Tinto global aluminium product group based in Montreal.

Phillip currently serves on the Board of the Great Barrier Reef Foundation, is a Council member of the University of the Sunshine Coast, and is an advisor to Renewable Energy Brisbane.

GRAHAM THOMSEN

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

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

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

Graham was the chairman of Verterra Ecological Engineers and chairman of the recruitment company Leading Roles.

Graham passed away in June 2023. Please see page 7 for our tribute to Graham.

OUR BOARD COMMITTEES

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

A summary of Board member attendance at committee meetings can be seen on page 53.

During FY23, each Board committee conducted a review of its effectiveness, including a survey which was administered to members, executives, and other key stakeholders.

AUDIT, FINANCE AND RISK COMMITTEE

In FY23, the Audit, Finance and Risk Committee comprised the following members: Julie-Anne Schafer (Chair), Mark Gray, Lucia Cade, Graham Thomsen (until March 2023), Gerard Pender (from May 2023), and Bronwyn Morris (Ex-Officio). The executive sponsor of the committee was Chief Financial Officer Ruth Coulson.

The committee assists the Board in the effective discharge of its responsibilities for risk culture, including enterprise risk management, compliance management, capital management, regulation and pricing, financial management and reporting, internal controls environment across Urban Utilities and external audit.

In accordance with its charter, the committee's responsibilities include, but are not limited to:

- Reviewing the enterprise risk appetite and risk tolerance.
- Reviewing and providing direction on strategic risks and extreme and high operational risks.
- Reviewing our annual insurance program and recommending to the Board the placement and/or renewal of insurance policies.
- Reviewing and providing recommendations on our financial sustainability and capital management strategy.
- Meeting with the external and internal

auditors to discuss practices and issues surrounding financial governance.

- Overseeing and monitoring the adequacy, security and effectiveness of our internal control framework and environment.
- Providing a forum for the external auditor to present external audit plans.
- Reviewing and endorsing for approval by the Board external regulatory reporting obligations.
- Overseeing cybersecurity, information and technology security, and data privacy programs.

The Audit, Finance and Risk Committee has observed the terms of its charter and has had due regard for the Queensland Treasury's Audit Committee Guidelines. The committee met six times in FY23.

EXPERIENCE AND SAFETY COMMITTEE

In FY23, the Experience and Safety Committee comprised Phillip Strachan (Chair), Julie-Anne Schafer, Amanda Cooper, Gerard Pender, and Bronwyn Morris (Ex-Officio). The executive sponsor was Chief Experience Officer James Dymock.

The role of the Experience and Safety Committee is to provide oversight and recommendations to the Board to ensure that Urban Utilities has people who are safe, adaptable, capable, and committed to achieving Urban Utilities' purpose and who live its values, and that Urban Utilities' customers experience and satisfaction is favourable. The committee met five times in FY23.

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

- Reviewing the development and implementation of, and monitoring the performance of Urban Utilities' Health and Safety Strategy and related initiatives.

- Ensuring the organisation has appropriate and effective health and safety systems, processes, and procedures in place.
- Promoting a culture of trust, accountability and learning by role modelling open dialogue on health and safety issues.
- Reviewing the development and implementation of people strategies and policies to attract, retain and develop the people required by Urban Utilities to maintain and enhance its capabilities and capacity.
- Recommending to the Board the remuneration, financial incentives, and performance measures for the Chief Executive Officer.
- Recommending to the Board the remuneration framework and policy, and performance measures for the Executive Leadership Team.
- Reviewing the development and implementation of customer policies and strategies to drive improvement to customer satisfaction levels and the Urban Utilities customer experience.
- Reviewing the development and implementation of community policies and strategies to drive community engagement and enhancement of the Urban Utilities community experience.
- Reviewing the Service Strategy, infrastructure plans, operational performance strategies, asset management strategies and plans, significant procurement strategies and post-market business matters that are within the Board's delegation.
- Overseeing the Environmental Leadership Strategy, including Urban Utilities' strategies regarding climate variability, reduction of environmental and carbon footprints, and management of scarce water resources.
- Reviewing and providing advice to the Board on the ICT Strategy and roadmap, including the operational technology strategy.
- Reviewing and endorsing the five-year Capital Investment Plan within the financial sustainability envelope.
- Reviewing and providing advice to the Board on potential growth and expansionary investments for Urban Utilities.
- Understanding the performance of systems and associated project, network, and infrastructure risks.
- Reviewing Urban Utilities' compliance with relevant statutory and environmental responsibilities and customer/ community service standards.

The Committee met five times in FY23.

STRATEGIC ASSET MANAGEMENT COMMITTEE

In FY23, the Strategic Asset Management Committee comprised Graham Thomsen (Chair from July 2022 to May 2023), Amanda Cooper, Phillip Strachan, Lucia Cade (Chair from May 2023) and Bronwyn Morris (Ex-Officio). The executive sponsor was Executive Leader Service Delivery David Brooker.

The role of the Strategic Asset Management Committee is to oversee and provide advice on Urban Utilities' strategies, policies, and systems for the management of assets to deliver services to customers and stakeholders.

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

BOARD MEMBER MEETING ATTENDANCE

MEMBER	ORDINARY BOARD		SPECIAL BOARD		AUDIT, FINANCE & RISK COMMITTEE		EXPERIENCE & SAFETY COMMITTEE		STRATEGIC ASSET MANAGEMENT COMMITTEE	
	H	A	H	A	H	A	H*	A	H	A
Bronwyn Morris	10	10	3	3	6	5	6	6	5	3
Amanda Cooper	10	9	3	2			6	4	5	5
Lucia Cade	10	8	3	3	6	4			5	4
Mark Gray	10	8	3	3	6	5				
Gerard Pender	10	10	3	2	1	1	6	4		
Julie-Anne Schafer	10	10	3	3	6	6	6	5		
Phillip Strachan	10	10	3	3			6	6	5	4
Graham Thomsen**	9	6	3	2	4	4			5	5

*Includes two special Experience & Safety Committee meetings

** Graham was unable to attend all meetings due to ill health. He passed away in early June 2023.

OUR EXECUTIVE LEADERSHIP TEAM

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

PAUL ARNOLD
CHIEF EXECUTIVE OFFICER
BE (Hons), MBA, FIEAust,
EngExec, MAICD, MAusIMM

Paul joined Urban Utilities as Chief Executive Officer on 1 September 2022.

He has over 30 years' experience in the natural resources and energy sectors, spanning operations, project development and execution, stakeholder relations, Indigenous engagement, business development, and strategy.

Paul is passionate about achieving success by creating business cultures that operate with the highest standards of safety and wellbeing, integrity, operational and environmental performance, and inclusion.

Prior to joining Urban Utilities, Paul had a successful career with Rio Tinto and BHP, and from 2017 to 2021 was Chief Executive and Managing Director of Energy Resources of Australia, based in Darwin. In 2021, he was recognised as the industry's Gender Diversity Champion at the Northern Territory Women in Resources Awards.

DAVID BROOKER
EXECUTIVE LEADER
SERVICE DELIVERY
BE (Chem), GAICD

David is responsible for Urban Utilities' network operations, maintenance, revenue services and metering.

A qualified chemical engineer with over 20 years' experience, David has a demonstrated track record in building and leading teams to deliver exceptional safety, public health, customer service, environmental and commercial outcomes.

Preceding his Executive role at Urban Utilities, David held the roles of Production Manager and Manager Strategy and Planning. Prior to this, he held several senior management roles within the water industry, including Chief Operating Officer Water & Waste at Mackay Regional Council.

CHRIS BULLOCH
EXECUTIVE LEADER
INTEGRATED SOLUTIONS
MEng (Civil), MEng
(Mgt), MEng (Env)

Chris is responsible for the functions of strategy and integrated planning, systems planning, asset management, portfolio investment and infrastructure delivery. Other core responsibilities include water security, climate change, environmental leadership, and the Olympics.

A highly effective and innovative senior executive, Chris has successfully led major engineering and construction companies and delivered key infrastructure in the transport, power, and utility sectors.

Notably, he has held executive roles at a number of multinational companies, including Lendlease Corporation, KBR, Abigroup Contractors, Anglian Water and Chicago Bridge and Iron (CBI).

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

Ruth is responsible for Urban Utilities' financial activities, overseeing strategic and financial outcomes across performance, procurement, regulation and pricing, and financial activities. As CFO, Ruth balances critical value and risk trade-offs between customer, community, and shareholder outcomes.

Ruth has 30 years' experience across capital-intensive industries, including utilities, infrastructure, logistics and retail.

Ruth has worked in both Australia and internationally in listed businesses with a strong focus on sound financial reporting, long-term financial strategy, risk and governance and external reporting obligations.

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

James is responsible for leading the Experience Group and the enterprise in respect to driving continuous enhancement of the experiences delivered by Urban Utilities to our people, customers, and communities. Within the Experience portfolio, James oversees the core elements of Health and Safety, Employee Relations, People and Culture, Brand, Communications, and Customer and Community Experience.

Prior to joining Urban Utilities, James held senior leadership roles with The Star Entertainment Group, Virgin Australia, and Toyota Australia. Throughout his career, James' focus has been on realising the value of each organisation's brand in driving business transformation, achieving improved business performance, and delivering valued customer experiences.

MARK LETICA
EXECUTIVE LEADER
CORPORATE AFFAIRS
B.Com, GAICD

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

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

Mark has over 25 years' experience across a range of sectors, particularly in the water industry, where he was the Program Manager for the establishment of Urban Utilities in 2010.

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

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

She is also the Board Secretariat, and oversees the development, implementation and management of the organisation's land access and tenure services. Tracey has significant experience in infrastructure delivery, regulatory compliance, and procurement in both the public and private sectors. Tracey is also an experienced probity advisor.

SHAUN NESBITT
CHIEF DIGITAL AND
INFORMATION OFFICER
BSc, MBA, TOGAF, MAICD

Shaun was responsible for leading all aspects of Urban Utilities' information, technology, and digital capabilities.

A skilled digital and technology executive, Shaun has over 20 years' experience in delivering innovative, customer-focused, and system-wide digital transformation.

Shaun has previously held executive roles within the public and private sectors, both locally and internationally. Most recently, he held the role of Chief Information Technology Officer at Health Support Queensland.

Shaun resigned from Urban Utilities in May 2023.

SHANE MORGAN
EXECUTIVE LEADER
ENVIRONMENTAL & INDUSTRIAL
BEng, MEng (Civil
and Resource)

Shane has enterprise leadership of Urban Utilities' operation and optimisation of wastewater treatment plants and resource recovery facilities, environmental management functions, including SAS Laboratories, industry partnerships, key commercial relationships, business development, and developer services. In addition, Shane is responsible for Water Ventures and the exploration of new business opportunities that are linked to our core services.

Previously, Shane has held executive and senior leadership roles with Watercare Services Limited (Auckland), Jacobs (Brisbane), Melbourne Water, and Brisbane Water, prior to the formation of Urban Utilities.

Shane has over 25 years' experience in the water industry, spanning research, engineering design, operational management, business leadership, and utility management. Shane is a member of the International Water Association and has active involvement in governance and technical programme activities.

OUR EXECUTIVE ADVISORY GROUPS

We have a number of advisory groups assisting the Executive Leadership Team to fulfil its responsibilities, as listed below.

DIGITAL INVESTMENT PORTFOLIO BOARD

The Digital Portfolio Board is responsible for setting the digital strategic direction for Urban Utilities and ensuring alignment of investment to achieve strategic outcomes. The Digital Portfolio Board makes decisions regarding digital investment, whilst maintaining a prioritised and balanced portfolio to achieve optimal investment and support the delivery of Urban Utilities' Corporate Strategy and Digital Strategy across the enterprise.

WATER VENTURES BOARD

The Water Ventures Board ensures that new business opportunities are balanced appropriately with the considerations of the core operating business and that investments are made in accordance with risk and opportunity frameworks developed for expansionary initiatives.

EXECUTIVE STRATEGY COMMITTEE

The Executive Strategy Committee provides the Executive Leadership Team with a forum to design, challenge and continuously evolve key elements of Urban Utilities' strategy, which is critical to the dynamic strategic planning framework of the organisation.

EXECUTIVE HEALTH, SAFETY AND WELLBEING GROUP

The role of the Executive Health, Safety and Wellbeing Group is to provide direction and oversight to the application and performance of Urban Utilities' Health, Safety and Wellbeing strategy, policies, practices, and management, which commit to protecting the health, safety and wellbeing of our people, contractors, customers, and the community.

EXECUTIVE RISK COMMITTEE

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

PROCUREMENT ADVISORY GROUP

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

STRATEGIC ENGAGEMENT FRAMEWORK LEADERSHIP GROUP

The purpose of this group is to support our Reshaping the Water Cycle goals through the delivery of the Strategic Engagement Framework (SEF) program, which supports the delivery of Integrated Catchment and Zone Plans (ICP and IZPs) and the Water Security program. The primary function of this group is to drive cross-functional collaboration to operationalise the SEF and ensure integrated planning and implementation across shareholder, stakeholder, and community engagement.

INVESTMENT COMMITTEE

The purpose of the Investment Committee is to review the five-year and 10-year Capital Investment Plan (CIP), review progress of delivery of the capital program, review Integrated Catchment and Zone Plans and Asset Management Plans, approve the entry of new major (\$5 million+) or significant projects into the CIP, review capital interventions and business cases for investment, and review close-out reports.

OUR PLAN FOR THE FUTURE

OUR STRATEGIC PLANNING PROCESS

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

OUR STRATEGIC INTENT

On 1 July 2019, we transitioned to a five-year Statement of Strategic Intent. The strategy is retained for the stipulated five-year period, with revisions made only in the event of significant business or industry changes. To deliver our strategic direction, we have strategic goals underpinned by business objectives, measures, and targets.

While our strategic goals and business objectives remain unchanged, the way we measure success has evolved and improved over the past five years. To measure success moving forward (from FY24), we have developed five Critical Outcomes (see right) to sharpen our focus on performance outcomes that will deliver our strategic goals and business objectives.

OUR CRITICAL OUTCOMES



SAFETY

We protect the safety of our people and the public



PUBLIC HEALTH

We protect the public health of the communities we serve



ENVIRONMENT

We deliver on the environmental values of the receiving environment



EXPERIENCE

We deliver a great experience for our customers and our people



COST & CAPITAL

We minimise the cost to service in the long run

A summary of our strategic direction, as per our *2024 Statement of Strategic Intent*, can be seen below, including mapping to our Critical Outcomes.

STRATEGIC GOALS	BUSINESS OBJECTIVES	MAPPING TO CRITICAL OUTCOME(S)
<p>Constructive Culture We inspire, create and sustain a constructive culture to deliver high performance.</p>	<ul style="list-style-type: none"> • Embrace our leadership philosophy and create a work environment that delivers high performance. • Enhance the efficient delivery of work through an improved employee experience. 	<ul style="list-style-type: none"> • Experience • Safety
<p>Foundational Success We know our business, we know our customers, and we deliver value for both.</p>	<ul style="list-style-type: none"> • Shape the way future services are provided to ensure we meet community requirements at the lowest sustainable cost. • Deliver products and services that our customers prefer. • Deliver sustainable customer services through optimised planning and active risk management. • Become a truly customer-centric business that delivers an effortless CX. • Harness technologies to improve the customer and employee experience and the use of digital systems that provide proactive and real time monitoring of performance. • Maintain affordable and transparent pricing for our customers. 	<ul style="list-style-type: none"> • Public Health • Experience • Cost and Capital
<p>Environmental Leadership We protect and enhance our environment for current and future generations through excellence in water cycle management.</p>	<ul style="list-style-type: none"> • Reduce our environmental footprint. • Reshape the water cycle by reusing and recycling to maximise the value of water. • Partner locally to improve environmental liveability, sustainability, and resilience in our communities. 	<ul style="list-style-type: none"> • Environment
<p>Social & Economic Value We advance the wellbeing and prosperity of society by leveraging our unique capabilities.</p>	<ul style="list-style-type: none"> • Create societal value through our essential products and services. • Enhance community liveability by embracing circular economics practices and protecting the community from emerging contaminants. • Enhance community prosperity and wellbeing by supporting vulnerable customers, minority groups and local business, and by creating employment and education opportunities 	<ul style="list-style-type: none"> • Environment • Experience

We continue to produce an Annual Operational Plan, which sets out how we will action our strategic intent in the coming financial year. Supporting the achievement of these objectives are key projects, known as strategic initiatives, which are detailed on page 42.

OUR STRATEGIC RISKS

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

STRATEGIC GOALS	RISK NAME	RISK DESCRIPTION
Constructive Culture	Culture & Experience	Culture and employee experience, attraction and retention of talent, availability of required capability and skills, or changing societal and community expectations does not enable the delivery of an exceptional customer experience.
	Safety, Health & Wellbeing	Fatality, illness, disease or injury to an Urban Utilities employee, contractor, partner, or to a member of the public.
	Conduct & Integrity	Inappropriate, unethical, or unlawful behaviour on the part of the organisation's management or employees.
Foundational Success	Enterprise Security	Major loss or impairment of confidentiality, integrity, availability, operation or reliability of Urban Utilities' ICT systems, infrastructure, or information due to inappropriate, unethical or unlawful behaviour. Covers all aspects of people, physical, cyber and supplier security.
	Technology, Data Provision & Governance	Provision of technology to support business processes/strategies, manage data, enable reliable data-driven decision making and drive effective planning, delivery and cost efficiency.
	Water Security, Disruption & Cycle Adaptation	Urban Utilities, through our bulk water provider, is unable to ensure water security. Urban Utilities is unable to provide an acceptable quality of water for health, livelihoods and commercial production to enrich the quality of life.
	Political & Regulatory	Major changes, reform or restructure in Urban Utilities' political or regulatory environment adversely impacts on the ability to influence and advocate and achieve our strategic objectives.
	Investment, Disruption & Affordability	Investment, disruption and affordability concerns resulting from significant service risk across Urban Utilities operating service territories.
Environmental Leadership	Financial Sustainability	Urban Utilities becomes financially unsustainable and unable to fund business requirements at investment grade cost of debt
	Environmental Sustainability	Climate changes, urbanisation and demographic changes or environmental expectations (e.g. emerging contaminants or nutrient discharges) manifest in unplanned change or impact cost to serve.
Social & Economic Value	Major Government Projects or PDAs	Urban Utilities has conflicting strategic priorities where the planning processes for major government Priority Development Areas or projects (e.g. Brisbane Olympics) disrupt or inhibit the ability to deliver cost-effective services or cause reactive, out of sequence infrastructure solutions and costs.

OUR CONTROLS AND ASSURANCE

RISK MANAGEMENT

Our Enterprise Risk Management Framework was developed and implemented in accordance with the ISO 31000:2018 Risk Management and supports risk-informed decision making.

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

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

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

Our strategic risks have the potential to materially impact the achievement of our purpose and are considered in our strategic planning process (see page 58).

The Enterprise Risk Management Framework, in conjunction with our Performance Management Framework, facilitates risk-based planning and decision making and improves organisational resilience.

Supporting our Enterprise Risk Management Framework is our Corporate Compliance Management System, which was developed and implemented in accordance with ISO 37301:2021 Compliance Management Systems.

During the year, three independent safety audits were performed by KPMG, Noetic, and BSI Group.

SECURITY AND RESILIENCE

Urban Utilities continues to improve its security risk management and resilience practises to protect our people, customers, infrastructure, and information. Ongoing investment in our cyber security and broader security and resilience programs aims to reduce risk and enable early detection, response and mitigation of associated business and service disruption risks. The continual improvement of these programs also supports our compliance with the *Security of Critical Infrastructure Act 2018* and the reforms to the legislation that are now in effect.

EXTERNAL SCRUTINY

The Queensland Audit Office (QAO) is our external auditor under the terms of the *Financial Accountability Act 2009*. The QAO is responsible for auditing our financial statements and expressing an opinion on the financial report, based on the audit (see page 129).

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

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

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

INTERNAL AUDIT

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

In FY23, KPMG provided internal audit services for Urban Utilities. These services were performed in accordance with a Board-approved Internal Audit Charter and Internal Audit Plan. This plan has regard for Urban Utilities' strategic risk profile, previous audits, industry insights, Queensland Audit Office key focus areas and engagement with the Audit, Finance and Risk Committee and Executive Leadership Team.

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

In FY23, Internal Audit undertook five audits. The audits were separated into strategic risk-based reviews, core business process reviews and information technology reviews

CONTINUOUS ASSURANCE

Urban Utilities continued its data analytics-based continuous assurance program during FY23, supported by KPMG and independent to the Internal Audit services provided.

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

FRAUD CONTROL

Urban Utilities has a zero-tolerance policy towards fraud and corruption and has implemented a Fraud and Corruption Control Framework to effectively prevent, detect and respond to such events. The framework details Urban Utilities' fraud and corruption exposures and controls, as well as the reporting and investigation procedures in place. Training is provided to staff to raise awareness and the UrbanDisclosure platform serves as the key channel for employees, contractors, consultants, suppliers, and the public to confidentially report potential fraud and corruption matters.

HUMAN RIGHTS

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

- Continued to assess the compatibility of our policies with human rights through our policy review process.
- Continued to provide guidance on consideration of human rights in decision making at Urban Utilities.
- Incorporated respect for human rights into the Urban Utilities Code of Conduct.
- Published our annual Modern Slavery Statement, outlining the measures Urban Utilities is taking to identify and address modern slavery within our operations and supply chain. Further, we continued to roll out training about modern slavery to uplift awareness.
- Reviewed our compliance with the Human Rights Act through our corporate compliance framework.
- Monitored complaints for any human rights issues.

In FY23, no human rights complaints were received.

INFORMATION SYSTEMS AND RECORD KEEPING

Urban Utilities continues to review and improve its compliance with the *Public Records Act 2002* and supporting policies as directed by the Queensland State Archivist. Policies and procedures are in place for recordkeeping, email management, retention, and disposal of records, managing information on shared network drives, and information security. Our Records Management team oversees the lifecycle of both our digital and physical records.

We are committed to keeping our information safe, secure, and reliable. This year, our information professionals engaged in activities to identify our critical customer and asset data sets to ensure Urban Utilities continues to meet its regulatory and legislative obligations. We also focused on data quality, with a Data Quality Framework to be operationalised in FY24, in conjunction with new technology, providing increased confidence in the data that underpins our critical decision making and the operations that provide water services every day. We continued to mature our information governance with the formation of the Data and Analytics Reference Group, which provides tactical governance. We also transformed the Data Governance Group to the Information Governance Group, which reflects the broader scope of our opportunities and challenges, and ensures the strategic alignment of our information endeavours with Urban Utilities' purpose.

In line with this, we updated our Information Management Policy to ensure we can continue to monitor and measure our data maturity while understanding, protecting and leveraging our information assets.

Urban Utilities continues to improve its security risk management practises to protect our people, customers, infrastructure and information. Ongoing investment in our cyber security and broader security and resilience programs aims to reduce risk and enable early detection, response and mitigation of associated business and service disruption risks.

REPORTING ON PERFORMANCE

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

Progress against our strategic objectives, our strategic risks we manage to ensure we can achieve our strategic objectives, and the delivery of our customer service standards (see page 23) are reported to our Executive Leadership Team, Board, and all employees on a monthly basis. They also form the basis of regulatory reporting, reporting to shareholders and annual reporting.

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

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

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

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

OTHER DISCLOSURES

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

CHAPTER 4: FINANCIAL PERFORMANCE

CHIEF FINANCIAL OFFICER'S SUMMARY

Financial performance at a glance

Operating profit before tax and capital revenues:

**\$108.4 million,
down 18.1% on 2021/22**

Profit after tax:

**\$198.3 million,
down 3.8% on 2021/22**

Total revenue:

**\$1,508.1 million,
up 5.4% on 2021/22**

Operating cost base:

**\$1,223.4 million,
up 8.6% on 2021/22**

Capital expenditure

(including developer donated assets):

\$472 million

Gearing consistent at

41%

Total participant return on invested equity and debt

\$225 million

Financial performance for the year ended 30 June 2023

For the year ended 30 June 2023, Urban Utilities reported an operating profit before tax and capital revenues of \$108 million, which was 18.1% lower than our 2021/22 result. Our net profit after tax of \$198 million was an \$8 million decrease on 2021/2022.

Like many businesses and customers across Australia, Urban Utilities is navigating a period of high economic volatility and environmental challenges ranging from inflationary pressures, interest rate rises, and impacts as a result of changes in housing sentiment. In addition, Urban Utilities has experienced higher operating costs driven by our Wages Remediation Review and the effects of ongoing asset recovery and business disruption costs associated with the 2022 flood events, including increased biosolids management expenses.

In August 2022, Urban Utilities announced it had commenced a review of its award interpretations and payroll procedures to ensure our employees had been paid correctly. The Wages Remediation Review includes analysis of payments to all current and former employees to 1 July 2015 employed under the Water Industry Award, as well as Urban Utilities Enterprise Agreements. The review has identified that employees were not paid in compliance with Enterprise Agreements and the Water Industry Award resulting in underpayments of \$21.3 million, plus superannuation and interest, during the review period to 1 July 2015. Rectification payments, inclusive of superannuation and interest, will be made to impacted current and former employees during 2023/24. The review has identified a range of issues, and a remediation program investing in longer-term solutions to address the causes of these issues is being undertaken.

Our five-year financial performance summary is detailed below:

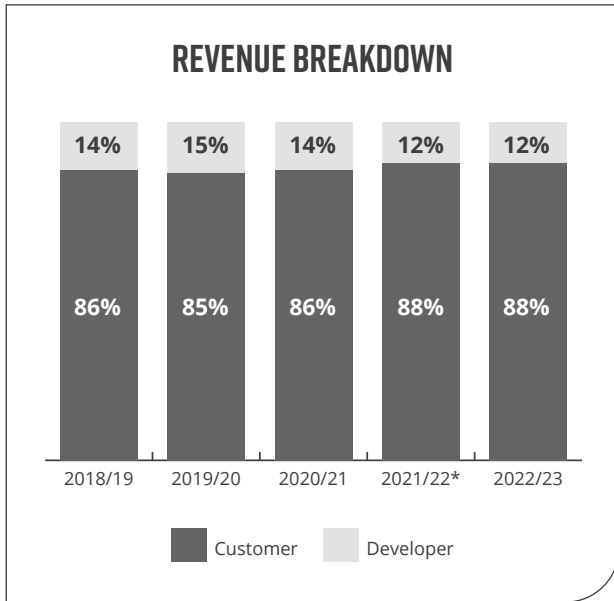
\$M	2018/19	2019/20	2020/21	2021/22*	2022/23
Revenue	1,182	1,237	1,232	1,259	1,332
Operating expenses	(1,053)	(1,114)	(1,102)	(1,127)	(1,223)
Operating profit before tax and capital revenues	130	123	130	132	108
Capital revenues	195	210	204	171	176
Profit before tax	325	333	334	304	285
Taxation expense	(99)	(102)	(101)	(98)	(86)
Profit after tax	227	230	233	206	198

**2021/22 is restated due to prior period adjustments relating to utilities revenue and the Wages Remediation Review*

We return the majority of our profit as participation returns or income tax payment to our participating councils. The total return to our participating councils for 2022/23 was \$225 million, which was a decrease of \$13 million against 2021/2022.

REVENUE SUMMARY

Urban Utilities' gross revenue for the year ended 30 June 2023 was \$1,508 million and had two main sources: customers and developers.



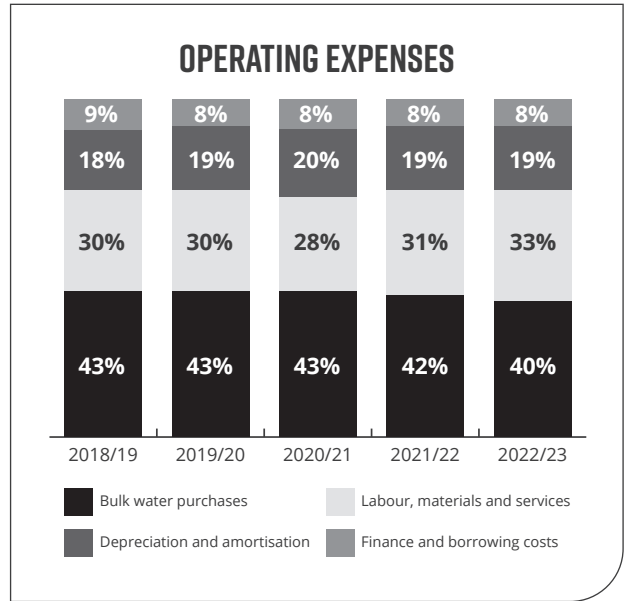
* 2021/22 is restated due to prior period adjustments relating to utilities revenue and the Wages Remediation Review

Customer revenue was generated through \$784 million in water utility charges and \$495 million in wastewater utility charges, with the remainder from our professional services, such as SAS Laboratories and developer services. For 2022/23, customer revenue represented 88% of total revenue in line with previous financial years and increased by 5.4% from higher demand of services.

Capital revenues from developers comprise both donated assets and cash and are used to build water and wastewater infrastructure. This assists funding towards our investment in infrastructure, enabling us to keep our prices lower. In 2022/23 capital revenues increased by \$5 million (2.9%) from 2021/2022.

OPERATING EXPENSE SUMMARY

Urban Utilities' operating expenses for the year ended 30 June 2023 was \$1,223.3 million and increased by \$96.3 million (8.6%) on 2021/2022.



* 2021/22 is restated due to prior period adjustments relating to our Wages Remediation Review

The ongoing asset recovery and business disruption associated with the 2022 flood events attributed to \$28.7 million of the total operating cost, in addition to \$8.3 million spent in 2021/2022. The remaining increase across labour, materials and services represents inflation and growth in activities and initiatives, in addition to the increased costs associated with biosolids management. Bulk water accounts for 40% of our operating cost base.

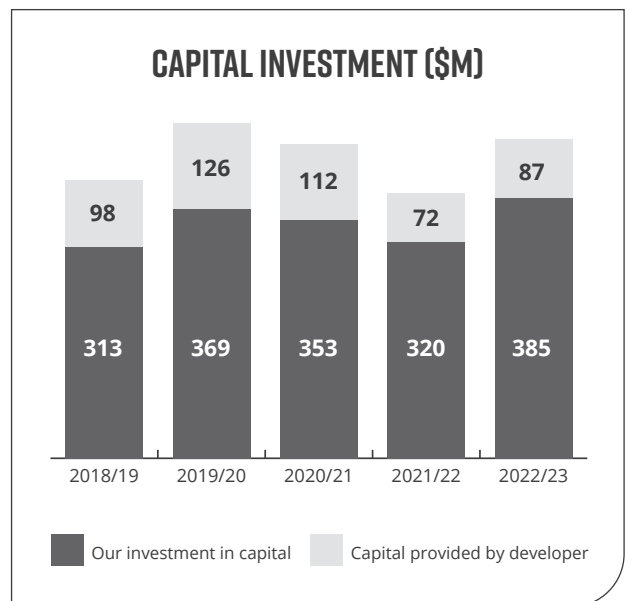
The increase in the cost-of-service delivery to customers was impacted by a \$14.1 million increase in depreciation and amortisation, which represents the consumption of the useful life of our assets and the depreciation on our leased building assets. Our infrastructure assets' useful lives range from 10 to 110 years. As the size of our asset base grows, so too does our depreciation expense.

OPERATING COST PER PROPERTY

Operating cost per property excludes the cost of purchased water as these costs do not result from Urban Utilities' activities. Rather, they are driven by customer demand, with the price of bulk water determined by Seqwater and passed through to our customers. Also excluded are abnormal uncontrollable costs, which includes the February 2022 flood event and Wages Remediation Review outcomes. After adjusting for these items, there was a 12.8% increase in Urban Utilities' operating costs per property from 2022/2023 to 2021/22 in nominal dollars. The increase was mostly driven by inflationary impacts, increased costs to manage biosolids and a return to normal expenditure in asset maintenance delayed in 2021/22 due to the February 2022 floods.

CAPITAL EXPENDITURE

It is important that we continue to invest in infrastructure and systems to ensure we can meet the evolving needs of our customers and enhance our growing communities. Construction and delivery of these assets is achieved through our own Capital Investment Program or by developers providing infrastructure (for example, pipes and associated fittings) as they develop new communities. Capital provided by developers increased slightly by \$14.7million (20%) on 2021/2022, but is yet to recover to pre-COVID levels.



KEY PERFORMANCE MEASURES

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

KEY PERFORMANCE MEASURES	UNIT	2018/19	2019/20	2020/21	2021/22*	2022/23
EBITDA interest cover	times	4.52x	4.48x	4.80x	5.21x	4.76x
Funds from operations to net debt	%	12%	11%	10%	11%	9%
Net debt to fixed assets	%	37%	38%	40%	41%	41%

*2021/22 is restated due to prior period adjustments relating to utilities revenue and the Wages Remediation Review.

Net debt to Regulated Asset Base for 2022/23 is 49%, and the five-year average for the period 2018/19 to 2022/23 is 47%.

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

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

GUIDE TO OUR FINANCIAL STATEMENTS

INTRODUCTION

The Financial Statements are prepared in accordance with the requirements of the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019*, the *Financial Reporting Requirements for Queensland Government agencies* (as applicable to statutory bodies), the exemptions under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, *Australian Accounting Standards* and interpretations.

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

WHAT IS INCLUDED IN THE FINANCIAL REPORT?

The Financial Statements report on how Urban Utilities performed financially during the FY23 financial year and the overall financial position at the end of the financial year (30 June 2023).

The Financial Statements include:

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

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

The FY23 Financial Statements include adjustments made to the FY22 figures. This occurs when there are prior period adjustments identified in the current financial year. Disclosure of these occur in note 1.10 of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

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

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

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

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

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

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position is also known as a Balance Sheet and is a snapshot of our financial position as at 30 June 2023. It outlines what we control as assets (such as cash and property), what we owe as liabilities (such as amounts owed to creditors) and the equity or net worth at the end of the year.

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

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

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

STATEMENT OF CHANGES IN EQUITY

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

STATEMENT OF CASH FLOWS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

CERTIFICATION OF STATEMENTS

The certification of the financial statements is made by the Board Chair, the Chief Executive Officer and the Chief Financial Officer.

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

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

INDEPENDENT AUDITOR'S REPORT

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

CENTRAL SEQ DISTRIBUTOR-RETAILER AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME	74
STATEMENT OF FINANCIAL POSITION	75
STATEMENT OF CHANGES IN EQUITY	77
STATEMENT OF CASH FLOWS	78
NOTES TO THE FINANCIAL STATEMENTS	79
1. Basis of financial statement preparation	79
2. Revenue	84
3. Expenses	86
4. Income tax equivalent	88
5. Cash and cash equivalents	90
6. Trade and other receivables	91
7. Other assets	92
8. Property plant and equipment	93
9. Intangible assets	100
10. Superannuation	101
11. Trade and other payables	104
12. Employee benefits	105
13. Other liabilities	106
14. Contributed equity	107
15. Loans and borrowings	109
16. Fair value measurement	110
17. Financial instruments	111
18. Capital management	116
19. Leases	117
20. Commitments	119
21. Contingencies	119
22. Funds held in trust	119
23. Key executive management personnel and remuneration	120
24. Related parties	124
25. Financial sustainability	126
26. Subsequent events	126
27. New and revised accounting standards	127
CERTIFICATE OF THE CENTRAL SEQ DISTRIBUTOR-RETAILER AUTHORITY	128
INDEPENDENT AUDITOR'S REPORT	129

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	NOTES	2023 \$'000	2022 \$'000 RESTATED ¹
Revenue			
Utility charges	2.1	1,279,032	1,219,343
Developer Contributions	2.2	176,286	171,337
Other revenue	2.3	52,730	40,020
Total operating revenue		1,508,048	1,430,701
Expenses			
Bulk water purchases	3.1	(494,749)	(468,637)
Depreciation and amortisation	8, 9, 19	(233,721)	(219,668)
Supplies and services	3.2	(229,302)	(197,501)
Employee expenses	3.3	(151,700)	(128,502)
Finance and borrowing costs	3.4, 19	(95,585)	(92,280)
Other expenses	3.5	(18,294)	(20,403)
Total operating expenses		(1,223,351)	(1,126,992)
Profit before income tax equivalent		284,697	303,709
Income tax equivalent	4.1	(86,406)	(97,585)
Profit for the year		198,291	206,124
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gain (loss)	10.3	36	408
Total other comprehensive income (loss)		36	408
Total comprehensive income for the year		198,327	206,532

¹ Comparatives restated (see Note 1.10).

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	NOTES	2023 \$'000	2022 \$'000 RESTATED ¹
Current assets			
Cash and cash equivalents	5	43,406	40,165
Trade and other receivables	6	139,665	150,394
Other assets	7	185,206	186,201
Total current assets		368,278	376,760
Non-current assets			
Property, plant and equipment	8	6,594,323	6,335,042
Right-of-use assets	8.11	30,809	4,418
Intangible assets	9	131,250	148,443
Defined benefit plan	10.3	4,782	4,730
Other assets	7	-	757
Total non-current assets		6,761,164	6,493,390
Total assets		7,129,442	6,870,150
Current liabilities			
Trade and other payables	11	69,947	62,548
Lease liabilities	19	2,770	5,564
Employee benefits	12	57,867	50,496
Other liabilities	13	140,181	124,369
Income tax payable	13	2,067	8,020
Participation returns	14.1	65,000	75,000
Total current liabilities		337,833	325,998
Non-current liabilities			
Loans and borrowings	15	2,774,895	2,624,895
Lease liabilities	19	30,845	281
Employee benefits	12	3,730	3,752
Other liabilities	13	208	99
Deferred tax liabilities	4.2	263,256	264,778
Total non-current liabilities		3,072,934	2,893,805
Total liabilities		3,410,767	3,219,802
Net assets		3,718,676	3,650,348

¹ Comparatives restated (see Note 1.10).

STATEMENT OF FINANCIAL POSITION (CONT'D)

As at 30 June 2023

	NOTES	2023 \$'000	2022 \$'000 RESTATED ¹
Equity			
Contributed equity	14.2	2,538,793	2,538,793
Retained earnings		1,027,028	958,647
Asset revaluation surplus	8.7	152,854	152,908
Total equity		3,718,676	3,650,348

¹ Comparatives restated (see Note 1.10).

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	NOTES	CONTRIBUTED EQUITY \$'000	RETAINED EARNINGS ¹ \$'000	ASSET REVALUATION SURPLUS \$'000	TOTAL \$'000
Balance as at 1 July 2021 as previously reported		2,538,793	914,566	152,935	3,606,294
Restatement due to prior period adjustments relating to wages remediation (pre 1 July 2021)	1.10	-	(12,477)	-	(12,477)
Adjusted balance as at 1 July 2021		2,538,793	902,090	152,935	3,593,818
Distributions to Participants					
Participation returns to Participants	14.1	-	(150,000)	-	(150,000)
Total distributions to Participants		-	(150,000)	-	(150,000)
Restated Profit for the year ¹		-	206,124	-	206,124
<i>Other comprehensive income:</i>					
Defined benefit plan actuarial gain, net of tax	10.3	-	408	-	408
Decrease in asset revaluation surplus, net of tax	8.7	-	27	(27)	-
Total comprehensive income for the year		-	206,559	(27)	206,532
Balance as at 30 June 2022		2,538,793	958,647	152,908	3,650,348
Balance as at 1 July 2022		2,538,793	958,647	152,908	3,650,348
Distributions to Participants					
Participation returns to Participants	14.1	-	(130,000)	-	(130,000)
Total distributions to Participants		-	(130,000)	-	(130,000)
Profit for the year		-	198,291	-	198,291
<i>Other comprehensive income:</i>					
Defined benefit plan actuarial gain, net of tax	10.3	-	36	-	36
Decrease in asset revaluation surplus, net of tax	8.7	-	54	(54)	-
Total comprehensive income for the year		-	198,381	(54)	198,327
Balance as at 30 June 2023		2,538,793	1,027,028	152,854	3,718,676

¹Comparatives restated (see Note 1.10).

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	NOTES	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers		1,343,419	1,217,048
Developer cash contributions received		89,454	98,580
Interest received		1,417	694
GST input tax credits from ATO		57,586	46,098
		1,491,876	1,362,420
Payments to employees		(144,327)	(123,696)
Payments to suppliers		(772,010)	(715,773)
Finance and borrowing costs paid		(93,135)	(90,525)
Income tax paid		(93,896)	(71,752)
GST remitted to ATO		(1,284)	(1,259)
		(1,104,652)	(1,003,005)
Net cash inflow from operating activities	5.1	387,224	359,415
Cash flows from investing activities			
Proceeds from sale of plant and equipment, and intangible assets		188	(144)
Payments for property, plant and equipment, and intangible assets		(388,204)	(287,355)
Net cash used in investing activities		(388,017)	(287,499)
Cash flows from financing activities			
Proceeds from long-term borrowings - QTC	15	140,000	150,000
Proceeds from long-term borrowings (Participating Councils)		10,000	-
Payment of short-term borrowings - QTC	15	-	(27,000)
Payment of lease liabilities	19	(5,966)	(6,748)
Payment of participation returns	14.1	(140,000)	(154,500)
Net cash provided by / (used in) financing activities		4,034	(38,248)
Net increase / (decrease) in cash and cash equivalents		3,241	33,668
Cash and cash equivalents at beginning of reporting period		40,166	6,498
Cash and cash equivalents at end of reporting period	5	43,406	40,166

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

I. BASIS OF FINANCIAL STATEMENT PREPARATION

1.1 Authority information

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

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

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

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

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

The Authority's primary function is the provision of water and sewerage services for its geographic area as set out in Section 11(1) of the Act.

The Authority trades as Urban Utilities and is a "for profit" entity. The registered office is Level 10, 31 Duncan Street, Fortitude Valley, Brisbane, QLD 4006.

1.2 Compliance with prescribed requirements

These general-purpose financial statements are for the period 1 July 2022 to 30 June 2023 and have been prepared in accordance with:

- Applicable Australian Accounting Standards (AAS) and Interpretations, issued by the Australian Accounting Standards Board (AASB);
- the *Financial Accountability Act 2009*;
- the *Financial and Performance Management Standard 2019*;
- the *Statutory Bodies Financial Arrangements Act 1982*;
- the Financial Reporting Requirements for Queensland Government agencies (as applicable to statutory bodies); and
- the exemptions under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

1.3 Authorisation of financial statements for issue

The financial statements were authorised for issue by the Board on 31 August 2023.

1.4 Historical cost

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

- *Note 2.2* – Contributions – donated assets measured at fair value.
- *Note 7* – Other assets – renewable energy certificates measured at fair value.
- *Note 8* – Property, plant and equipment – land, buildings and network assets measured at fair value.
- *Note 10* – Superannuation – defined benefit assets measured at fair value.
- *Note 12* – Employee benefits – provision for long service leave not expected to be settled within 12 months measured at present value.
- *Note 13* – Other liabilities – provision for restoration measured at present value.
- *Note 19* – Leases – right-of-use assets and lease liabilities of office buildings and warehouses measured at present value.

1.5 Accounting estimates and assumptions

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

- *Note 3.3* – Employee expenses – estimate of rectification payments to current and former employees.
- *Note 2.1* – Utility charges – unbilled water consumption based on historical information.
- *Note 2.2* – Contributions – fair value of donated assets based on unit rates. For donated assets not yet detailed within the geospatial system, an estimate of assets has been made based on the type of development application.
- *Note 6* – Trade and other receivables – provision for impairment based on expected credit loss.
- *Note 8.4* – Property, plant and equipment – Estimated useful life of property, plant and equipment.
- *Note 8.9* – Property, plant and equipment – Estimation of fair value based on discounted cash flows.
- *Note 8.10* – Impairment – Estimation of fair value of non-current assets.
- *Note 9* – Intangible assets – estimated useful lives of intangible assets
- *Note 10* – Superannuation – fair value of fund assets based on actuarial assessment.
- *Note 12* – Employee benefits – accrued salaries and wages include an estimate of rectification payments to current and former employees; and present value of provision for long service leave based on actuarial assessment.
- *Note 13* – Other liabilities – borrowing cost rate and term used for calculating the present value of provision for restoration.
- *Note 19* – Leases – borrowing cost rate and lease term used for calculating the present value of lease liability and right-of-use assets.
- *Note 21* – Contingencies – maximum exposure of contingent assets and liabilities.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

1.6 Presentation

Currency and rounding

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

Comparatives

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. Refer to note 1.10 for further detail around prior period adjustments.

1.7 Taxation

Goods and Services Tax (GST)

Revenue, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax 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 presented with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

The GST component of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

Other taxes

The Authority pays payroll tax to the Queensland Government Office of State Revenue. A small number of employees were located outside of Queensland and payroll tax was paid to relevant State Revenue Offices. Fringe benefits tax is paid to the ATO in accordance with the relevant legislation.

1.8 Going concern

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

1.9 Climate-related and other emerging risks

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

- Note 1.5 – Accounting estimates and assumptions
- Note 1.8 – Going concern
- Note 2.2 – Contributions
- Note 8 – Property, plant and equipment - fair value assessment
- Note 17 – Financial instruments – credit risk, climate-related risk
- Note 21 – Contingencies

The Authority has identified Environmental Sustainability as a strategic risk which relates to climate changes, urbanisation and demographic changes or changes in environmental regulation or community expectations (for example: emerging contaminants or nutrient discharges) manifest in unplanned change or impact cost to serve. Consideration of these climate-related risks is defined in more detail in Note 17.1.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

1.10 Prior period adjustment

During the year the Authority identified material errors relating to remuneration practices and over accrual of utility revenue. As a consequence, the affected financial statement line items in the prior period have been restated in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Wages Remediation Review

In August 2022 the Authority announced it had commenced a review of award interpretations and payroll procedures to ensure employees have been paid correctly. The review included analysis of payments to all current and former employees from 1 July 2015 employed under the Water Industry Award (Cth.) as well as Urban Utilities Enterprise Agreements. The review has identified that employees have not been paid in compliance with Urban Utilities Enterprise Agreements and the Water Industry Award (Cth.). A provision for underpayments of \$21.3M before superannuation and interest has been recognised for payments owing to 30 June 2023. As a result, employee expenses, employee benefits and related tax balances have been restated. The payments owing that relate to periods prior to the current financial year total \$19.3M.

As at the reporting date, the Authority's review of the payment shortfalls remains ongoing. The provision for underpayments represents management's best estimate; involving significant estimations, a high degree of complexity and interpretations and may be subject to review by the Fair Work Ombudsman. Any changes to the assumptions could result in a future adjustment to the employee benefits provisions in subsequent periods. These changes will be accounted for in the Authority's Statement of Comprehensive Income.

Utility revenue

In preparation of the 2023 Financial Statements, the Authority identified \$16.3M of Utility Revenue that was over accrued in the 2021/2022 financial year for unbilled estimates for water and sewerage due to errors in the underlying datasets used to calculate the accrual.

The prior period balances have been restated for each of the affected financial statement line items in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The following table summarise the impact of this adjustment on the Authority's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022	30 JUNE 2022 AS PREVIOUSLY REPORTED \$'000	ADJUSTMENT - WAGES REMEDIAION REVIEW \$'000	ADJUSTMENT - UTILITY REVENUE \$'000	30 JUNE 2022 RESTATEd \$'000
Current Assets				
Other assets	202,478	-	(16,277)	186,201
Total current assets	393,037	-	(16,277)	376,760
Total Assets	6,886,427	-	(16,277)	6,870,150
Current liabilities				
Employee benefits	31,210	19,286	-	50,496
Trade and other payables	61,318	1,230	-	62,548
Income tax payable	19,058	(6,155)	(4,883)	8,020
Total current liabilities	316,519	14,362	(4,883)	325,998
Total liabilities	3,210,324	14,362	(4,883)	3,219,802
Net assets	3,676,104	(14,362)	(11,394)	3,650,348
Retained earnings	984,402	(14,362)	(11,394)	958,646
Total equity	3,676,103	(14,362)	(11,394)	3,650,347
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022				
Revenue				
Utility Charges	1,235,620	-	(16,277)	1,219,343
Total operating revenue	1,446,978	-	(16,277)	1,430,701
Expenses				
Employee expenses	(125,809)	(2,693)	-	(128,502)
Total operating expenses	(1,124,299)	(2,693)	-	(1,126,992)
Profit before income tax equivalent	322,679	(2,693)	(16,277)	303,709
Income tax equivalent	(103,276)	808	4,883	(97,585)
Profit for the year	219,402	(1,885)	(11,394)	206,124
Total comprehensive income for the year	219,811	(1,885)	(11,394)	206,532

1.11 Changes to significant accounting policy

There have been no changes in significant accounting policies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

2. REVENUE

The Authority generates revenue primarily from utility charges and developer contributions. Revenue is measured based on the consideration specified in a contract with a customer. The Authority recognises revenue when it transfers control over goods or services to a customer.

2.1 Utility charges

	2023 \$'000	2022 \$'000 RESTATED ¹
Water volumetric charges	602,303	568,596
Wastewater charges	485,855	470,118
Water access charges	181,704	171,400
Recycled water	9,170	9,229
Total	1,279,032	1,219,343

¹Comparatives restated (see Note 1.10).

Utility charges are recognised on an accrual basis, based on water consumption and fixed service charges billed in the period to which they relate. The Authority issues the utility account statements either on a monthly or quarterly basis. An estimation of unbilled water consumption is recorded as revenue based on customers' historical usage for the period between the date of the last available meter reading and the end of the reporting period. Unbilled fixed revenue is calculated based on the last bill in the last two quarters to obtain a daily rate, and this is applied for the number of unbilled days as at the end of the reporting period.

2.2 Developer Contributions

	2023 \$'000	2022 \$'000
Developer contributions - cash	89,121	98,911
Developer contributions - donated assets	87,165	72,426
Total	176,286	171,337

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

Cash contributions

Developer cash contributions, for which no performance obligation is required, are recorded as revenue when the Authority obtains the right to receive the cash contribution and the amount of revenue can be reliably measured, prior to the issuance of the connection certificates to developers.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

Donated assets

Developer non-cash contributions, such as water and sewerage infrastructure, are recognised as revenue and as non-current assets at their fair value when the Authority obtains control of the assets upon issue of the connection certificate to developers (where applicable) and where the transaction price can be reliably measured. The fair value of the developer donated assets is based on the cost to the developer if available or calculated based on unit rates. These unit rates are reviewed on a quarterly/annual basis by reference to external factors.

2.3 Other revenue

	2023	2022
	\$'000	\$'000
Professional fees	12,683	13,095
Property connection fees	7,765	7,020
Other fees and charges	10,135	10,026
Interest income	1,449	698
Grants and subsidies	933	1,353
Insurance recovery	16,153	5,203
Other revenue	3,612	2,624
Total	52,730	40,020

Fees and charges

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

Interest Income

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

Grants and subsidies

Government grants are recognised as revenue where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Government grants are recognised in the Statement of Comprehensive Income over the period in which the Authority incurs expenses relating to the grant.

Insurance recovery

This includes recoveries relating to the South-East Queensland rainfall and flooding event in February 2022. Insurance recoveries are recognised when the Authority has received confirmation that a claim will be settled by the insurer.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. EXPENSES

3.1 Bulk Water Purchases

Bulk water is purchased from Seqwater (the sole supplier of bulk water to the Authority) and is recognised as an expense in the period that the water is provided. The price the Authority pays for bulk water is recommended by the Queensland Competition Authority and determined by the State government.

3.2 Supplies and services

	2023 \$'000	2022 \$'000
Materials and services	226,284	195,214
Consultancies and legal fees	2,476	1,777
Board fees	542	510
Total	229,302	197,501

Supplies and services generally represent the day-to-day running costs incurred in normal operations. They are expensed in the reporting period in which they are incurred.

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

3.3 Employee expenses

	2023 \$'000	2022 \$'000 RESTATED ¹
Salaries and wages	133,088	117,400
Employer superannuation contribution	17,250	13,363
Annual leave expenses	10,919	9,969
Payroll tax	8,087	6,969
Long service leave expenses	1,759	604
Other employee related expenses	1,953	1,469
	173,056	149,774
Less: capitalised costs (employee)	(21,356)	(21,272)
Total	151,700	128,502

¹Comparatives restated (see Note 1.10).

The number of employees as at 30 June including both full time and part time employees measured on a full time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2023	2022
Number of employees	1,145 FTE	1,006 FTE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

Wages and salaries

Wages and salaries due but unpaid at reporting date are recognised as a current liability in the Statement of Financial Position at the current salary rates. Prior Year Salaries and wages have been restated by \$2.7M to include an estimate of rectification payments required to current and former employees. Refer to note 1.10 Prior period adjustment.

Superannuation

The Authority contributes to Brighter Super (formerly known as LGIASuper) for employees under both the defined benefit scheme and the accumulation superannuation scheme. The Authority has no liability to or interest in Brighter Super other than the payment of the statutory contribution. Contributions are expensed when incurred.

3.4 Finance and borrowing costs

	2023 \$'000	2022 \$'000
Queensland Treasury Corporation (QTC) finance costs	90,169	87,638
Interest on Participants' debt	2,383	2,047
Bank charges	2,334	2,082
Interest on leases	585	407
Interest on restoration provision	114	106
Total	95,585	92,280

Finance and borrowing costs include bank charges, interest on bank overdrafts, borrowings, leases and restoration provision. These are expensed in the period in which they are incurred. Finance and borrowing costs that are not paid in the period in which they are due are accrued as interest payable except for interest on leases which is included in lease liabilities (see Note 19) and the unwinding of the discount on provision for restoration (see Note 13).

3.5 Other expenses

	2023 \$'000	2022 \$'000
Insurance	9,663	6,111
Land taxes	4,908	4,651
Audit fees (internal and external)	793	752
Loss/(gain) on disposal of assets	1,215	7,495
Impairment of receivables	(9)	1,300
Other expenses	1,724	96
Total	18,294	20,403

Audit Fees

Total external audit fees quoted by the Queensland Audit Office (QAO) relating to the 2023 financial statements are \$364,600 (2022: \$301,180). There are no non-audit services included in this amount.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. INCOME TAX EQUIVALENT

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

4.1 Income tax expense

Income tax equivalent expense (referred to as income tax expense) on the Statement of Comprehensive Income comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, less any instalments paid and any adjustment to tax payable in respect of the previous year. Taxable income differs from profit before tax reported in the Statement of Comprehensive Income, as it excludes items of income and expense that are taxable or deductible in other years and excludes any items that will never be taxable or deductible. The Authority's liability for current tax expense is calculated using tax rates enacted at balance date.

	2023 \$'000	2022 \$'000 RESTATED ¹
Current tax expense	87,944	81,396
Deferred tax expense	(1,537)	16,190
Total	86,406	97,585
Reconciliation of income tax expense to prima-facie tax payable:		
Profit before income tax equivalent	284,697	303,709
Prior Year Income recognised in FY22 - Donated Assets	-	19,263
Unrealised Gain on defined Benefit	-	583
Profit before income tax equivalent	284,697	323,555
Income tax equivalent expense at 30% (2022: 30%)	85,409	97,067
Non-deductible expenditure	497	25
Permanent difference - depreciation on acquired assets	500	494
Total income tax expense	86,406	97,585

¹ Comparatives restated (see Note 1.10).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

4.2 Deferred tax assets and liabilities

	ASSETS		LIABILITIES		NET	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Provisions	19,496	15,016	-	-	19,496	15,016
Accrued expenses	1,269	233	-	-	1,269	233
Plant and equipment	199,093	160,907	(170,401)	(141,744)	28,691	19,164
Expenses capitalised for tax	28	32	-	-	28	32
Contributed assets	-	-	(321,239)	(299,555)	(321,239)	(299,555)
Other	10,084	1,754	(1,570)	(1,244)	8,514	509
Amounts recognised directly in equity:						
Defined benefit plan	-	-	(16)	(175)	(16)	(175)
Tax asset (liability)	229,970	177,942	(493,226)	(442,718)	(263,256)	(264,776)
Set-off of deferred tax	(229,970)	(177,942)	229,970	177,942	-	-
Net deferred tax asset (liability)	-	-	(263,256)	(264,776)	(263,256)	(264,776)
Movements in deferred tax assets and liabilities						
Balance at 1 July	177,942	142,972	(442,718)	(390,760)	(264,776)	(247,788)
Restatement of Deferred Tax liability due to prior period adjustments	-	-	-	(625)	-	(625)
Defined benefit plan	-	-	(16)	(175)	(16)	(175)
Adjusted balance at 1 July	177,942	142,972	(442,734)	(391,560)	(264,792)	(248,588)
Deferred tax expense	52,028	34,970	(50,492)	(51,159)	1,536	(16,188)
Balance at 30 June	229,970	177,942	(493,226)	(442,718)	(263,256)	(264,776)

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. CASH AND CASH EQUIVALENTS

	2023 \$'000	2022 \$'000
Cash at bank and on hand	43,406	40,165
Total	43,406	40,165

Cash and cash equivalents comprise cash on hand and at bank, cheques receipted not banked, deposits held on call, and 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.

5.1 Reconciliation of cash flows from operating activities

	2023 \$'000	2022 \$'000 RESTATED ¹
Cash flows from operating activities		
Profit for the year	198,291	206,124
Non-cash items included in operating result:		
Depreciation and amortisation	233,721	219,668
Loss on disposal of assets	1,215	7,495
Donated assets	(87,165)	(72,426)
Credit losses of receivables	(9)	1,300
Change in assets and liabilities		
<i>(Increase) / decrease in trade and other receivables</i>	10,738	(2,860)
<i>(Increase) / decrease in other assets</i>	1,752	(40,831)
<i>(Decrease) / increase in trade and other payables</i>	7,400	5,736
<i>Increase in employee benefits</i>	7,349	408
<i>Increase / (decrease) in other liabilities</i>	15,453	17,986
<i>Increase / (decrease) in deferred tax</i>	(1,522)	16,815
Net cash inflow from operating activities	387,224	359,415

¹ Comparatives restated (see Note 1.10).

5.2 Funding facilities

	2023 \$'000	2022 \$'000
QTC working capital facility	300,000	300,000
Overdraft facility - Commonwealth Bank	5,000	5,000
Total	305,000	305,000
Amount of facility undrawn	305,000	305,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 203

6. TRADE AND OTHER RECEIVABLES

	2023 \$'000	2022 \$'000
Current		
Trade and other receivables	148,624	160,116
Provision for impairment	(8,959)	(9,722)
Total	139,665	150,394

Trade and other receivables are recognised at the time of invoicing, sale or service delivery. Settlement of these amounts is required within 30 days from invoice date and they are classified as current. Due to the short-term nature of the current receivables, their carrying amount approximates fair value. Interest of 8.17% (2022: 8.03%) based on the government prescribed rate is charged on trade receivables that are overdue.

Movements in the provision for impairment:

	2023 \$'000	2022 \$'000
Balance at the beginning of the year	(9,722)	(8,553)
Amounts written off during the year	763	130
Increase in provision	-	(1,300)
Balance at the end of the year	(8,959)	(9,722)

Collectability of receivables is reviewed and assessed periodically for the impairment provision. All known bad debts are written off periodically and/or as at 30 June. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

The provision for impairment of receivables is estimated based on the 'expected credit loss' (ECL) model, consistent with AASB 9 *Financial Instruments*. The ECL is calculated using a provision matrix, which incorporates both historical and forward-looking information to determine the accounts' default rates by category.

The gross carrying amount of a financial asset is written off when the Authority has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Authority individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Refer to Note 17.1.1 for the Authority's credit risk exposure and risk management strategy.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

7. OTHER ASSETS

	2023 \$'000	2022 \$'000 RESTATED ¹
Current		
Accrued utility charges	161,152	168,427
Prepayments	6,097	6,170
Inventories held for use	6,047	5,147
Renewable energy certificates	437	127
Other	11,473	6,330
	185,206	186,201
Non-current		
Prepayments	-	757
	-	757
Total	185,206	186,958

¹ Comparatives restated (see Note 1.10).

Accrued utility charges

Accrued utility charges are recognised for fixed access charges and unbilled water consumption based on customers' historical usage for the period between the date of the last available meter reading and the end of the reporting period.

Inventories held for use

Inventories are valued at the lower of cost and net realisable value. Cost is assigned on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition. Inventories such as materials and supplies are held for use in the rendering of services.

Water residing in the Authority's infrastructure assets as at the reporting date is not recognised as inventory as any value that would be attributed to that water is not considered to be material.

Renewable energy certificates

Renewable energy certificates (RECs) consisted of a total of 7,808 (2022: 2,922) large-scale generation certificates (LGCs) issued by the Clean Energy Regulator to the Authority for the renewable energy power station accreditation of the cogeneration engine at Oxley Sewerage Treatment Plant under the *Renewable Energy (Electricity) Regulations 2001*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

8. PROPERTY, PLANT AND EQUIPMENT

8.1 Recognition and acquisition

Recognition thresholds

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Items of property, plant and equipment with a total value in excess of the following thresholds are recognised in the year of acquisition:

Asset Type	Threshold Amount
	\$
Land	1
Buildings	5,000
Plant and equipment	5,000
Fleet	5,000
Infrastructure (water supply and sewerage network assets)	1

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Assets donated by developers are initially recorded at fair value when the Authority obtains control of the assets, that is, upon issue of the connection certificate to developers.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Cost of acquisition

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

Costs incurred subsequent to the initial asset capitalisation are added to the carrying amount of the existing asset only when it improves the condition of the asset beyond its original standard useful life and any of following criteria is met:

- the asset performs an additional function;
- the asset provides increased capacity;
- the asset has a significant increase in its remaining useful life; or
- statutory enhancements performed to comply with a law or rule.

If it is probable that there will be no enhancement of economic benefits, the additional costs are expensed in the financial year in which they are incurred.

Contractual commitments for the acquisition of property, plant and equipment are disclosed in Note 20.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

8.2 Assets under construction

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

8.3 Measurement at cost

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

8.4 Depreciation expense

Land is not depreciated. Other property, plant and equipment classes are depreciated on a straight-line basis to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life. The estimated useful life, residual values and the depreciation method applied to assets are reviewed annually. Details of estimated standard useful lives of assets are set out below:

Asset Type	Useful Life (in years)
Buildings and improvements	15 - 80
Plant and equipment	3 - 60
Fleet	3 - 10
Infrastructure:	
– Water supply network assets	10 - 110
– Sewerage network assets	10 - 100

Items or components that form an integral part of a complex infrastructure asset are recognised as a separate asset. These items or components may be replaced during the useful life of the complex asset. Each component is depreciated over its individual useful life or useful life of the complex asset, whichever is shorter.

Property, plant and equipment is depreciated from the date acquired or installed and ready for use or, for internally constructed assets, from the time an asset is completed and commissioned ready for use.

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

8.5 Balances as at 30 June

	2023 \$'000	2022 \$'000
Land:		
At fair value	68,938	68,379
Buildings:		
At fair value	28,706	26,710
Less: Accumulated depreciation	(18,060)	(16,019)
	10,646	10,690
Plant and equipment:		
At cost	14,067	10,106
Less: Accumulated depreciation	(8,164)	(7,099)
	5,903	3,007
Fleet:		
At cost	33,371	32,005
Less: Accumulated depreciation	(21,334)	(18,539)
	12,037	13,466
Water supply network:		
At fair value	3,233,293	3,073,487
Less: Accumulated depreciation	(712,999)	(642,796)
	2,520,294	2,430,690
Sewerage network:		
At fair value	4,856,586	4,680,397
Less: Accumulated depreciation	(1,434,593)	(1,303,028)
	3,421,993	3,377,370
Assets under construction:		
At cost	554,511	431,439
Carrying amount	6,594,323	6,335,040

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

8.6 Reconciliation of carrying amount

2023	LAND (LEVEL 3)	BUILDINGS (LEVEL 3)	PLANT AND EQUIPMENT	FLEET	WATER SUPPLY NETWORK (LEVEL 3)	SEWERAGE NETWORK (LEVEL 3)	WORK IN PROGRESS	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2022	68,379	10,690	3,007	13,466	2,430,690	3,377,370	431,439	6,335,041
Additions at cost	559	2,001	3,160	2,874	-	-	358,084	366,678
Donated assets	-	-	-	-	46,943	40,221	-	87,164
Disposals	-	-	(68)	(154)	(640)	(1,155)	-	(2,015)
Transfers between assets classes	-	-	904	(904)	-	-	18,257	18,257
Transfers from work in progress	-	-	-	-	114,053	139,216	(253,269)	-
Depreciation for the year	-	(2,045)	(1,100)	(3,245)	(70,775)	(133,636)	-	(210,802)
Carrying amount at 30 June 2023	68,938	10,646	5,903	12,037	2,520,271	3,422,016	554,511	6,594,323
Carrying amount at cost	66,366	9,910	4,999	12,941	2,231,748	2,994,489	554,511	5,874,966

2022	LAND (LEVEL 3)	BUILDINGS (LEVEL 3)	PLANT AND EQUIPMENT	FLEET	WATER SUPPLY NETWORK (LEVEL 3)	SEWERAGE NETWORK (LEVEL 3)	WORK IN PROGRESS	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2022 restated ¹	68,379	10,995	3,816	15,401	2,390,790	3,314,393	393,479	6,197,254
Additions at cost	-	1,527	59	2,073	-	-	273,529	277,189
Donated assets	-	-	-	-	37,015	35,411	-	72,426
Disposals	-	-	-	(475)	(2,414)	(5,414)	-	(8,303)
Transfers from work in progress	-	-	-	-	74,417	161,152	(235,569)	-
Depreciation for the year	-	(1,831)	(869)	(3,534)	(69,117)	(128,172)	-	(203,523)
Carrying amount at 30 June 2022	68,379	10,690	3,007	13,466	2,430,690	3,377,370	431,439	6,335,042
Carrying amount at cost	65,807	9,954	3,007	13,466	2,256,220	3,089,059	431,439	5,868,952

¹ Comparatives restated (see Note 1.10).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

8.7 Asset revaluation surplus movement

2023	LAND	BUILDINGS	WATER SUPPLY NETWORK	SEWERAGE NETWORK	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2022	1,789	487	59,678	90,954	152,908
Revaluation decrements related to asset disposal	-	-	(25)	(29)	(54)
Balance 30 June 2023	1,789	487	59,653	90,925	152,854

2022	LAND	BUILDINGS	WATER SUPPLY NETWORK	SEWERAGE NETWORK	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2021	1,789	487	59,704	90,955	152,935
Revaluation decrements related to asset disposal	-	-	(26)	(2)	(28)
Balance 30 June 2022	1,789	487	59,678	90,954	152,908

8.8 Measurement at fair value

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

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimated remaining useful life. Revaluation adjustments are recognised in equity.

A fair valuation of the Authority was undertaken as at 30 June 2023 using a discounted cash flow methodology, which determined the fair value to be \$6.7B (2022: \$6.6B). This review did not result in a material impact on the values of the property, plant and equipment classes.

The Authority's review of its fair value methodology was based on AASB 13 *Fair Value Measurement* (see Note 16). The fair values reported in these financial statements are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs. The inputs involved are not based on observable market data. Therefore, these assets have been categorised as level 3 in the fair value hierarchy and there have been no transfers between levels in the current and prior year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

8.9 Key valuations assumptions used

Valuation techniques and process used to determine level 3 fair values

Estimates of fair value are prepared by management and presented to the Audit, Finance and Risk Committee (AFRC), which recommends their adoption to the Board. An independent review of management's estimates is provided to the Board to assist in their adoption of the fair values. Fair value has been determined using the discounted cash flow valuation methodology.

These valuations are based on the projected cash flows using the revenue price paths and, capital and operating expenditure growth rates. The modelling has been performed for two scenarios in FY2023 (2022: two) and an average determined. Scenarios include the terminal value inputs below for a revenue price path based on maximum allowable revenue.

Climate-related and other emerging risks

The forecast used for the valuation is reflective of the budgeted costs that an efficient and prudent operator would incur in the current economic and climate environment.

Valuation inputs and relationships to fair value

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

UNOBSERVABLE INPUTS	BASIS	RANGE OF INPUTS	RELATIONSHIP BETWEEN UNOBSERVABLE INPUTS AND FAIR VALUE
Revenue price path	Maximum allowable revenue (MAR) ¹	20 year forecast period to FY43 (2022: 20 year forecast to FY42)	The higher the annual revenue cash flow, the higher the fair value
Consumer price index (CPI)	Regulatory Asset Base (RAB) forecast	Mid-point of the Reserve Bank of Australia target inflation rate to longer term forecasting 2.50% (2022:3.0%)	The higher the CPI the higher the fair value
Terminal value	Gordon Growth Model ² ; and Regulatory Asset Base (RAB)	(1) Gordon Growth Model (2) RAB 1.15 \$7.1B to \$6.2B (2022: \$7.4B to \$5.8B)	The higher the terminal value, the higher the fair value
RAB Multiple	Multiple range between 1.0 and 1.3	1.15x (2022: 1.15x)	The higher the RAB multiple the higher the terminal value and fair value
Weighted average cost of capital (WACC)	Developed by management in consultation with independent experts	WACC 6.19% (2022: 5.78%)	The higher the WACC, the lower the fair value. WACC is determined by the combination of cost of debt and cost of equity.

¹ Maximum allowable revenue is a function of operational expenditure, capital expenditure and the WACC discount rate, and any increase/decrease in one of these inputs will result in an increase/decrease to revenue. These interrelationships mitigate the effect of changes to these inputs on the fair value measurement.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

8.10 Impairment of non-current assets

Each non-current physical and intangible asset is assessed for indicators of impairment annually. If possible impairment indicators exist, the Authority determines the asset's recoverable amount. When the asset's carrying amount exceeds the asset's recoverable amount, the difference is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

Following assessment of the fair value, the Authority has undertaken an impairment review. Internal indicators of impairment including obsolescence or physical damage, significant changes with an adverse effect and internal reporting concerning economic performance of an asset were considered, together with external sources of information such as changes in technological, market, economic or legal environment, changes in the regulated environment, policy and/or legislative changes and market interest rate changes. Based on this review an impairment loss of \$0.2M (2022: \$1.2M) has been recognised.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount where the impairment loss is offset against the asset revaluation surplus recorded.

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

8.11 Right-of-use asset

	2023 \$'000	2022 \$'000
Buildings		
Right-of-use asset at 1 July	4,418	9,423
Additions	31,514	-
Depreciation charge for the year	(5,123)	(5,005)
Right-of-use asset at 30 June	30,809	4,418

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

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

In March 2023, The Authority's lease obligations at Green Square Close ended and a new lease arrangement was entered into at 31 Duncan Street, Fortitude Valley ('Duncan Street'). Duncan Street lease has a 10 year lease term commencing from 31 May 2023. The right-of-use asset and lease liability for the Duncan Street Lease has been recognised as effective from 28 February 2023 in accordance with AASB 16 *Leases*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

9. INTANGIBLE ASSETS

	SOFTWARE		WORK IN PROGRESS		TOTAL	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Carrying amount at 1 July	78,360	82,858	70,083	53,825	148,443	136,683
Acquisitions at cost	-	-	18,194	36,014	18,194	36,014
Disposals	666	-	-	(13,113)	666	(13,113)
Transfers between asset classes	-	-	(18,257)	-	(18,257)	-
Transfers from work in progress	10,581	6,643	(10,581)	(6,643)	-	-
Amortisation for the year	(17,796)	(11,141)	-	-	(17,796)	(11,141)
Carrying amount at 30 June	71,811	78,360	59,439	70,083	131,250	148,443
Gross carrying amount	137,663	128,238	59,439	70,083	197,102	198,321
Accumulated amortisation	(65,852)	(49,878)	-	-	(65,852)	(49,878)
Carrying amount at cost	71,811	78,360	59,439	70,083	131,250	148,443

Acquisition and recognition

Intangible assets (mainly purchased and internally generated software) with a value equal to or greater than \$10,000 are recognised as assets in the year of acquisition. Items with a lesser value than the recognition threshold are expensed during the year. Intangible assets recognised by the Authority have no active market; the assets are recognised at cost less accumulated amortisation and impairment losses. Subsequent costs are capitalised only when they increase the future economic benefits of the intangible asset to which they relate. Development costs are assessed regularly for capitalisation and where costs cannot be capitalised and are expensed. Development costs are not amortised until the software is completed and ready for use. Contractual commitments for the acquisition of intangible assets are disclosed in Note 20.

Amortisation expense

Amounts paid for computer software in excess of the recognition threshold are capitalised and then amortised on a straight-line basis over the expected period of benefit of 3 – 10 years. The estimated useful life and the amortisation method applied to assets are reviewed annually.

Cloud computing arrangements

Software-as-a-Service (SaaS) cloud computing arrangements are service contracts providing the Authority with the right to access the cloud provider's application software over the contract period. As such the Authority does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the Authority the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits. The application software access fee, the customisation costs and configuration costs are recognised as an operating expense over the term of the service contract if the services are not separately identifiable. Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

10. SUPERANNUATION

Refer to Note 3.3 for details of amount of superannuation contributions paid by the Authority to the superannuation funds in respect of this year for the benefit of the employees.

10.1 Local government superannuation scheme – Brighter Super

LGIAsuper is now officially known as Brighter The Authority contributes to Brighter Super (the scheme) which replaced LGIAsuper following the successful merger with Energy Super on 1 July 2021, and the acquisition of Suncorp's superannuation business (SPSL). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*. The scheme is a regulated complying superannuation fund under the Commonwealth Superannuation Industry (Supervision) (SIS) legislation and for taxation purposes. The SIS Regulation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulation requires an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions.

The scheme has a legal obligation to act solely in the best financial interest of the scheme beneficiaries and has the following roles:

- administration of the scheme and payment to the beneficiaries from the scheme assets when required in accordance with the scheme rules;
- management and investment of the scheme assets; and
- compliance with superannuation law and other applicable regulations.

The Scheme has three elements:

- The Accumulation Benefits Fund (ABF) is a defined contribution scheme as defined in AASB 119 *Employee Benefits*. The ABF is open to new members. Additional accumulation benefits are also provided within the ABF for most defined benefit members. The Authority has no liability to or interest in the ABF other than the payment of the statutory contributions (see Note 3.3);
- The Regional Defined Benefits Fund (Regional DBF), which covers defined benefit fund members working for regional areas, is a defined benefit plan as defined in AASB 119 *Employee Benefits*. The Regional DBF is closed to new members. The Authority is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB 119 *Employee Benefits* because the scheme is unable to account to the Authority its proportionate share of the defined benefit obligations, plan assets and costs (see to Note 10.2); and
- The City Defined Benefits Fund (City DBF), which covers former members of the City Super Defined Benefits Fund, is a defined benefit plan as defined in AASB 119 *Employee Benefits*. The City DBF is closed to new members. The Authority engaged an actuary to assess the values and to provide the disclosures in accordance with AASB 119 *Employee Benefits* (see Note 10.3).

An actuarial assessment of the Scheme was undertaken as at 1 July 2021. The actuary indicated that at 1 July 2021, the Scheme was solvent as the net realisable value of the assets of the Scheme exceed the Minimum Requisite Benefits (MRB) of all members of the Scheme. Further the actuary advised that the Scheme was likely to remain solvent to the expiry of the Funding and Solvency Certificate.

The next triennial actuarial review will be conducted no later than 1 July 2024. The Superannuation Guarantee employer contribution rate increased from 9.5% to 10% on 1 July 2021, and from 10% to 10.5% on 1 July 2022.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

10.2 Regional Defined Benefit Fund

The Authority contributes to the Regional DBF at the rate of 14% for each permanent employee who is a defined benefit member. The rate set by the Brighter Super trust deed is 12% and may be varied on the advice of an actuary.

The actuary report as at 1 July 2021 recommended the following rates:

- 12% of salaries for members contributing at 6% of salary.
- Additional contributions to the ABF for Regional DBF members at the rate of the prevailing Superannuation Guarantee rate (currently 10%) of the excess of ordinary time earnings over the Regional DBF salary.

Any amount by which the scheme is over or under funded would only affect future benefits and contributions to the Regional DBF and is not a current asset or liability of the Authority.

	2023 \$'000	2022 \$'000
Contributions made to Regional Defined Benefits Fund	377	320

10.3 City Defined Benefits Fund

City DBF members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the City DBF is closed to new members. The Authority has 11 (2022: 13) employees funded under this benefit. The Authority has provided a written guarantee to Brighter Super which commits the Authority to fund the defined benefits of employees who are members of City DBF.

The defined benefit assets are invested in the Brighter Super Balanced investment option. The assets are diversified within this investment option and therefore the City DBF has no significant concentration of investment risk. There were no fund amendments affecting the defined benefits payable, nor were there any curtailments or settlements occurring during the year. Actuarial gains and losses are recognised as other comprehensive income in the year in which they occur.

The financing approach adopted at the 1 July 2018 actuarial investigation of the City DBF, in a report dated 29 November 2018, is to ensure sufficient assets are available to meet benefits as and when they fall due while also to target appropriate coverage of vested benefits. In that investigation, it was recommended that the Authority contributes to the City DBF as follows:

- In respect of defined benefit members:
 - 14% of members' salaries (inclusive of the 3% occupational contribution) from 1 July 2018 to 31 December 2018;
 - 0% of members' salaries (inclusive of the 3% occupational contribution) from 1 January 2019 to 31 December 2021; and
 - 14% of salaries (including the occupational account contribution) from 1 January 2022 onwards.
- In respect of accumulation members, 14% of salaries for permanent employees; and
- 5% of salary or 5.88% of salaries for defined benefit members' contributions made via salary sacrifice.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

10.3 City Defined Benefits Fund (Cont'd)

As at 1 July 2021, Brighter Super's actuary reported that the value of the City DBF's assets are sufficient to meet the value of the City DBF's liabilities and recommended that, in the absence of any special circumstances and subject to satisfying any industrial agreements, that each City DBF employer continues the existing contribution holiday and that they expect that the contribution holiday may be maintained beyond the completion of the next actuarial valuation in FY25.

	2023 \$'000	2022 \$'000
Net defined benefit asset¹		
Net asset at start of the year	4,730	4,147
Net asset at end of year	4,782	4,730
Fair value of Fund assets²		
Fair value at beginning of the year	10,190	11,698
Fair value at end of the year	9,009	10,190
Defined benefit obligation³		
Present value at beginning of the year	5,460	7,551
Present value at end of the year	4,227	5,460

¹ Movements in the net defined benefit asset were primarily due to current service cost, net interest, returns on Fund assets and actuarial losses/gains and employer contributions. The asset ceiling has no impact on the net defined benefit asset.

² Movements in the fair value of Fund assets were primarily due to interest income, returns on fund assets, employer contributions, contributions by plan participants, benefits paid and taxes, premiums and expenses paid.

³ Movements in the defined benefit obligation were primarily due to current services cost, interest cost, contributions by fund participants, actual losses/gains benefits paid and taxes, premiums and expenses paid. The weighted average duration of the defined benefit obligation is 6 years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

II. TRADE AND OTHER PAYABLES

	2023 \$'000	2022 \$'000 RESTATED ¹
Current		
Trade creditors	62,965	55,642
Infrastructure agreement liabilities	-	305
Other payables	6,982	6,600
Total	69,947	62,548

¹Comparatives restated (see Note 1.10).

Trade creditors

Creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts. Outstanding amounts are unsecured and are generally settled within 30 days. Information about the Authority's exposure to liquidity risks is included in Note 17.1.2.

Infrastructure agreement liabilities

Developer contributions for specific assets under an infrastructure agreement are recognised as a liability where the specific asset has not been constructed at reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

12. EMPLOYEE BENEFITS

	2023 \$'000	2022 \$'000 RESTATED ¹
Current		
Long service leave	14,442	16,283
Annual leave	12,187	12,658
Accrued salaries and wages	31,070	21,413
Time in lieu	168	142
	57,867	50,496
Non-current		-
Long service leave	3,730	3,752
	3,730	3,752
		-
Total	61,597	54,248

¹Comparatives restated (see Note 1.10).

All unconditional leave entitlements are classified as current liabilities. The remaining employee benefits are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. All other employee benefits are classified as non-current.

Long service leave

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

Annual leave

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

Accrued salaries and wages

Includes an estimate of \$21.3M before superannuation and interest for rectification payments required to current and former employees.

Time in lieu

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

13. OTHER LIABILITIES

	2023 \$'000	2022 \$'000 RESTATED ¹
Current		
Accrued capital program costs	46,448	49,727
Accrued bulk water purchases	40,226	38,333
Accrued interest	7,682	7,566
Unearned revenue	1,208	2,838
Provision for restructuring	200	503
Provision for restoration	-	2,212
Other liabilities	44,417	23,190
	140,181	124,369
Non-current		
Provision for restoration	208	99
	208	99
		-
Total	140,391	124,468
Income tax payable	2,067	8,020
Total	142,458	132,489

¹Comparatives restated (see Note 1.10).

Accrued capital program costs

Cost incurred for capital assets under construction is recognised as liability when not yet paid.

Accrued bulk water purchases

Bulk water purchases consumed is recognised as liability when not yet paid.

Unearned revenue

Revenue received in advance for services not yet provided is deferred and recognised in the Statement of Comprehensive Income on delivery of the services. Developer contributions for specific assets are recognised as a liability where the specific asset has not been constructed at reporting date.

Provision for restructuring

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

Provision for restoration

In accordance with the existing lease agreements, the Authority is required to restore the leased buildings to its original condition at the end of the lease. The Authority estimated the amount of building restoration using the discount rate similar to the borrowing rate used for estimating the lease liability under AASB 16 Leases. A corresponding right-of-use asset is recognised in Note 8.11.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

14. CONTRIBUTED EQUITY

14.1 Participation returns

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

Total returns to Participating Councils are as follows:

	2023 \$'000	2022 \$'000
In accordance with the Participation Agreement, an interim participation return was paid on 31 January 2023.	65,000	75,000
The Board declared the full year participation return payment of \$65M on 20 June 2023. Payment will be made on 30 September 2023.	65,000	75,000
Total participation rights paid/payable	130,000	150,000
Amounts per Participant:		
Brisbane City Council	110,509	127,511
Ipswich City Council	15,889	18,333
Lockyer Valley Regional Council	1,174	1,355
Scenic Rim Regional Council	1,355	1,563
Somerset Regional Council	1,074	1,239
	130,000	150,000
Cash payments to Participants during the financial year	140,000	154,500

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

Total returns to Participating Councils are as follows:

	2023 \$'000	2022 \$'000 RESTATED ¹
Participation returns	130,000	150,000
Income tax	87,944	81,396
Interest	2,383	2,047
Land tax	4,908	4,651
Stamp duty	41	66
Total	225,276	238,159

¹ Comparatives restated (see Note 1.10).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

14.2 Assets and liabilities transferred

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

	1 JULY 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)
	<u>4,025,812</u>
<i>Represented by:</i>	
Contributed equity	2,538,793
Participant's debt	1,487,019
	<u>4,025,812</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

15. LOANS AND BORROWINGS

	2023 \$'000	2022 \$'000
Non-current		
QTC client specific pool	2,691,680	2,551,680
Participant Loans		
Participating Councils:		
Lockyer Valley Regional Council	14,736	14,736
Scenic Rim Regional Council	14,676	14,676
Somerset Regional Council	53,803	43,803
	83,215	73,215
Total	2,774,895	2,624,895
Total	2,774,895	2,624,895

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, then subsequently held at amortised cost using the effective interest method. The fair value of these loans would be classified at level 2 of the fair value hierarchy in accordance with AASB 13 *Fair Value Measurement*.

Borrowings are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the Authority does not have an unconditional right to defer settlement to beyond 12 months after the reporting date. All other borrowings are classified as non-current.

Queensland Treasury Corporation (QTC)

The Authority borrows from QTC to fund a range of non-specific capital projects. Repayments are made monthly in accordance with the underlying borrowing rate after adjustment for new borrowings and earlier repayments. At year end, the outstanding QTC loan balance is disclosed at book value. The Authority has access to a working capital facility with QTC - refer to Note 5.2 for details of the funding facilities. The weighted average borrowing rate for QTC borrowings from 1 July 2022 to 30 June 2023 is 3.43% (2022: 3.5%). Interest payments are made monthly in arrears at rates ranging from 1.49% to 3.44% (2022: 0.48% to 3.54%).

Participants' loans

Loans subject to an annual resetting fixed rate are in place with Lockyer Valley Regional Council, Scenic Rim Regional Council and Somerset Regional Council with an expiry date of 30 June 2028. The fixed rate for the year ended 30 June 2023 year was 3.72% (2022: 3.82%) for the loans entered into in 2010, and 2.79% (2022: 1.32%) for the additional loan entered into with Somerset Regional Council in 2021 and 2023. The loans require monthly interest-only payments and no participating loans were repaid to Participating Councils during the year.

All borrowings are in Australian dollar denominated amounts. No borrowing costs have been capitalised during the current financial year. There were no defaults or breaches of the loan agreements during the year. No fair value adjustment is made to the carrying amount of the borrowings. No assets have been pledged as security for any liabilities.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

16. FAIR VALUE MEASUREMENT

16.1 Accounting policies and inputs for fair values

The Authority measures financial instruments and non-financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using or selling the asset in its highest and best use. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- Level 1 – quoted market prices in active markets for identical assets and liabilities;
- Level 2 – inputs (other than quoted prices included within Level 1) that are directly or indirectly observable; and
- Level 3 – inputs for the asset or liability that are substantially derived from unobservable inputs.

The Authority recognises any evident transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers of assets between fair value hierarchy levels during the period. The key valuation assumptions used by the Authority are outlined in Notes 7, 8, 10, 12 and 17.

16.2 Categorisation of assets and liabilities measured at fair value

	NOTES	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL CARRYING AMOUNT	
		2023	2022	2023	2022	2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment									
Land	8	-	-	-	-	68,938	68,379	68,938	68,379
Buildings	8	-	-	-	-	10,646	10,690	10,646	10,690
Water supply network	8	-	-	-	-	2,520,271	2,430,690	2,520,271	2,430,690
Sewerage network	8	-	-	-	-	3,422,016	3,377,370	3,422,016	3,377,370
Total property plant and equipment		-	-	-	-	6,021,871	5,887,129	6,021,871	5,887,129
Other assets									
Defined benefit plan	10.3	-	-	9,009	10,190	-	-	9,009	10,190
Renewable energy certificates	7	437	127	-	-	-	-	437	127
Total other assets		437	127	9,009	10,190	-	-	9,446	10,317

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

17. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Authority becomes a party to the contractual provisions of the financial instrument. No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

17.1 Financial risk management

Exposure to financial risks is managed in accordance with approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Authority. The Authority's activities expose it to a variety of financial risks as follows:

17.1.1 Credit risk

Credit risk is the risk of financial loss to the Authority if a customer or another party fails to meet its obligations. The Authority is exposed to credit risk through its customers. It uses ageing analysis to measure exposure to this risk.

The Authority's credit risk is mainly from the receivables due from customers. The Authority is obliged to provide water and wastewater services without an application for services or regard to customer credit quality. The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment (see Note 6). Although, no collateral is held as security relating to the financial assets held by the Authority, a lien may be claimed on the property for utility debts to reduce the Authority's credit risk exposure. Note that the debt is attached to the property and any outstanding balance is normally paid at settlement when the property is sold.

The Authority manages credit risk through the use of credit management strategy which outlines credit collection processes such as referral of overdue accounts to a debt collection agency, sending reminder letters and mobile text messages to customers, and entering into payment arrangements with customers. A statutory charge may be registered on the property as lien to secure payment for utility debts. The hardship policy and framework are available for customers experiencing financial hardship. Exposure to credit risk is monitored on an ongoing basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

Ageing analysis

The Authority considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Authority in full or the financial asset is more than 90 days past due. Ageing of past due receivables and the amount of impairment is disclosed in the following table:

2023	NOTES	CURRENT	> 30 DAYS PAST DUE	> 60 DAYS PAST DUE	> 90 DAYS PAST DUE	TOTAL
		\$'000	\$'000	\$'000	\$'000	\$'000
Gross trade and other receivables	6	104,562	15,971	3,704	24,388	148,624
Provision for impairment	6	(812)	(66)	(219)	(7,862)	(8,959)
Total		103,750	15,904	3,485	16,526	139,665
2022						
Gross trade and other receivables	6	113,665	16,452	3,616	26,383	160,116
Provision for impairment	6	(881)	(72)	(238)	(8,531)	(9,722)
Total		112,784	16,380	3,378	17,852	150,394

The Authority applied the AASB 9 *Financial Instruments* 'simplified approach' which uses a provision matrix to measure the lifetime expected credit losses of receivables from individual residential and commercial customers, which comprise a very large number of small balances. Default rates are calculated based on actual credit loss experience over the past years. These rates are adjusted to reflect historical, current and future economic conditions over the expected lives of the receivables. No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired and are stated at the carrying amount as indicated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

17.1.2 Liquidity risk

Liquidity risk is the risk that the Authority may encounter difficulty in meeting obligations associated with financial liabilities which are settled by delivering cash or another financial asset. The Authority is exposed to liquidity risk in respect of its trade and other payables (see Note 11) and interest-bearing liabilities (see Note 15).

The Authority manages liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

Maturity analysis

The following table sets out the liquidity risk of the financial liabilities held by the Authority. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at reporting date. For the table below, all Participant loans are now > 5 years.

2023 FINANCIAL LIABILITIES	NOTES	2023 PAYABLE IN			TOTAL
		< 1 YEAR	1-5 YEARS	> 5 YEARS	
		\$'000	\$'000	\$'000	
Trade and other payables	11	69,947	-	-	69,947
Participant loans	15	-	83,215	-	83,215
QTC loans	15	-	-	2,691,680	2,691,680
		69,947	83,215	2,691,680	2,844,842

2022 FINANCIAL LIABILITIES	NOTES	2022 PAYABLE IN			TOTAL
		< 1 YEAR	1-5 YEARS	> 5 YEARS	
		\$'000	\$'000	\$'000	
Trade and other payables	11	62,548	-	-	62,548
Participant loans	15	-	-	73,215	73,215
QTC loans	15	-	-	2,551,680	2,551,680
		62,548	-	2,624,895	2,687,442

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

17.1.3 Market risk

The Authority's market risk is primarily in relation to interest rate risk. This is the risk that a value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. The Authority is exposed to interest rate risk through its borrowings from QTC and Participating Councils (see Note 3.4), investment with QTC and cash deposited in interest-bearing accounts (see Note 2.3). It uses sensitivity analysis to measure this risk. The Authority does not trade in foreign currency and is not materially exposed to commodity price changes.

The Authority manages its portfolio by setting, monitoring and adjusting the terms and duration of its loan portfolio as allowed under its commercial financing contract with QTC. The risk in borrowing is effectively managed through QTC's capacity to issue securities with variable terms allowing an appropriate duration for the Authority while diversifying the interest resetting profile.

Sensitivity analysis

The following sensitivity analysis depicts the outcome on net profit if interest rates would change by +/- 1% from the year-end rates applicable to the Authority's financial assets and liabilities. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. This is mainly attributable to the Authority's exposure to variable interest rates on its borrowings.

2023	NET CARRYING AMOUNTS	-1%		+1%	
		PROFIT	EQUITY	PROFIT	EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	43,406	(434)	(434)	434	434
QTC client specific pool	2,691,680	26,917	26,917	(26,917)	(26,917)
Overall effect on profit and equity		26,483	26,483	(26,483)	(26,483)

2022	NET CARRYING AMOUNTS	-1%		+1%	
		PROFIT	EQUITY	PROFIT	EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	40,165	(402)	(402)	402	402
QTC client specific pool	2,551,680	25,517	25,517	(25,517)	(25,517)
Overall effect on profit and equity		25,115	25,115	(25,115)	(25,115)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

17.1.4 Climate risk

The transition to a low carbon economy

The transition to a low carbon economy presents potential regulatory, reputational and fiscal risks.

- Regulatory – Enforceable undertakings for the Authority to reduce greenhouse gas emissions resulting from delivery of services.
- Reputational – The customers and communities may want the Authority to reduce greenhouse gas emissions faster and further than regulatory requirement.
- Fiscal – The Authority's suppliers and partners transition to a low carbon economy, additional costs may be passed through to the Authority.

The Authority reports annually under the Commonwealth NGER Scheme and has established a corporate target of a 10% reduction in the environmental footprint by 2024 (2019 baseline), which includes GHG emissions.

There are no statutory obligations requiring the Authority to reduce GHG emissions.

Future climate adaptation

This risk is associated with potential loss or impacts associated with future weather, climate variability, sea-level rise and natural asset/resources condition in the long term (beyond 2040).

This risk targets the Authority's ability to better understand and build resilience (as required) to projected future climate scenarios, and managing the uncertainty of the potential modelled variation in magnitude of longer-term impacts of climate change that are influenced by the success of global climate change mitigation actions.

The Climate Risk Working Group oversees the Authority's management of climate change adaptation risks. The Authority continues to monitor the latest climate science and modelled climate change projections and annually updates the future climate risks, their uncertainties and mitigation actions accordingly. The Authority is focused on identifying the immediate leverage opportunities – those opportunities and next steps that the Authority can begin to take right now that will deliver value regardless of the rate of escalation and the uncertainty around the magnitude of impact.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

18. CAPITAL MANAGEMENT

The Authority's objectives when managing capital are to:

- ensure long-term financial sustainability while considering appropriate returns on invested equity and benefits to other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

The Authority manages its capital structure by targeting, at a minimum, an A-credit rating. This is achieved by maintaining key credit metrics and supported through the adjustment of participation returns. The Participation Return Policy provides flexibility for the Board to balance long-term financial sustainability, shareholder returns and capital expenditure funding requirements (see Notes 5.2, 14.1 and 15).

The Authority monitors capital using the following credit metrics and ratios:

	2023	2022 RESTATED ¹
Funds from operations to net debt ¹ ($\geq 10\%$)	9%	11%
Net debt to fixed assets ² ($\leq 60\%$)	41%	41%
Net debt to Regulated Asset Base (RAB)	49%	49%
EBITDA Interest Cover ³ ($\geq 2.25x$)	4.76 x	4.96 x

¹ The funds from operations to net debt measures the Authority's ability to manage its debt obligations.

² Net debt to fixed assets measures the extent to which the Authority's assets are financed by debt.

³ Earnings before interest, tax, depreciation and amortisation (EBITDA) (excluding developer contributions and asset revaluation increments or decrements) interest coverage ratio measures the Authority's ability to pay interest on its outstanding debt.

Under terms of the Authority's borrowing facilities, it is required to comply with the following financial covenants:

- EBITDA (excluding developer contributions and asset revaluation increments or decrements) interest coverage ratio equal to or greater than 2.25 times; and
- a net debt to fixed assets ratio equal to or less than 60 per cent.

The Authority has complied with these financial covenants throughout the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

19. LEASES

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

As a lessee

The Authority recognises lease liabilities related to office buildings and warehouses lease agreements at the lease commencement date. Lease liabilities are measured at the present value of the remaining lease payments, discounted at the Authority's incremental borrowing rate of 3.44% at 1 July 2022.

	2023 \$'000	2022 \$'000
Lease liabilities at 1 July	5,845	12,186
Interest charge for the year	585	407
Increase in lease liability	33,712	-
Payment of lease liabilities	(6,528)	(6,748)
Lease liabilities at 30 June	33,615	5,845
Lease Liability - Current	2,770	5,564
Lease Liability - Non current	30,845	281
	33,615	5,845

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

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

Lease term and extension options

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

Short-term leases and leases of low value assets

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

Peppercorn lease (concessionary)

The Authority has a number of assets located on reserve land which is owned by the State Government and reserved for community public purpose such as water and sewerage, and on Council owned land. The Authority has the right to direct how and for what purpose the reserve land is used throughout the period of use and pays NIL for the use of the reserve land, hence, this is considered a peppercorn lease under AASB 16 *Leases*. The Authority elects to measure the reserve land right-of-use asset related peppercorn lease at cost which is NIL at 30 June 2023 (2022: NIL).

Amounts recognised in the Statement of Comprehensive Income

	2023 \$'000	2022 \$'000
Interest expense on lease liabilities	585	407
Interest income from sub-leasing right-of-use assets	-	1

As a lessor

When the Authority acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Authority does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The Authority recognised operating lease income of \$183,208 (2022: \$159,277) in the Statement of Comprehensive Income. All leases are classified as an operating lease from a lessor perspective.

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

	2023 \$'000	2022 \$'000
Operating leases		
Within one year	203	219
One to two years	193	205
Two to three years	185	193
Three to four years	171	185
Four to five years	152	171
More than five years	610	808
Total	1,515	1,780

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

20. COMMITMENTS

Material classes of expenditure commitments contracted for at reporting date but not recognised in the accounts as payable are as follows:

	2023 \$'000	2022 \$'000
Capital		
Within one year	219,300	125,624
Between one and five years	1,717	96,727
More than five years	-	-
	221,017	222,351
Other		
Within one year	30,884	62,281
Between one and five years	1,864	4,175
More than five years	-	-
	32,747	66,456

21. CONTINGENCIES

Contingent Assets

The Authority is seeking reimbursement of costs associated with damage claims for which it is not able to predict the likely outcome or reliably measure as at the reporting date.

Contingent Liabilities

The Authority is not able to predict the likely outcome or reliably estimate the probability of payout of the contingent liabilities as at the reporting date. There are currently 7 appeals (2022: 6) in the Planning and Environment Court.

The Authority continues to monitor risks associated with contaminants or emerging contaminants of concern that may require treatment in accordance with the End of Waste Code for Biosolids and/or the *Environmental Protection Regulation 2019 (Qld)*.

22. FUNDS HELD IN TRUST

	2023 \$'000	2022 \$'000
Standpipe bonds, security deposits and unclaimed money	3,782	3,082

Funds held in trust include deposits received for standpipe bonds, security deposits to guarantee performance and unclaimed money. The Authority performs only a custodial role in respect of these funds. As such, the balances disclosed above are not recorded in the financial statements and are disclosed here for information purposes only. All unclaimed monies which have not been paid by the Authority to the owner are paid to the Public Trustee of Queensland in accordance with the *Public Trustee Act 1978*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

23. KEY EXECUTIVE MANAGEMENT PERSONNEL AND REMUNERATION

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

23.1 Key executive management personnel

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

POSITION	RESPONSIBILITIES	CONTRACT CLASSIFICATION AND APPOINTMENT AUTHORITY	DATES APPOINTED TO ROLE
Chief Executive Officer	Corporate governance, stakeholder management, risk and insurance, strategic planning and delivery, performance management, external reporting and publications, assurance, resilience and emergency management, legal counsel and land services, industrial relations, facilities management and innovation.	Board appointed Band A Contract	From 1 September 2022
Executive Leader Legal and Risk	Governance and secretarial assistance to the Board, advisory role to the Chief Executive Officer and the Board, compliance with statutory obligations, provision of legal advice, management and operation of quality management systems, management of assurance, insurance, risk and resilience, improvement in quality systems and management of land assets.	Board appointed Band A Contract	From 10 January 2011
Chief Financial Officer	Champions, safeguards and drives customer, community and shareholder value through long term financial sustainability; regulatory oversight and pricing; commercial and economic analysis; financial management and reporting; procurement and supply chain; and financial transactional activities.	Board appointed Band A Contract	From 12 February 2018
Executive Leader Integrated Solutions	Relationship management with key strategic partners and stakeholders, government and regulators in relation to infrastructure development, long-term strategy development and planning, feasibility, design and procurement of infrastructure solutions (including new infrastructure and major asset upgrades) and proactive management of infrastructure and network through asset intelligence and analytics enablement.	Board appointed Band A Contract	From 31 August 2020
Executive Leader Environmental and Industrial	Effective relationship management of industrial partnerships and key commercial relationships, including developers, commercial water customers and trade waste customers, safe operation and maintenance of treatment plants, new commercial opportunities development related to effluent, recycled water, bio-solids and energy, and growth in Scientific Analytic Services.	Board appointed Band A Contract	From 23 August 2021
Executive Leader Service Delivery	Management and optimisation of water and wastewater network and customer operations, and day-to-day management of retail customer relationships, management and assurance of customer billing and metering, bringing together control centre, faults and emergencies, schedule and dispatch, contract centre functions to enable identification and early resolution of customer issues, and planned and responsive network maintenance.	Board appointed Band A Contract	From 27 April 2020
Chief Experience Officer	Enterprise leadership of customer, people, employee relations and positive safety culture, design and implementation of employee and customer experience, human resources services and solutions, internal communications and brand management.	Board appointed Band A Contract	From 5 May 2020
Executive Leader Corporate Affairs	Strategic direction and leadership for the office of the Chief Executive Officer, executive Board support, enterprise level governance frameworks, development of corporate strategy and performance reporting on strategy, effective management of shareholders, corporate communications, enterprise leadership of property management, innovation and research and development, records management, corporate policies and internal audit.	Board appointed Band A Contract	From 31 October 2013
Chief Digital and Information Officer	Development and delivery of digital strategy, enterprise architecture, digital transformation and IT projects, leadership and operation of information and data analytics, systems and governance, management of IT vendors and procuring IT products and services in close collaboration with Finance, operation, maintenance and support of IT systems, and design, development, operation and maintenance of operational technology, in close collaboration with Integrated Solutions and Service Delivery.	Board appointed Band A Contract	From 18 January 2021

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

23.2 Remuneration

Remuneration for key executive management personnel is determined by the Board and is reviewed on an annual basis, and is based on consideration to performance, market movements and other relevant factors. Remuneration and other terms of employment are specified in individual employment contracts. With the exception of the Chief Executive Officer, the contracts do not provide for performance-related cash payments.

An increase of 2.25% (2022: 2.25%) was applied during the financial year. Remuneration packages for key executive management personnel comprise the following components:

- Short-term employee benefits include:
 - salaries, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position;
 - performance payments recognised as an expense during the year; and
 - non-monetary benefits.
- Long-term employee benefits include long service leave accrued.
- Post-employment benefits include superannuation contributions.
- Redundancy payments are provided for within individual contracts of employment.
- Contracts of employment provide for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

23.2 Remuneration (cont'd)

Total fixed remuneration is calculated on a "total cost" basis by employee as per below:

2023 POSITION	SHORT TERM					TOTAL REMUNERATION ¹ \$'000
	MONETARY BENEFITS \$'000	NON- MONETARY BENEFITS \$'000	LONG TERM EMPLOYEE BENEFITS \$'000	POST EMPLOYMENT BENEFITS \$'000	TERMINATION BENEFITS \$'000	
Chief Executive Officer (1 July 2022 - 31 August 2022) ^{1,2}	230	2	47	6	-	285
Chief Executive Officer (from 1 September 2022)	546	2	14	26	-	588
Executive Leader Legal & Risk	378	4	9	26	-	417
Chief Financial Officer	399	4	10	26	-	439
Executive Leader Environmental and Industrial	379	4	9	26	-	418
Executive Leader Integrated Solutions	418	4	10	26	-	458
Executive Leader Service Delivery	396	4	10	26	-	435
Chief Experience Officer	357	4	9	26	-	396
Executive Leader Corporate Affairs	299	4	7	26	-	337
Chief Digital and Information Officer (from 1 July 2022 to 31 January 2023) ³	373	20	9	26	-	428
Acting Chief Digital and Information Officer (from 31 January 2023)	27	-	1	-	-	27
Total remuneration	3,802	50	136	242	-	4,230

¹ Included within the short-term monetary benefits is an amount of \$65,059 relating to performance payments associated with the 2022 financial year. Excluding the performance payments for the 2023 financial year, the total remuneration would be \$4,165,145.

² Payments of \$241,965 for short-term monetary benefits and \$266,110 for long-term monetary benefits were made following cessation of employment with Urban Utilities on 31 August 2022 for entitlements accrued prior to 1 July 2022. These amounts are excluded from short-term monetary benefits and long-term monetary benefits as these expenses were recognised in reporting periods prior to the 2023 financial year.

³ Commenced a period of paid leave from 31/01/2023 to 29/08/2023.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

2022 POSITION	SHORT TERM					TOTAL REMUNERATION \$'000
	MONETARY BENEFITS \$'000	NON- MONETARY BENEFITS \$'000	LONG TERM EMPLOYEE BENEFITS \$'000	POST EMPLOYMENT BENEFITS \$'000	TERMINATION BENEFITS \$'000	
Chief Executive Officer	702	3	18	24	-	746
Executive Leader Legal & Risk	369	3	9	24	-	405
Chief Financial Officer	376	3	9	24	-	412
Executive Leader Integrated Solutions	407	3	10	24	-	444
Executive Leader Environmental and Industrial (to 2 July 2021)	3	-	-	-	-	3
Acting Executive Leader Environmental and Industrial (3 July 2021 to 22 August 2021)	45	-	-	5	-	50
Executive Leader Environmental and Industrial (from 23 August 2021)	315	3	8	24	-	349
Executive Leader Service Delivery	377	3	9	24	-	413
Chief Experience Officer	345	3	9	24	-	380
Executive Leader Corporate Affairs	288	3	7	24	-	322
Chief Digital and Information Officer	361	3	9	24	-	397
Total remuneration	3,588	26	89	217	-	3,919

23.3 Performance payments

The aggregate amount of performance payments made during the financial year was \$65,059 (2022: \$54,835).

A performance payment may be paid annually to the Chief Executive Officer depending upon satisfaction of key criteria and is capped at 20% of total fixed remuneration (base pay plus superannuation). The amount payable is tied to the achievement of pre-determined organisational and individual performance targets as agreed by the Board. As the determination of the performance payment for 2023 has not been made at the date of management certification of these financial statements, any performance payment approved will be reported as an expense during the year ending 30 June 2024.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

24. RELATED PARTIES

24.1 Board members

Board remuneration

The Board remuneration is estimated under the Participation Agreement and is with unanimous agreement of the Participants. Reimbursements for reasonable travelling, accommodation, and other expenses in connection with the business of the Authority are not included in Board remuneration. To the extent permitted by law, the Authority must indemnify each Board Member against a liability of that person and the legal costs of that person. The Authority has an appropriate insurance coverage for Directors and Officers liability.

The Board Members who were paid directly or indirectly were:

	2023 \$'000	2022 \$'000
Bronwyn Morris	124	121
John Cotter ^{1,2}	-	18
Graham Thomsen ^{1,5}	74	72
Julie-Anne Schafer ¹	76	72
Kathy Hirschfeld ^{1,3}	-	37
Mark Gray	62	61
Phillip Strachan ¹	76	64
Amanda Cooper	62	61
Lucia Cade ²	62	45
Gerard Pender ⁴	62	-
	599	551

¹ Additional monthly rate of \$1,008 (2022: \$986) was paid to Committee Chairs.

² John Cotter's term ended on 30 September 2021. Lucia Cade was appointed effective from 1 October 2021.

³ Kathy Hirschfeld's term ended on 31 December 2021.

⁴ Gerard Pender was appointed effective from 1 July 2022.

⁵ Graham Thomsen passed away in June 2023.

A CPI increase of 2.25% (2022: 1.75%) was applied during the financial year and monthly rates set at \$1,008 (2022: \$9,171) for the Board Chairperson and \$4,688 (2022: \$4,586) for the Board Members.

24.2 Loans to key management personnel

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

24.3 Other key management personnel transactions

There are no other transactions with key management personnel and their related parties during the financial year, other than on normal commercial terms.

24.4 Board member transactions

There are no transactions with Board members and their related parties for the financial year, other than the board fees disclosed in the note 24.1.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

24.5 Transactions and balance with Participating Councils

The amount of payments to and from participating councils, calculated on an accrual basis, and the amount of receivable or payable to participating councils are as follows. Amounts owing are unsecured and are expected to be settled in cash. These transactions were carried out under normal commercial terms.

	BRISBANE CITY COUNCIL		IPSWICH CITY COUNCIL		LOCKYER VALLEY REGIONAL COUNCIL		SCENIC RIM REGIONAL COUNCIL		SOMERSET REGIONAL COUNCIL		TOTAL	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		RESTATED ¹		RESTATED ¹		RESTATED ¹		RESTATED ¹		RESTATED ¹		RESTATED ¹
Payments from participating councils												
Utility charges	6,618	6,161	2,907	2,767	574	294	267	276	328	301	10,695	9,799
Total payments from participating councils	6,618	6,161	2,907	2,767	574	294	267	276	328	301	10,695	9,799
Payments to participating councils												
Supplies and services	8,103	221	18	17	16	26	28	21	54	-	8,218	284
Finance and borrowing costs	-	-	-	-	548	563	546	561	1,289	923	2,383	2,046
Income tax equivalents	74,758	69,192	10,748	9,948	794	735	916	848	726	672	87,944	81,396
Participation returns	110,509	127,511	15,889	18,333	1,174	1,355	1,355	1,563	1,074	1,239	130,000	150,000
Land tax	4,172	3,953	600	568	44	42	51	48	41	38	4,908	4,651
Stamp duty	35	56	5	8	0	1	0	1	0	1	41	66
Taxation equivalents	78,966	73,202	11,353	10,525	839	778	968	897	767	711	92,893	86,112
Total payments to participating councils	197,578	200,933	27,260	28,875	2,576	2,720	2,896	3,042	3,185	2,874	233,495	238,442
Receivables												
Utility charges	1,623	1,648	989	639	177	158	82	81	87	81	2,957	2,606
Accrued developer contributions	-	333	-	-	-	-	-	-	-	-	-	333
Other receivables	341	376	15	10	1	2	7	1	-	-	364	389
Total receivables	1,964	2,357	1,004	649	178	159	89	82	87	81	3,322	3,327
Payables												
Finance and borrowing costs	-	-	-	-	46	47	45	47	136	77	227	171
Income tax equivalents	1,757	16,201	253	2,329	19	172	22	199	17	157	2,067	19,058
Participation returns	55,255	63,755	7,944	9,167	587	677	677	782	537	620	65,000	75,000
Land tax	4,172	3,953	600	568	44	42	51	48	41	38	4,908	4,651
Stamp duty	35	56	5	8	0	1	0	1	0	1	41	66
Other payables	-	1,086	-	-	-	1	-	0	-	18	-	1,104
Taxation equivalents payable	5,965	20,210	858	2,906	63	215	73	248	58	196	7,017	23,775
Total payables	61,219	85,051	8,802	12,072	650	939	750	1,076	595	910	72,017	100,050
Borrowings												
Loans	-	-	-	-	14,736	14,736	14,676	14,676	53,803	43,803	83,215	73,215
Total borrowings	-	-	-	-	14,736	14,736	14,676	14,676	53,803	43,803	83,215	73,215

¹Comparatives restated (see Note 1.10).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

25. FINANCIAL SUSTAINABILITY

The Authority seeks to ensure it remains financially sustainable by ensuring that it can meet its financial obligations both current and future, managing and operating its water and sewerage infrastructure in order to meet its customer service obligations, environmental licence conditions and requirements for water quality, and by working to deliver services to its customers at the lowest cost.

The following ratios reflect measures of financial sustainability and enable comparison with other water sector entities:

- Operating ratio* – Operating profit before income tax expense expressed as a proportion of total revenue. Ongoing positive results are one factor which indicate that sufficient revenue is being generated to fund operating and future capital expenditure.
- Capital replenishment ratio* – Capital expenditure on construction or replacement of non-current assets divided by depreciation expense on non-current assets. An average above one, over time, indicates that assets are being built or replaced at or above the rate the non-current asset base is being depreciated.
- Debt to revenue ratio* – Total loans and borrowings divided by total revenue. This indicates the ability to pay principal and interest on borrowings when they fall due, from the funds generated through operations. Based on an optimal gearing ratio of 60%, the benchmark for a water utility debt to revenue ratio would be no more than 3 times.

The results have been disclosed for the current and comparative year as below:

	2023	2022 RESTATED ¹
Operating ratio	19%	21%
Capital replenishment ratio	2.03 x	1.64 x
Debt to revenue ratio	1.84 x	1.83 x

¹ Comparatives restated (see Note 1.10).

The Authority continues to remain financially sustainable. The Authority's objectives in managing its capital structure are referenced in Note 18.

26. SUBSEQUENT EVENTS

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

27. NEW AND REVISED ACCOUNTING STANDARDS

At the date of authorisation of the financial report, the following Australian accounting standards and interpretations which could potentially have an impact on the Authority's Financial Statements have been issued but were not yet effective as at 30 June 2023. None of these have been early adopted and their impacts on the financial statements are not expected to be material. All other Australian accounting standards and interpretations with future effective dates are not applicable.

STANDARD/ INTERPRETATION	APPLICATION DATE FOR AUTHORITY
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 July 2023
AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 July 2023
AASB 2021-5 <i>Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 July 2023
AASB 2021-6 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards</i>	1 July 2023
AASB 2021-7b <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 And Editorial Corrections</i>	1 July 2023
AASB 2021-7c <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 And Editorial Corrections</i>	1 July 2025
AASB 2022-6 <i>Amendments to Australian Accounting Standards - Non-Current Liabilities with Covenants</i>	1 July 2023
AASB 2022-7 <i>Editorial corrections to Australian Accounting Standards and repeal of Superseded and Redundant Standards</i>	1 July 2023
AASB 2021-7c <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 And Editorial Corrections</i>	1 July 2025

All other Australian accounting standards and interpretations with future commencement dates are either not applicable or have no material impact on the Authority's financial statements. The Authority applies standards and interpretations in accordance with their respective commencement dates.

CERTIFICATE OF THE CENTRAL SEQ DISTRIBUTOR-RETAILER AUTHORITY

For the year ended 30 June 2023

These general purpose financial statements have been prepared pursuant to section 62 (1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act, we certify that in our opinion:

- (i) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; 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 Urban Utilities) for the financial year ended 30 June 2023 and of the financial position of the Authority at the end of that year; and

We acknowledge responsibility under section 7 and section 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

Bronwyn Morris AM

BCom, FCA, FAICD

Board Chair



Date: 31 August 2023

Paul Arnold

BE (Hons), MBA, MAICD, MAusIMM,
MIEAust EngExec

Chief Executive Officer



Date: 31 August 2023

Ruth Coulson

BCom, CA, GAICD

Chief Financial Officer



Date: 31 August 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Central SEQ Distributor-Retailer Authority

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Central SEQ Distributor-Retailer Authority.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including material accounting Information policies, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Other information

Other information comprises financial and non-financial information (other than the audited financial report).

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.



Responsibilities of the entity for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an **auditor's report that includes my opinion. Reasonable assurance is a high level of assurance**, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of forming an opinion on the effectiveness of the **entity's** internal controls, but allows me to form an opinion on compliance with prescribed requirements.
- Evaluate the appropriateness of material accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am **required to draw attention in my auditor's report to the related disclosures in the financial report** or, if such disclosures are inadequate, to modify my opinion. I base my **conclusions on the audit evidence obtained up to the date of my auditor's report**. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2023:

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

Prescribed requirements scope

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

IAsim

Irshaad Asim
as delegate of the Auditor-General

31 August 2023
Queensland Audit Office
Brisbane

APPENDICES

COMPLIANCE LETTER TO MINISTER

Office of the Chair
Level 10, 31 Duncan Street
Fortitude Valley QLD 4006

7 September 2023

The Honourable Glenn Butcher MP
Minister for Regional Development and Manufacturing and Minister for Water
Queensland State Government
PO Box 15009
CITY EAST QLD 4002

Dear Minister Butcher

Urban Utilities 2022/23 Annual Report

I am pleased to present the 2022/23 Annual Report for the Central SEQ Distributor-Retailer Authority trading as Urban Utilities.

I certify that this annual report complies with:

- the prescribed requirements of the Financial Accountability Act 2009 and the *Financial and Performance Management Standard 2009*; and
- the detailed requirements set out in the Annual Report Requirements for Queensland Government Agencies.

A checklist outlining the annual report requirements can be found at page 133 of the document.

Yours sincerely



Bronwyn Morris AM

Chair

Central SEQ Distributor-Retailer Authority trading as Urban Utilities

APPENDICES

COMPLIANCE CHECKLIST

SUMMARY OF REQUIREMENT		BASIS FOR REQUIREMENT	ANNUAL REPORT REFERENCE
Letter of compliance	<ul style="list-style-type: none"> A letter of compliance from the accountable officer or statutory body to the relevant Minister/s 	ARRs – section 7	Page 132
Accessibility	<ul style="list-style-type: none"> Table of contents Glossary 	ARRs – section 9.1	Page 3 Page 135
	<ul style="list-style-type: none"> Public availability 	ARRs – section 9.2	
	<ul style="list-style-type: none"> Interpreter service statement 	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3	
	<ul style="list-style-type: none"> Copyright notice 	<i>Copyright Act 1968</i> ARRs – section 9.4	Page 2
	<ul style="list-style-type: none"> Information Licensing 	<i>QGEA – Information Licensing</i> ARRs – section 9.5	
General information	<ul style="list-style-type: none"> Introductory Information 	ARRs – section 10	Page 10
Non-financial performance	<ul style="list-style-type: none"> Government's objectives for the community and whole-of-government plans/specific initiatives 	ARRs – section 11.1	Not applicable
	<ul style="list-style-type: none"> Agency objectives and performance indicators 	ARRs – section 11.2	Page 14-43
	<ul style="list-style-type: none"> Agency service areas and service standards 	ARRs – section 11.3	Page 23-24
Financial performance	<ul style="list-style-type: none"> Summary of financial performance 	ARRs – section 12.1	Page 64-71
Governance – management and structure	<ul style="list-style-type: none"> Organisational structure 	ARRs – section 13.1	Page 45
	<ul style="list-style-type: none"> Executive management 	ARRs – section 13.2	Page 47-57
	<ul style="list-style-type: none"> Government bodies (statutory bodies and other entities) 	ARRs – section 13.3	Not applicable
	<ul style="list-style-type: none"> Public Sector Ethics 	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4	Page 17
	<ul style="list-style-type: none"> Human Rights 	<i>Human Rights Act 2019</i> ARRs – section 13.5	Page 62
	<ul style="list-style-type: none"> Queensland public service values 	ARRs – section 13.6	Not applicable

APPENDICES

SUMMARY OF REQUIREMENT		BASIS FOR REQUIREMENT	ANNUAL REPORT REFERENCE
Governance – risk management and accountability	• Risk management	ARRs – section 14.1	Page 61
	• Audit committee	ARRs – section 14.2	Page 51
	• Internal audit	ARRs – section 14.3	Page 62
	• External scrutiny	ARRs – section 14.4	Page 61
	• Information systems and recordkeeping	ARRs – section 14.5	Page 63
	• Information Security attestation	ARRs – section 14.6	Not applicable
Governance – human resources	• Strategic workforce planning and performance	ARRs – section 15.1	Page 17-19
	• Early retirement, redundancy and retrenchment	<i>Directive No.04/18 Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2	Not applicable
Open Data	• Statement advising publication of information	ARRs – section 16	Page 63
	• Consultancies	ARRs – section 31.1	https://data.qld.gov.au
	• Overseas travel	ARRs – section 31.2	https://data.qld.gov.au
	• Queensland Language Services Policy	ARRs – section 31.3	https://data.qld.gov.au
Financial statements	• Certification of financial statements	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1	128
	• Independent Auditor’s Report	FAA – section 62 FPMS – section 46 ARRs – section 17.2	129

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2019*

ARRs *Annual report requirements for Queensland Government agencies*

APPENDICES

GLOSSARY

ADWG

Australian Drinking Water Guidelines

Board

The Central SEQ Distributor-Retailer Board

Board member

Means a person who is, for the time being, a member of the Board of Queensland Urban Utilities.

CCRG

Customer and Community Reference Group

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.

ICP

Integrated Catchment Plan

IZP

Integrated Zone Plan

Megalitre (ML)

Measurement of volume equal to one million litres. One megalitre is approximately the volume of a one-metre deep Olympic-sized swimming pool.

Participation Agreement

A *Participation Agreement* under s20 or 23 of the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

PRW

Purified Recycled Water

Recycled water

Water taken from any waste (effluent) stream and treated to a level suitable for further use, where it is used safely and sustainably for beneficial purposes. This is a general term that can include reclaimed water.

Shareholder

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

Stakeholder

All those who are either affected by or who can affect the activities of an organisation, namely customers, governments, the media, non-government organisations, local residents and employees.

Trade waste

Water-borne waste from a business or manufacturing premises, that is not:

1. a prohibited substance (for example, petrol, pesticide),
2. domestic wastewater (human waste),
3. stormwater.

Some trade waste cannot be accepted at wastewater treatment plants and must be disposed of through special facilities.

Wastewater

Material transported in a wastewater system. Wastewater 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.

Wastewater network

The pipes and channels, including all trunk, pressure and reticulation pipes, via which wastewater is transported from its point of origin (e.g. house or business) to a point of treatment and/or disposal.

WWTP

Wastewater Treatment Plant

APPENDICES

INDEX TO ANNUAL REPORT CONTENT

A		O	
Audit	4, 8, 12, 15, 20, 22, 45, 51, 53, 61, 62, 69, 71	Overseas travel	63
B		P	
Board	6-7, 10, 41, 44-53, 61-63	Pricing	32, 47, 51, 59, 61
Brisbane City Council	10, 46, 49	Public health	12, 23, 28, 58, 59
C		Q	
Chair, Bronwyn Morris	4-7, 12, 47-48, 51-53	Queensland Audit Office	61, 62
Chief Executive Officer, Paul Arnold	47, 52, 54, 62	Queensland Competition Authority	61
Code of Conduct	17, 62	R	
Commercial customers	10, 39, 43, 60	Records management	63
Corporate Plan	See Statement of Strategic Intent	Reconciliation	9, 15, 38, 40, 41, 43
Customer Service Standards	23-24	Regulators	12, 28, 34, 47, 51, 60, 63
D		Research and Development	10, 12, 40
Developers	12, 31, 43, 66-67	Risk	4, 20, 22, 29, 45, 47, 51-53, 57, 61-63, 71
Department of Regional Development, Manufacturing and Water	12	S	
Diversity	15, 17, 18	Safety	4, 8, 15, 19, 20, 51, 53, 57-61
Drinking water	5, 10, 13, 23, 28	Scenic Rim Regional Council	10, 46
Drought	4	Seqwater	12, 32, 34, 43, 57
E		Shareholders	2, 10, 12, 36, 37, 45- 47, 63
Enterprise Agreements	17	Somerset Regional Council	10, 46
Executive Leadership Team	45, 54-57	Strategic direction	11, 14-43, 58-59
F		Statement of Strategic Intent	58-59
Fair Work Act 2009 (Cth)	17	V	
I		Values	11, 17
Innovation	40	W	
Ipswich City Council	10, 46	Water quality	12, 13, 23, 27-29
L		Workforce	16-18, 31
Lockyer Valley Regional Council	10, 46		

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UrbanUtilities

FOR MORE INFORMATION VISIT:

urbanutilities.com.au

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