



Unitywater Price Monitoring 2026-30

Consultants Expenditure Review – Phase 1





Acknowledgment of country

We acknowledge that this report was authored on the traditional ancestral lands of the Wurundjeri and Bunurong peoples. We acknowledge the deep feelings of attachment and relationship of the Wurundjeri and Bunurong peoples to these lands and their ongoing custodianship.

We also acknowledge the Traditional Custodians of the lands and waterways in which Unitywater operates, the Kabi Kabi, Jinibara and Turrbal peoples. We honour their enduring connection to these places and their deep cultural, spiritual, and environmental knowledge.

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Summary of Findings

The Queensland Competition Authority (QCA) has engaged Utilities Regulation Advisory (URA) to support its assessment of Urban Utilities and Unitywater expenditure submissions for Phase 1 of the South East Queensland Distributor-Retailer Price Monitoring Review 2026–30 (PM26). URA's engagement comprises a desktop review of the businesses' governance frameworks and productivity and efficiency arrangements, with the findings intended to inform the QCA's Interim Report to the Minister, due in late May 2026. A subsequent Phase 2 may consider expenditure prudence and efficiency in more detail.

S.1 Scope of the Phase 1 expenditure review

The Phase 1 review covers three separate, but interrelated workstreams:

- The governance workstream reviews policies, procedures and oversight arrangements guiding planning, procurement, delivery of capital expenditure and asset management decisions. It assesses alignment with good industry practice, the effectiveness of oversight and expenditure control, and whether the frameworks support efficient investment decisions.
- The operating cost forecasting workstream assesses the structure, assumptions and governance supporting expenditure forecasts to determine whether methodologies are robust and consistent with industry practice.
- The productivity and efficiency workstream evaluates proposed initiatives and efficiency targets intended to reduce capital and operating costs from FY2026-27, including the credibility of delivery plans and consistency of application.

S.2 Assessment process to date

The work undertaken to date includes:

- Detailed review of Unitywater's submissions and their accompanying evidentiary base, to understand the outcomes the businesses are seeking to deliver, service levels and expenditure required to deliver these needs.
- The issuance of requests for information (RFIs):
 - RFI 1 (23 October 2025) - which focused primarily on capital planning, processes and governance.
 - RFI 2 (1 December 2025) - which focused on operating expenditure forecasting and efficiency and productivity initiatives.
 - RFI 3 (25 February 2026) – which focused on follow up queries resulting from the Unitywater's interviews.
- Method workshops – URA facilitated targeted workshops with Unitywater that outlined our assessment approach. This included outlining the overarching approach and assessment criteria and identifying the potential internal participants from Unitywater. The workshop was intended to allow Unitywater to understand our information requirements and to effectively participate in the subsequent interviews.
- Interviews were conducted with Unitywater (16 and 17 February). The interview workshops provided Unitywater an opportunity to present its submission and important contextual information to the assessment team. The interviews were also an opportunity for URA to test its understanding of the submission with Unitywater.

- The provision of a briefing memo on our Preliminary Findings to the QCA on 27 February. The briefing memo outlined our initial assessment positions on the criteria and evaluation questions outlined in our method workshops and interview packs.
- The provision of a draft report to the QCA on 28 March 2026.
- The provision of a final report to the QCA on 17 April 2026

This summary provides an overview of our findings across the Phase 1 workstreams for the South East Queensland Distributor-Retailer Price Monitoring Review 2026–30 and highlights the key observations and assessment outcomes arising from the review completed to date. The detailed scope of work, assessment approach and supporting analysis for each workstream are set out in the relevant chapters of this report:

- Chapter 2 addresses capital governance, policy and procedures.
- Chapter 3 addresses operating expenditure forecasting.
- Chapter 4 addresses productivity improvement and efficiency measures.

The broader context for the review, including the terms of URA’s engagement, the scope of the assessment and the analytical framework applied across the report, is set out in Chapter 1.

S.3 Capital governance, policy and procedures findings

Unitywater has a mature system in place for managing capital infrastructure with robust frameworks and processes covering the asset lifecycle. There is a robust system for governance across the lifecycle with clearly defined gateways and decision points. Some elements of the implementation of the systems and processes were not able to be fully demonstrated, However, these elements will be fully examined in Phase 2 of the overall review process. Overall, Unitywater’s governance policy and procedures for capital infrastructure are consistent with good practice. Table 1 summarises URA’s assessment of Unitywater against each assessment criterion applied in this review. The detailed criteria are set out in section 2.2.3 and the detailed assessment against the criteria is set out in section 2.5.

Table 1: Capital governance, policy and procedure assessment against criteria

Criterion	Summary of criteria findings
System maturity and continuous improvement	No gaps identified.
Monitoring and reporting on progress	No material gaps identified. Evidence demonstrates established portfolio-level monitoring and reporting. Additional evidence of how this informs portfolio-level intervention and reprioritisation would strengthen confidence. -
Stakeholder consultation and accountability	No gaps identified.
Decision-making systems and integration	No gaps identified.
Application of decision-making framework and prioritisation	No gaps identified.
Investment decision-making	No material gaps identified. We note that additional evidence of consistent and repeatable application across programs would strengthen confidence.
Implementation and effectiveness in practice	No material gaps identified. We note that broader evidence across programs (including outcomes such as cost optimisation) would strengthen confidence.

S.4 Operating expenditure forecasting findings

Based on our review of Unitywater’s Submission and supporting documentation, the core components of the proposed operating expenditure (opex) forecasting methodology are generally consistent with good practice base-step-trend (BST) forecasting techniques.

We have identified one potential area for improvement. Unitywater has indicated that its BST method currently applies step changes to the baseline before the baseline is extrapolated using trend factors. This differs from typical regulatory practice, where step changes are generally added after the baseline has been escalated. Applying escalators to step changes creates a risk of over-recovery unless the step changes are adjusted to remove the cost impact of those escalation factors prior to their escalation. That additional adjustment introduces unnecessary complexity and risk of over recovery that can be avoided by revising the BST sequence so that escalators are applied to the base year before step changes are added. We recommend that Unitywater revise the BST sequence so that escalators are applied to the base year before step changes are added.

No material gaps have been identified in Unitywater’s forecasting governance. The forecasting governance framework is mature, integrated and operating in practice, providing a sound basis for the development, review and oversight of the opex forecast. Table 2 summarises URA’s assessment of Unitywater against each assessment criterion applied in this review. The detailed criteria are set out in section 3.2.3 and the detailed assessment against the criteria is set out in section 3.6. We note that Unitywater’s forecasting method is in development and our Phase 1 assessment has not been able to extend to independent verification of implementation examples.

Table 2: Opex forecasting assessment against criteria

Criterion	Summary of criteria findings
Method and structure	We recommend Unitywater develop a multi-year BST forecasting method that clearly addresses the application of its annual contingency mechanism within the context of a multi-year forecast. We recommend Unitywater consider revising the BST sequence so that escalators are applied to the base year before step changes are added. This would simplify the BST method and reduce the risk of over-recovering actual costs.
Data integrity and assumptions	No gaps identified.
Link to cost and service drivers	No gaps identified.
Alignment with regulatory guidance	No material gaps identified (see recommendations for method and structure in relation to sequencing of BST components).
Integration expenditure business planning and delivery	No gaps identified.
Risk and uncertainty management	No gaps identified.
Historical performance and trend analysis	No gaps identified.
Benchmarking and validation	No gaps identified.
Continuous improvement and learning	No gaps identified.
Forecasting governance and accountability	No gaps identified.

S.5 Productivity improvement and efficiency measures findings

Based on our review of Unitywater’s Submission and supporting documentation, Unitywater demonstrates a structured approach to developing, delivering and tracking productivity and efficiency initiatives throughout its operations. Overall, there are no material gaps identified during the review, but note that further clarification will be required to confirm the recurring implementation of efficiency savings and productivity improvements.

While the documentation provided does not indicate a consolidated standalone efficiency strategy, Unitywater’s approach does embed initiatives in different strategic, operational and asset management policies and frameworks. We have identified an opportunity for improvement centred on the development of an overarching productivity and efficiency plan. The plan would allow for internal monitoring and reporting of performance, and provide a centralised focal point for communicating the efficiency program in its entirety to customers, stakeholders and the QCA.

The table below summarises URA’s assessment of Unitywater against each assessment criterion applied in this review. The detailed criteria are set out in section 4.2.3 and the detailed assessment against the criteria is set out in section 4.5.

Table 3: Productivity improvement and efficiency criteria assessment

Criterion	Summary of criteria findings
Strategic intent	No material gaps identified.
Governance and accountability	No material gaps identified.
Integration with expenditure planning	No material gaps identified.
Measurement and tracking	No material gaps identified.
Demonstrated outcomes	No material gaps identified.

1. Introduction

1.1. Overview of the PM26 Phase 1 review

1.1.1. Terms of URA's engagement

On 24 September 2025, the Acting Minister for Finance, Trade, Employment and Training issued the QCA with a referral notice under section 23A of the *Queensland Competition Authority Act 1997*. The referral requires the QCA to undertake a price monitoring investigation into the declared monopoly business activities of Unitywater.

The referral is structured in two parts:

- Phase 1 requires the QCA to provide an interim report on forecast total revenues for 2026–27 and related matters. This stage is focused on governance, policies, procedures and productivity and efficiency initiatives relevant to cost control. The interim report is due to the Minister by 29 May 2026.
- Phase 2 requires the QCA to undertake a more detailed review of forecast costs and revenues for the period 2027–28 to 2029–30. This stage includes assessment of the prudence and efficiency of operating and capital expenditure, demand forecasts, rates of return and other relevant matters. The QCA is required to provide draft findings by 24 December 2026 and final findings by 30 April 2027.

URA has been engaged by the QCA to support its Phase 1 review of Unitywater. URA's role is to provide an independent assessment of the reasonableness and robustness of the business's governance frameworks, policies and procedures. URA is also engaged to review the business's proposed productivity initiatives and efficiency measures, and to comment on the reasonableness of their key cost forecasting approaches.

The Phase 1 engagement is a desktop review. It examines the governance arrangements, policies and procedures that support planning, procurement, delivery and oversight of expenditure and investment. This includes relevant corporate, asset management, risk management, procurement and project governance material.

As part of this work, URA has been asked to form a view on whether Unitywater's frameworks and practices are consistent with good industry practice. The review also considers whether they provide appropriate oversight, challenge and control over expenditure and decision making, and whether they are likely to support efficient expenditure outcomes if applied appropriately and consistently.

Where relevant, URA's engagement also includes identifying gaps, potential improvements and matters that may warrant further investigation in Phase 2. The detailed testing of whether these arrangements are applied consistently in practice is primarily a matter for the later stage of the QCA's review. The purpose of URA's advice is to assist the QCA in preparing its reports to the Minister within the timeframes set by the referral notice.

1.1.2. Qualifications on the findings

Matters identified as potential gaps or areas for improvement may warrant further examination in Phase 2 of the review which includes a detailed prudence and efficiency review.

1.2. Our analytical framework

1.2.1. Key evaluation questions

The following questions guide our assessment across governance arrangements, cost forecasting approaches, and productivity and efficiency frameworks within Unitywater. The review is intended to evaluate whether existing policies, procedures and forecasting methods provide a sound and defensible basis for decision making, expenditure oversight and regulatory scrutiny, and whether the productivity and efficiency frameworks support the delivery of efficient investment outcomes consistent with recognised industry practice.

This assessment is based on information provided to date and remains subject to refinement as further material is reviewed and additional information is received. The evaluation criteria applied at this stage are consistent with the analytical structure of our report and focus on the extent to which current practices demonstrate robustness, coherence and alignment with recognised good practice, and provide a clear and credible foundation for delivering efficiency outcomes.

Our analysis has been guided by the following evaluation questions:

Capital governance, policies and procedures

- 1. Are governance policies and procedures robust and consistent with good industry practice?*
- 2. Do governance policies and procedures provide appropriate review of expenditures and decision making throughout the planning and delivery process?*
- 3. Are governance policies and procedures likely to result in efficient expenditure and investment decisions if applied appropriately and consistently?*

Operating cost forecasting approaches

- 1. Does the method demonstrate a reliable track record, producing forecasts that align with actual outcomes over time?*
- 2. Is the method logically sound, with assumptions and reasoning that withstand scrutiny?*
- 3. Does the method exhibit mathematical integrity?*
- 4. Does the method align with recognised industry practice?*
- 5. Is the method internally consistent, with inputs, assumptions and outputs working together coherently?*

Productivity improvement and efficiency measures

- 1. What is the business's strategic intent for its productivity and efficiency frameworks, and how clearly is that intent articulated and understood?*
- 2. How robust are the governance and accountability arrangements that support these frameworks?*
- 3. How well are the frameworks integrated into opex and capex planning, decision-making and ongoing management?*
- 4. How effective are the processes for monitoring, measuring and reporting productivity and efficiency?*
- 5. To what extent does the business consider, verify and learn from demonstrated productivity and efficiency outcomes?*

1.2.2. Addressing the key evaluation questions

The analysis has been structured to address each of the key evaluation questions by testing the current arrangements against recognised good practice, assessing their robustness and defensibility, and identifying areas where improvement may be warranted.

The method we have adopted for this report aligns with our analytical structure and is based on the information provided to date. In undertaking this review, we recognise the practical challenges associated with evidencing forecasting accuracy and efficiency outcomes across multiple expenditure streams and have sought to develop a comprehensive understanding of current practices and supporting processes.

Capital governance policies and procedures

The assessment of governance arrangements focuses on whether existing policies and procedures provide a sound framework for decision making, support effective oversight of expenditure, and promote efficient investment outcomes. The assessment has been undertaken through the following steps:

- Critical review against the assessment criteria.
- Gap analysis to identify key gaps against good practice.
- Recommendations to address identified gaps.

Operating cost forecasting approaches

The review of cost forecasting approaches examines whether current methods provide a reliable and defensible basis for operating expenditure planning and regulatory scrutiny. The assessment recognises the challenges in developing evidentiary support for forecasts and focuses on the robustness, coherence and regulatory alignment of forecasting practices.

The assessment has been undertaken through the following elements:

- Developing a comprehensive understanding of current opex forecasting practices and supporting evidence.
- Critical review against the assessment criteria.
- Comparison of forecasting approaches against recognised good industry practice.
- Assessment of alignment between forecast methodologies and relevant QCA guidance.
- Gap analysis to identify key gaps relative to good practice.
- Recommendations to address identified gaps.

Productivity and efficiency frameworks

The efficiency workstream considers whether the business has a clear strategic intent for productivity and efficiency, and whether its governance, planning, monitoring and learning processes support the delivery of sustainable efficiency improvements over time.

This includes recognising the challenges in evidencing efficiency outcomes across diverse expenditure areas and ensuring a comprehensive understanding of current practices and performance measures. The assessment has been undertaken through the following elements:

- Developing an understanding of current efficiency frameworks, practices and performance measures.
- Critical review against the assessment criteria.
- Gap analysis to identify key gaps against recognised good practice.
- Recommendations to address identified gaps.

1.3. Structure of this Report

This Report is structured in four main parts. It begins with a summary section that outlines URA's approach and presents the findings across the three assessment streams: governance, policy and procedures; operating expenditure forecasting; and productivity improvement and efficiency measures.

- Summary. Provides an overview of URA's approach and a summary of the findings across the three assessment streams.
- Chapter 1: Introduction. Sets out the context for the PM26 Phase 1 review, the terms of URA's engagement, the scope of the assessment, the process undertaken to date and the analytical framework applied in the review.
- Chapter 2: Capital governance, policy and procedures. Presents URA's assessment of Unitywater's governance arrangements, policies and procedures relevant to expenditure planning, decision making and oversight.
- Chapter 3: Operating expenditure forecasting. Presents URA's assessment of Unitywater's expenditure forecasting approaches, including forecast method, governance and performance against good practice criteria.
- Chapter 4: Productivity improvement and efficiency measures. Presents URA's assessment of Unitywater's productivity and efficiency framework, including strategic intent, governance, integration, measurement and improvement.

2. Capital governance, policy and procedures

2.1. Introduction

Assessing whether a business has strong capital governance arrangements, policies and procedures is fundamental to ensuring that business is able to make investment, expenditure and asset management decisions that deliver prudent and efficient capital expenditure. These frameworks establish how decisions are made, challenged and approved, providing assurance that expenditure is justified by need, supported by evidence and aligned with long-term service objectives. They also ensure accountability by defining clear roles, responsibilities and escalation pathways within each organisation.

For the QCA, effective capital governance systems, policies and procedures are central to assessing the credibility of expenditure proposals. They demonstrate that businesses have structured, repeatable processes in place to manage risk, apply sound judgement and ensure that capital and operating expenditure are directed toward prudent and efficient, customer-focused outcomes.

2.2. Our approach

URA's assessment of capital governance, policy and procedures considers whether the business's arrangements for developing, challenging and approving capital expenditure are robust and consistent with good practice. The review covers capital planning and asset management, risk management, procurement and governance policies and procedures.

2.2.1. Desktop review and interviews

URA has undertaken a desktop review of the capital governance, policy and procedures documented by Unitywater in its submission. This review has been supplemented by subsequent responses by Unitywater to requests for information that have been issued by the QCA.

Following this review, we undertook a series of targeted interviews with Unitywater on its governance, policy and procedures. These interviews were carried out on 16th and 17th of February with Unitywater at its Maroochydore office. The interviews covered Unitywater capital infrastructure governance, policy and procedures, drawing on the PM26 submission and RFI1 responses. Discussion focused on:

- The capital planning and prioritisation framework
- The asset management framework
- The risk management framework
- The procurement framework
- Program management and governance.

The interviews were aimed at confirming how the documented frameworks operate in practice and to understand the key steps in the decision-making systems, including how review and challenge is applied.

2.2.2. Requests for information

In addition to Unitywater's submission, three separate rounds of RFIs have informed our review, two of which were relevant to this task:

- RFI 1 – The first RFI issued by the QCA on 23 October 2025 focused on capital expenditure planning and governance systems and processes.
- RFI 3 – The third RFI was issued on 25 February 2026. It sought further information on the operation in practice of Unitywater's governance, forecasting, risk, procurement, asset management and efficiency frameworks. In relation to governance, policy and procedures, the RFI sought documentary evidence demonstrating how the frameworks described during interviews have been implemented in practice, including:
 - Portfolio reprioritisation in response to funding and affordability constraints.
 - The influence of risk appetite settings on decision-making.
 - Examples of executive challenges in relation to infrastructure proposals.
- The RFI also sought further information on updated systems and procedures, including:
 - Key risk management documents.
 - Documents evidencing the checks and balances supporting implementation.
 - Changes made to systems and processes arising from the new delivery model.
 - Details of the specific Capital Infrastructure Project Manual (CIPM) pathway for high-complexity projects.

2.2.3. Assessment approach

Drawing on the desktop review and interview evidence, we assessed Unitywater's governance, policies and procedures. The review focused on addressing each of the key evaluation questions set out in our analytical framework, detailed in section 1.2.1.

In addition to the assessment of the systems and processes, we also assessed the governance and administrative framework supporting the systems and processes. Both assessments were undertaken based on a set of criteria outlined in Table 4. The criteria were established and confirmed with QCA staff. Consistent with our Phase 1 scope, the assessment focuses on whether appropriate governance, integration and monitoring frameworks are in place and operating effectively, rather than validating the quantum of efficiency outcomes.

Table 4: Assessment criteria for governance, policies and procedures

Criterion	Assessment focus and indicators of good practice
System maturity and continuous improvement	<ul style="list-style-type: none"> • The extent to which Unitywater take a considered view on the maturity of their systems and processes against their industry peers and understand the desired state for their systems and processes. • Evidence that each business regularly benchmarks the maturity of its asset management and planning systems against industry peers using recognised processes (e.g. WSAA benchmarking). • Development of a clearly defined desired state supported by a documented maturity roadmap and implementation plan.
Monitoring and reporting on progress	<ul style="list-style-type: none"> • The extent to which Unitywater track and report progress toward achieving their desired state and the effectiveness of implementation plans. • Consistent and complete updating of implementation plans as actions are completed. • Regular, transparent reporting on progress against the maturity plan, including milestones, performance indicators and actions to address gaps or delays.
Stakeholder consultation and accountability	<ul style="list-style-type: none"> • The extent to which each business engages customers and shareholders in shaping its desired state and understanding the benefits of improvement. • Evidence of consultation with customers, shareholders, or equivalent governance bodies to demonstrate alignment between process improvements and service or value outcomes.
Decision-making systems and integration	<ul style="list-style-type: none"> • Effectiveness of systems and processes for managing expenditure and investment decisions, including integration across the asset lifecycle. • Clearly defined end-to-end planning and decision-making frameworks that include gateway reviews, summary diagrams, policies and procedural guidance to ensure consistency across projects.
Application of decision-making framework and prioritisation	<ul style="list-style-type: none"> • How systems and processes are applied in practice to support, modify, or halt investment decisions. • Demonstrated examples of frameworks being actively used to assess investments, including documentation showing when projects have been progressed, deferred, or cancelled following gateway reviews.
Criteria for investment decision-making	<ul style="list-style-type: none"> • Incorporation of prudence, efficiency and stakeholder expectations into investment decision criteria. • Decision frameworks include explicit criteria addressing prudence, efficiency and customer value and these are applied consistently at key stages of the approval process.
Implementation and effectiveness in practice	<ul style="list-style-type: none"> • Frameworks are embedded and functioning effectively across business operations. • Evidence from case studies or internal reviews showing that governance and decision-making processes are implemented consistently (noting we expect to see evidence of a whole of life (asset and project) planning process, a gateway style oversight and decision-making framework including summary diagrams, policies and procedures outlining the system and practical guidance to project managers on implementation).

2.3. Governance, policies & procedures good practice

2.3.1. Capital planning and asset management good practice

Good practice capital planning is characterised by a risk-based, service-driven and transparent approach which clearly documents how competing investment needs are assessed, prioritised and approved, including trade-offs and deferral decisions. Once decisions are made, a good practice program / project management framework should have enterprise-wide coverage and incorporate the full asset lifecycle setting out clear decision points and approvals gates, roles, delegations, escalation pathways and assurance requirements.

Good practice capital planning should also incorporate evidence-based reporting to demonstrate that it is applied in practice, including decision gate outcomes particularly where they are recommendations for deferral or re-scoping, and which clearly defines expected benefits and how these will be tracked across the life of the asset.

Good practice asset management is characterised by a close alignment to ISO 55001 principles, supported by a coherent and overarching asset management framework, clear governance arrangements and continuous improvement mechanisms. The framework should support the collection of evidence demonstrating maturity assessments, benchmarking, the development and application of improvement actions, and clear oversight.

2.3.2. Risk management good practice

A good practice risk management framework is aligned with ISO 31000 and is supported by clearly defined policies, procedures and governance arrangements that set out how risks are identified, assessed, managed and monitored across the business. These arrangements should operate consistently across strategic, operational and financial activities, with supporting assurance processes in place to test whether they are being applied as intended.

Core risk management documents should also be clearly linked to related policies, procedures and guidance so that their role within the broader control framework is understood. Good practice also requires clear risk ownership, defined escalation and reporting pathways, documented risk appetite and assessment methodologies, regular control assurance, and integration of risk considerations into operational, financial and investment decision-making.

Risk policies and procedures need to be sufficiently flexible to respond to changing operating conditions, emerging risks and lessons from implementation. Periodic review is an important part of an effective risk management framework. Internal audit and independent assurance can be used to test whether risk management processes remain robust and whether governance arrangements are operating effectively. Where reviews identify gaps or improvement opportunities, the recommendations, management responses and implementation timeframes should be clearly documented.

Benchmarking against peers and relevant industry standards supports continuous improvement by providing an external point of reference. Its value lies in helping identify improvement opportunities and informing management challenge, rather than acting as a mechanical basis for target setting.

2.3.3. Procurement good practice

Many of the features that support good practice in procurement management are consistent with those that underpin good practice in risk management, particularly the need for clear documentation, consistent application, assurance and continuous improvement. The primary difference is that procurement processes are directed toward controlling, sourcing and

contracting activity in a manner that is compliant, probity-based and capable of demonstrating value for money.

Good practice procurement management is characterised by clear systems and processes that collectively define procurement thresholds, probity controls, delegations, contract management, assurance and close-out requirements. These processes should be applied consistently across the whole organisation with appropriate assurance activities in place to ensure that the processes are being implemented accurately. Key documentation should also include references to any other related documentation that helps inform how it fits within the broader framework.

Regular reviews play a critical role in assessing performance of the procurement management system and demonstrating a commitment by the business towards continuous improvement. Internal audits or independent assurance reviews should be used periodically to test the robustness of the procurement management processes and effectiveness of governance arrangements. The recommendations from each review, how the business is responding to those recommendations and an outline of activities and associated timelines should be clearly articulated.

To support this, benchmarking against peers and relevant industry standard provides external reference points for performance and ambition. Good practice involves using benchmarking not as a mechanical target-setting tool, but as an input to identify improvement opportunities and inform management challenge.

2.3.4. Governance good practice

Good practice governance is characterised by structured, well-defined frameworks that provide a clear and consistent basis for decision-making across the organisation. These frameworks should include documented policies, delegated authorities, defined roles and responsibilities, and formal committee and Board oversight arrangements. Collectively, they should establish how decisions are developed, reviewed, challenged and approved, ensuring alignment with strategic objectives, risk appetite and affordability constraints.

Governance systems should provide effective oversight, challenge and control of expenditure throughout the planning and delivery lifecycle. This includes clearly defined stage gates, business case requirements and approval thresholds that apply from concept development through to delivery and close-out. Decision-making frameworks should incorporate explicit criteria addressing prudence, efficiency and customer value, and should be supported by consistent documentation, standardised templates and transparent escalation pathways to enable appropriate scrutiny at project, program and portfolio levels.

Assurance and challenge are critical to demonstrating the robustness of governance arrangements. Good practice includes the use of independent review mechanisms such as investment assurance processes, cost challenge, audit functions and committee oversight to test the quality of decisions and underlying assumptions. These mechanisms should operate both prior to approval and during delivery, ensuring that expenditure remains justified, controlled and aligned with approved objectives.

Risk governance should be integrated into decision-making processes, with enterprise risk frameworks, risk appetite statements and compliance obligations informing planning and prioritisation. Good practice requires clear line of sight between strategic risks, operational risks and investment decisions, with risks consistently identified, assessed and managed across the organisation. Regular risk reporting and review forums should support escalation and enable informed decision-making at appropriate governance levels.

Effective governance also requires strong monitoring and reporting arrangements. Regular reporting on financial performance, delivery progress, risk exposure and key outcomes should provide visibility of performance against approved plans. Variances should be clearly identified and explained, with defined mechanisms for corrective action and escalation where required. This supports accountability and provides evidence that governance processes are operating as intended.

Importantly, governance frameworks should not only be well-designed but also consistently applied in practice. Evidence of application may include examples of projects being progressed, modified, deferred or halted through gateway reviews, as well as internal reviews or case studies demonstrating adherence to established processes. This provides assurance that governance systems are embedded and functioning effectively across the organisation.

Continuous improvement is a key component of governance maturity. Internal audits, independent reviews and assurance programs should be used to assess the effectiveness of governance frameworks and identify areas for improvement. Organisations should demonstrate how recommendations are addressed through defined action plans, with clear ownership, timeframes and progress reporting.

To support this, benchmarking against peers and recognised industry practices provides an external reference point for assessing governance maturity and performance. Benchmarking should be used to inform management challenge, identify gaps and support the development of maturity roadmaps, rather than as a standalone measure of performance.

2.4. Overview of governance policies & procedures

2.4.1. Capital planning and asset management

Unitywater's overall capital planning is a key process within their Asset Management Framework (AMF) and is managed through their Sustainable Infrastructure Solutions group which covers asset management, risk, growth planning, infrastructure solutions, a Program Delivery Office, and performance management and reporting.

2.4.1.1 Capital planning

Capital planning is undertaken at various horizon levels with a stated 30-year capital expenditure forecast supported by a 20-year NetServ Plan, a 10-year growth forecast period, and a 5-year capital program.

The key elements of the submission are:

- **NetServ Plan.** New capital investments are guided primarily by a regulated 20 year NetServ Plan which sets out the services provided, service standard outcomes, demand, current capacity, and expected future capacity requirements from service growth.
- **Seqwater Water Security Program 2023.** Long term planning for the broader region is also set out in the Seqwater Water Security Program 2022 to which Unitywater contributes and which provides guidance on long term water supply challenges. Existing capital infrastructure is managed through the Asset Management Framework.
- **Sustainable Project Development Group.** Capital planning commences with their Sustainable Project Development group which includes a strategic planning group to identify need and develop solution requirements in consultation with key partners within the business (operations, maintenance, renewals, growth). An Asset Prioritisation Group works to assess capital projects and determines prioritisation based primarily on risk with the projects then passing through Unitywater's project management lifecycle gateway process.

- **Capital Infrastructure Project Manual (CIPM).** The approach to capital planning is set out in a CIPM which documents the systems and processes associated with low and medium complexity projects across the project management lifecycle with high complexity projects managed through Enterprise Performance Section processes with concept and detailed business cases and project management plans.
- **Supporting documentation.** Additional elements of the capital planning process include supporting documents to the CIPM and a structured Project Management Stage Gates Guide. Supporting documents to the CIPM process include a process map which represents the lifecycle in a diagram / flow chart. The project management guide sets out stage objectives, approval requirements and governance expectations at each gate. Detailed templates and guides supporting project and program management include a Project Management Plan and Project Controls Procedures.

2.4.1.2 Asset Management Framework

Unitywater's AMF is the overarching framework for managing existing and new infrastructure for the business.

The key components within the AMF are:

- **Strategic Planning.** Strategic planning (dominated by growth requirements), risk management, infrastructure delivery and performance reporting and management.
- **AMF.** The AMF is stated to be aligned with industry best practice and the requirements of ISO 55001 with peer benchmarking by the Water Services Association of Australia (WSAA).
- **Strategic Asset Management Plan 2021-22 to 2025-26.** The Framework includes a Strategic Asset Management Plan (SAMP) informed by an Asset Management Policy (AMP) and the Corporate Strategic Plan and is supported by detailed management and master plans for asset classes and facilities. The SAMP is further supported by strategic level planning (Total Water Cycle and Treatment Services), program inputs covering maintenance, renewals, asset disposal, and growth, and systems including Maximo and the CAPPlan.

2.4.2. Risk management

The key components of Unitywater's risk management approach are:

- **Risk Management Policy** – Unitywater's approach to identifying assessing, mitigating and monitoring risks across strategic, operational and financial functions is defined within Unitywater's Risk Management Policy. This includes adopting an enterprise-wide approach to managing risk based on AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines.
- **Risk Appetite Statement** – The Policy is supported by the Board approved Risk Appetite Statement which sets out the amount and type of risk considered and acceptable by the organisation in delivering its operations.
- **Risk Management Procedure** – The detailed processes associated with the identification, recording and reporting of risk are detailed in the Risk Management Procedure. This guidance material details procedures for risk recognition and ranking (risk assessment), for analysing and reporting risk (risk protocols) and describes risk mitigation requirements and control mechanisms (risk response).
- **Risk Assessment and Scoring Criteria Tool** – Risk management is embedded at assets and project levels with use of risk identification, scoring and assessment within asset management plans and project documentation. The Risk Assessment and Scoring Criteria

Tool is aimed at providing a consistent set of criteria that can be applied by Unitywater in identifying, assessing and managing risks that impact organisational and project objectives.

2.4.2.1 Risk management processes

To ensure that the approach to risk management is effective and continues to support Unitywater's strategic and operational objectives Unitywater conducts the following activities:

- Review and update of the Risk Management Procedure at least every two years by the Risk and Business Resilience Team. The review considers:
 - The appropriateness of the Procedure against any changes in the operating context of the company or specific outcomes from major incidents and events.
 - Feedback from the Executive Leadership Team, Business Unit and Branch stakeholders.
 - Feedback from the Audit and Risk Committee and Board.
 - Results from independent reviews.
- Consideration of the Risk Management Framework and associated practices and documentation within Unitywater's International Standards assurance and certification activities.
- Quarterly review of strategic, enterprise and operational risks, including assessment of control effectiveness.
- Periodic internal and/or external audits are conducted to review the effectiveness of the Procedure and the associated risk management program at the request of the Management and/or the Audit and Risk Committee.
- Governance oversight through the Audit and Risk Committee and ELT.
- Biennial review of the strategic risks and risk appetite statements.

Unitywater has undertaken a review of its Enterprise Risk Management Program over the past 12 months as part of business-as-usual continuous improvement. The review has focused on:

- Aligning the Risk Appetite Statement with Unitywater's 2030 Ambition and objectives.
- Reviewing and refining enterprise risk profiles.
- Strengthening the overall risk management framework.

Further enhancements are planned, including a review of the enterprise risk matrix following endorsement of the updated Risk Appetite Statement. This activity is scheduled for the 2026-27 financial year. This process will also ensure alignment between the Risk Management Procedure, supporting tools and associate documents.

2.4.3. Procurement

The procurement management framework is supported by policies, procedures and guidance covering sourcing, contract management and compliance.

The key elements of the procurement framework are:

- **Procurement Policy** – The policy defines governance principles and delegation. It is based on enabling, capturing and sustaining value for the organisation and its customers.
- **Procurement Guide** – The guidance sets out end-to-end sourcing and contract management processes. This includes procurement approaches for different valued goods and services and quality assurance of the procurement framework.

- **Procurement Benefits Measurement Guide** – The guidance defines how procurement benefits are identified, measured and reported.
- **Post-Contract Management Procedure** – The procedure provides direction on the principles and processes associated with the management of contracts once they have been awarded, including construction. It includes roles and responsibilities, and links to templates and guidance enabling all team members to act in a consistent manner.

2.4.3.1 Forward procurement program

An internal quality assurance (QA) program is being designed and implemented within the Procurement Branch. The QA will conduct peer review of randomly selected activities conducted by the Procurement Branch and by the business as Self-Serve including Planning, Sourcing, Post Contract Management, and Purchasing. QA results will be captured to demonstrate what is being done well and what areas exist for improvement in the Procurement Framework, systems, or end user awareness.

In response to feedback from internal stakeholders, suppliers and an external review of Unitywater’s procurement framework, Unitywater has recently updated its procurement and delivery approach to a long-term partnering approach underpinned by performance-based contracts (Build Better Together delivery framework). This approach seeks to improve efficiency and effectiveness across the asset lifecycle, enhancing Unitywater’s capability and capacity through better engagement and integration across functional areas as well as leveraging partner and market capability.

There was also an internal audit review undertaken in July 2025 which included improvements relating to:

- Enhancing the governance structures and mechanisms supporting procurement fraud control management.
- Formalising monitoring and reporting mechanisms to support identification, escalation and investigation of procurement exceptions.
- Ensuring appropriate record keeping of procurement activities to demonstrate compliance.

The agreed actions arising from this audit have been completed. The effectiveness of the improvements is supported through ongoing procurement governance and assurance processes, including:

- Regular procurement performance and compliance reporting.
- Quality assurance and monitoring activities.
- Ongoing training and capability development.
- Governance oversight through management and corporate risk and assurance processes.

2.4.4. Governance

Unitywater operates a project management lifecycle which is a structured, lifecycle-integrated governance framework incorporating defined stage gates, sequenced funding approvals, change control processes, operational readiness requirements and formal closure reporting. Committee oversight is embedded through the Capital Investment & Innovation Committee (CIIC) with defined escalation pathways to ELT and the Board. Governance design is coherent and committee driven.

The key elements of the overall governance framework are:

- **Enterprise-Level Governance Framework** - Unitywater operates a structured, lifecycle-integrated governance framework that links enterprise strategy, risk appetite, financial planning and capital delivery oversight. Governance is anchored at enterprise level through Board-approved strategic objectives and a refreshed risk appetite statement, supported by defined delegations of authority and formal escalation pathways to the Executive Leadership Team (ELT) and Board.

Capital and investment oversight is exercised through the CIIC, which operates within clearly defined stage gates, sequenced funding approvals, change control processes, operational readiness requirements and formal closure reporting.

- **Capital Planning and Asset Management Systems** - Unitywater operates a structured five-to-ten-year capital planning framework supported by demand modelling (DMAT), renewals modelling and asset criticality assessment. These systems inform long-term investment sequencing and ensure growth, renewals and risk drivers are considered on an integrated basis.

The establishment of an Asset Prioritisation Group strengthens portfolio-level governance by enabling cross-asset optimisation and structured reprioritisation where affordability, delivery capacity, interdependencies or risk constraints apply. Project-level controls and escalation thresholds are clearly defined, and prioritisation frameworks are documented and risk-informed. Asset management methodologies are embedded within stage-gate business case requirements and lifecycle planning processes.

- **Risk Management and Prudence in Practice** - Risk governance is embedded through integration of the Board-approved risk appetite into capital business cases, portfolio sequencing decisions and corporate risk register processes. Asset criticality methodologies and risk-based renewal modelling provide structured inputs into investment timing and scope decisions.

Structured assurance and independent challenge processes apply to both capital and operating expenditure forecasting.

- **Procurement and Partner Delivery Governance** - Unitywater is transitioning to a [REDACTED] long-term Partner Delivery Model, representing a material evolution in capital planning and delivery governance. Governance arrangements are designed to ensure visibility of partner-related risks within enterprise risk frameworks, defined mitigation and performance monitoring mechanisms, and clear reporting from delivery partners through committee structures to ELT and Board oversight.

The governance focus during transition is demonstrating maturity of partner oversight, clarity of accountability and alignment of contractual controls with stage-gated investment governance.

2.5. Assessment

2.5.1. Capital planning and asset management findings

Unitywater operates a structured capital planning framework supporting short, medium and long term planning, asset management with governance arrangements linking to enterprise strategy, risk management and financial planning processes. Overall Unitywater's governance arrangements appear structured and supported by documented policies, frameworks and planning processes. Key observations are:

- **Capital planning** - Infrastructure planning is supported through established asset management systems, long-term planning frameworks and portfolio governance

processes, including the NetServ planning framework, asset management plans and prioritisation processes supporting investment sequencing. Governance arrangements operate across enterprise, portfolio and project levels, supported by defined lifecycle processes and committee oversight structures.

- **Integration** – Systems and processes are integrated across the asset management life cycle and across the short, medium and long term horizons. Integrated planning processes are set out in the key documents with all systems and processes covered under the umbrella of the AMF. Integration of updated approaches and systems for the new capital delivery model is continuing. The capital framework is also supported by established risk management and procurement frameworks, which provide policy and procedural guidance for risk identification, procurement activities and contract management.
- **Performance** – monitoring of project and program progress and status is comprehensive through the governance and decision making processes with defined reporting requirements and dedicated teams (Project Control Group) tasked with monitoring performance.
- **Prioritisation** - Capital plans are prioritised using a clear evidence base and a risk-based process which is embedded and defined within the AMF. A common risk framework is used to quantify the service risk. Prioritisation of infrastructure is done with a dedicated team (Asset Prioritisation Group) throughout the decision-making framework and is assessed at multiple gates.

2.5.2. Capital planning and asset management criteria assessment

Table 5: Capital planning and asset management assessment criteria

Criterion	Observation	Recommendations
<p>System maturity and continuous improvement</p>	<ul style="list-style-type: none"> Capital planning systems are key components within the AMF. There are mature pathways for the identification, development and delivery of projects. Long, medium- and short-term planning horizons are present. The Capital Infrastructure Project Manual is detailed but is focused on low and medium complexity projects. The process for high complexity projects is primarily through business cases and the decision gateways. Some capital planning processes were updated to reflect the new partner delivery model however these don't yet appear to cover the whole system and processes. Unitywater have a SIS Transformation Program in place to manage updates to established capital planning systems and processes. Specific updates listed include project monitoring and controls frameworks supporting the new delivery model, project lifecycle tools and templates, improved industry engagement frameworks, and updates to the commercial framework for managing the new delivery model. The AMF is considered the overarching framework for managing infrastructure. The Framework is mature with benchmarking undertaken including through the regular WSAA industry process. Significant improvements were made in the period to 2020 with incremental improvements only from then. Improvement actions are articulated as Asset Management Focus Areas within the SAMP. Key focus areas listed including incorporating customer insights into asset strategy, leadership development and competency frame improvements, spares and inventory management capabilities, and improvements to maintenance planning and estimating practices. 	<ul style="list-style-type: none"> No material gaps identified. The process for high complexity projects would benefit from a summary diagram showing the key stages and supporting documents required to demonstrate consistency of approach. We note that that Unitywater are transitioning to a new Partner Delivery Model which is expected to impact on the systems and processes for capital planning and delivery. The wider impact of this on the systems and processes is yet to be established but the impact on individual capital projects will be tested in Phase 2 of the overall review.
<p>Monitoring and reporting on progress</p>	<ul style="list-style-type: none"> Capital infrastructure projects outcomes are monitored and reported on through the governance process with monthly updates provided for projects to Executive and Board committees including the Infrastructure Strategy Committee (for early stage strategic planning), and the CIIC (for infrastructure projects). Specific projects have Project Control Groups (PCG) for regular monitoring and reporting of progress. 	<ul style="list-style-type: none"> No material gaps identified. Additional evidence demonstrating the application of monitoring and reporting processes at a portfolio level would strengthen confidence in effectiveness, including: <ul style="list-style-type: none"> Examples of portfolio-level monitoring, intervention and reprioritisation decisions. How monitoring outcomes inform forward investment and planning decisions. Integration of monitoring and reporting across delivery partners, including roles, accountabilities and escalation pathways. This evidentiary base will be a key consideration and assessment in Phase 2 of PM26 that focuses on prudence and efficiency for specific projects.

Table 5: Capital planning and asset management assessment criteria, continued.

Criterion	Observation	Recommendations
Stakeholder consultation and accountability	<ul style="list-style-type: none"> Customers are consulted through an enterprise level program of customer research covering value, pricing, and support for key initiatives, and through ongoing and targeted engagements to inform overall business strategy and investment decisions. Broad principles established through engagement are high level considerations in the planning and delivery of infrastructure. Current improvements to the capital planning and asset management systems include specific items to incorporate customer insights into strategic planning. Governance documentation requires identification of stakeholders and expectations. Stakeholders include Councils in the area of operations with the level of engagement defined under a Participation Agreement. Engagement includes formal and informal consultation with Councils and responses to formal correspondence on service level expectations. Unitywater measures performance against metrics including Trust, Value for Money, and Customer Satisfaction ratings. 	<ul style="list-style-type: none"> No material gaps identified. Evidence demonstrates structured stakeholder and customer engagement processes are in place.
Decision-making systems and integration	<ul style="list-style-type: none"> Unitywater operates within a clearly defined decision-making framework supported by a formal Stage Gates model, defined approval authorities and structured business case documentation. Funding approvals are sequenced across lifecycle phases (including seed, design and total project funding), aligning financial commitment with increasing certainty. Integration across discovery, design, delivery and operationalisation phases is structurally embedded within governance artefacts. The governance architecture is coherent, integrated and committee-driven, supporting oversight, challenge and control across the asset lifecycle. Prioritisation of projects across portfolios is stated to be done via assessment of risk scores. 	<ul style="list-style-type: none"> No material gaps identified. Evidence demonstrates structured decision-making frameworks are in place.
Application of decision-making framework and prioritisation	<ul style="list-style-type: none"> Risk assessment tools, asset criticality methodologies and benefits profiling are formally embedded within governance documentation and business case development processes. Stage gates require assessment of value, readiness, complexity tiering and strategic alignment prior to funding approval. Prioritisation processes are structured and risk-informed at a design level through Unitywater’s Asset Prioritisation Group. Interviews indicate that prioritisation decisions are strategically aligned and supported by formal governance artefacts. 	<ul style="list-style-type: none"> No material gaps identified in governance design. Evidence demonstrates structured prioritisation frameworks are in place. Additional evidence demonstrating the application of prioritisation frameworks in practice would strengthen confidence, including: <ul style="list-style-type: none"> Examples of prioritisation decisions and trade-offs across portfolios How affordability, risk and delivery constraints influence prioritisation outcomes How prioritisation outcomes are reflected in investment sequencing and funding decisions.

Table 5: Capital planning and asset management assessment criteria, continued

Criterion	Observation	Recommendations
<p>Criteria for investment decision-making</p>	<ul style="list-style-type: none"> • Business case templates require articulation of baseline measures, expected benefits and defined success criteria. • Stage gates test strategic alignment, delivery readiness and value proposition prior to funding approval. • Operating expenditure impacts are considered within asset management and capital planning documentation, supporting whole-of-life cost assessment. • The governance framework structurally supports prudence, efficiency and customer value testing within investment decision-making. 	<ul style="list-style-type: none"> • No material gaps identified in governance design. • Evidence demonstrates that investment decision criteria are defined within the capital planning processes. • We recommend Unitywater consider collating evidence that demonstrates: <ul style="list-style-type: none"> - Standardised approaches to baseline validation and benefit quantification - Consistent and repeatable application of investment decision criteria across programs - How realised benefits and efficiency outcomes are reflected in forward expenditure forecasts • This evidentiary base will be a key consideration and assessment in Phase 2, where the prudence and efficiency of capital expenditure will be tested in detail.
<p>Implementation and effectiveness in practice</p>	<ul style="list-style-type: none"> • Case studies provided during the interviews were stated to demonstrate the effectiveness of the capital planning and decision making processes with examples provided of scope reviews and solution adjustments to reduce or replace capital spend. • Maroochydore WWTP – targeted process engineering and technical optimisation led to the avoidance of a capital upgrade with a targeted program of renewals implemented. Original estimated capital spend of \$100m was replaced by \$30m of targeted renewals. • Brendale WWTP – market responses to a construction tender were above the available budget. The project was reviewed and the project was deferred. With the new partner delivery model implemented alternative solutions were assessed and a revised design was developed. Original estimated capital spend of \$170m was reduced to \$93m. 	<ul style="list-style-type: none"> • No material gaps identified.

2.5.3. Risk management findings

Based on our review of the Submission and discussions undertaken during interviews, Unitywater has a mature risk management system that adheres to AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines.

The framework described does not raise material concerns in relation to processes or procedures. We note that Unitywater is currently in the process of updating its risk management procedure. As part of the update, Unitywater should ensure there is a consistent application of the procedure across all documentation and that key documentation is referenced within the Risk Management Procedure. Key observations are:

- **Risk management** – Risk management is clearly embedded at asset and project levels with use of risk identification, scoring and assessment within asset management plans and project documentation
- **Risk assessment** – Risk assessments inform asset-level prioritisation, demonstrating integration of risk considerations into investment identification and options development
- **Process and procedures** – The risk management procedures are not consistently applied across Unitywater’s risk management documentation. In some cases we identified inconsistencies related to labelling, risk assignment and scoring. Unitywater has committed to resolving the discrepancies as part of its updates to the risk management framework.

2.5.4. Risk management assessment criteria findings

Table 6: Risk management assessment criteria

Criterion	Observation	Recommendations
System maturity and continuous improvement	<ul style="list-style-type: none"> Unitywater has a mature risk management approach that adheres to AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines. The Risk Management Procedure clearly outlines Unitywater’s commitment to continuously improving its risk management processes which includes a review and update by the Risk and Business Resilience Team at least every two years and periodic internal and/or external audits that will be conducted to review the effectiveness of the Procedure and the associated risk management program at the request of Management and/or the Audit and Risk Committee. Unitywater has also presented evidence of the review it has undertaken over the past 18 months of its risk management framework and the planned improvements it proposes to make over the course of the 2026-27 financial year. 	<ul style="list-style-type: none"> No material gaps identified. Unitywater should continue to ensure that it can demonstrate continuous improvement through the provision of recent internal and external audits that have been undertaken on the risk management framework. The recommendations from those audits and how Unitywater responds to those recommendations should be clearly evidenced. Unitywater may also consider benchmarking the maturity of its risk management approach against industry peers using recognised processes to inform potential gaps and any opportunities for improvement.
Monitoring and reporting on progress	<ul style="list-style-type: none"> As outlined above Unitywater has presented evidence of the review it has undertaken of its risk management framework and the planned improvements it proposes to make over the course of the 2026-27 financial year. Unitywater has appropriate assurance processes in place to ensure that the effectiveness of any improvements to the risk management framework are supported and that the framework continues to be actively monitored, reviewed and improved, consistent with good practice and organisational requirements. This includes: <ul style="list-style-type: none"> Regular reviews of its Risk Management Policy, Risk Management Procedure, Risk Management Framework and other supporting frameworks. Governance oversight through the Audit and Risk Committee and ELT. Regular reviews of its strategic, enterprise and operational risks, including control effectiveness. Internal and external audits. 	<ul style="list-style-type: none"> No material gaps identified. Unitywater should ensure that it continues to monitor and report on progress towards achieving their desired state for its risk management framework.
Stakeholder consultation and accountability	<ul style="list-style-type: none"> Alignment to stakeholder feedback and outcomes appears to be indirectly achieved through ensuring consistency with the risk management approach and the 2030 Strategic Ambition and any customer engagement completed at a broader business level. 	<ul style="list-style-type: none"> Unitywater should continue to monitor the outcomes of the risk management process and ensure alignment of the weightings and prioritisation scores with the outcomes of the stakeholder engagement process.

Table 6: Risk management assessment criteria, continued.

Criterion	Observation	Recommendations
<p>Decision-making systems and integration</p>	<ul style="list-style-type: none"> Risk management is embedded at asset and project levels with use of risk identification, scoring and assessment within asset management plans and project documentation. Risk assessment also informs asset level prioritisation. We note that the risk management procedures are not consistently applied based on the existing framework. In response to RFI 3, Unitywater noted that the inconsistencies reflect timing differences in updates to the Risk Assessment and Scoring Criteria Tool, Risk Management Procedure and the Project Risk Assessment and Prioritisation Guidelines. These timing differences have resulted in variations to terminology, thresholds and visual representations. In practice, risk assessments used to inform investment decisions and governance processes are currently undertaken using the Risk Assessment and Scoring Criteria Tool. Unitywater has committed to resolving these discrepancies as part of its updates to the risk management framework. There is incomplete referencing of documentation within the Procedure. 	<ul style="list-style-type: none"> No material gaps identified. Unitywater should ensure that, as part of its update to the risk management framework, there is a consistent application of the risk management procedure across all documentation particularly in relation to labelling of consequence categories, criteria definitions and assignment of colour bands to represent low, moderate, high or extreme risks. Unitywater should ensure that key documentation is referenced within the Risk Management Procedure. This includes the Project Risk Assessment and Prioritisation Guidelines, the Asset Criticality Methodology and the Asset and Process Criticality Assessment Methodology (STPs and SPSs).
<p>Application of decision-making framework and prioritisation</p>	<ul style="list-style-type: none"> Unitywater applies a consistent risk assessment methodology across projects in accordance with the Risk Management Procedure and Risk Assessment and Scoring Criteria Tool. Risks are assessed using standard likelihood and consequence criteria, with risk ratings derived using Unitywater’s configured risk matrix to ensure consistent scoring and banding across the organisation. The application of this methodology is evidenced through the inclement weather risk domain and contaminated land and latent ground conditions risk domain case studies. Documentation on how risk is considered in capital prioritisation decision making was not evidenced, particularly where there may be multiple extreme or high-risk projects (for example) that may be competing for funding over a limited budget. 	<ul style="list-style-type: none"> No material gaps identified. Unitywater should consider providing evidentiary documentation that demonstrates how risk is considered in capital prioritisation decisions, particularly where there are multiple projects with similar risk ratings competing for funding within a limited budget. We would expect this to be evidenced in the Phase 2 submission review.
<p>Criteria for investment decision-making</p>	<ul style="list-style-type: none"> The Risk Assessment and Scoring Criteria Tool include a consistent set of criteria that can be applied by Unitywater in identifying, assessing and managing risks that impact organizational and project objectives. There are inconsistencies in how the criteria has been applied across Unitywater’s documentation, however Unitywater has acknowledged these inconsistencies in its response to RFI 3 and has stated that these inconsistencies will be addressed as part of the update to the risk management framework. 	<ul style="list-style-type: none"> No material gaps identified. As part of the update to its risk management framework, Unitywater should ensure consistency in how the criteria is applied across Unitywater’s documentation. To demonstrate consistency of application Unitywater should ensure that it can provide case studies where the criteria has been applied at the asset level and also at the portfolio level particularly where there are multiple projects with the same risk score/banding.
<p>Implementation and effectiveness in practice</p>	<ul style="list-style-type: none"> There is inconsistent application of the framework across Unitywater’s existing documentation which may impact the effectiveness of the framework’s application, however we note that Unitywater is in the process of updating their risk management framework. It is not clear whether checks and balances have been introduced by Unitywater to ensure that staff are complying with the risk management processes. 	<ul style="list-style-type: none"> No material gaps identified. Unitywater should ensure there is a consistent application of the risk management procedure across all relevant documentation

2.5.5. Procurement findings

Based on our review of the Submission and discussions undertaken during interviews, Unitywater's framework appears to be comprehensive and well-documented, supported by clear policies covering sourcing, contract management and compliance.

The framework described does not raise material concerns in relation to processes or procedures, however Unitywater should ensure that it can demonstrate how the framework is being applied effectively in practice. This includes providing detail on the checks and balances that have been introduced by Unitywater to ensure that staff are complying with the procurement management framework. Key observations include:

- **Procurement management** – Unitywater appears to have well documented and established processes to support its procurement management approach. Procurement outcomes and efficiency initiatives also demonstrate a focus on value-for-money and cost control at the individual procurement or contract level.
- **Procurement assessment** – The Procurement Guide provides a detailed outline of the considerations that need to be made across the procurement lifecycle including planning, sourcing, how to buy goods and services and post contract management.
- **Processes and procedures** – In response to RFI3, Unitywater only provided case studies relating to high-value, high complexity projects to demonstrate application of the framework in practice. It is unclear based on the case studies provided how the procurement framework is applied in practice for projects of differing size, scope and complexity.

2.5.6. Procurement management

Table 7: Procurement assessment criteria

Criterion	Observation	Recommendations
System maturity and continuous improvement	<ul style="list-style-type: none"> The Procurement Guide clearly outlines Unitywater’s commitment to continuous improvement of its procurement management approach. Includes an internal quality assurance program which conducts peer review of randomly selected activities conducted by the Procurement Branch and by the business as Self-Serve including Planning, Sourcing, Post Contract Management and Purchasing. QA results are captured to demonstrate what is being done well and what areas exist for improvement in the Procurement Framework, systems or end user awareness. Unitywater has stated that they have responded to feedback from internal stakeholders, suppliers and external review of Unitywater’s procurement framework in updating its procurement and delivery approach. Unitywater has also provided evidence of an internal audit conducted in July 2025. This includes the findings from the audit and the steps that Unitywater undertook to address the findings. 	<ul style="list-style-type: none"> We are satisfied that Unitywater has appropriate programs in place to demonstrate continuous improvement. It is important that Unitywater continues to make available documentation on any findings and recommendations from internal or external audits and how Unitywater responds to them. Unitywater may also consider benchmarking the maturity of its procurement management approach against industry peers using recognised processes to inform potential gaps and any opportunities for improvement.
Monitoring and reporting on progress	<ul style="list-style-type: none"> As outlined above, Unitywater has provided evidence of an internal audit conducted in July 2025 and the steps that Unitywater undertook to address the findings. Unitywater has appropriate assurance processes in place to ensure that the effectiveness of any improvements made to the procurement management framework is supported. This includes: <ul style="list-style-type: none"> Regular procurement performance and compliance monitoring. Quality assurance and monitoring activities. Ongoing training and capability development. Governance oversight through management and corporate risk and assurance processes. 	<ul style="list-style-type: none"> No material gaps identified. Unitywater should ensure that it continues to monitor and report on progress towards achieving their desired state for its procurement framework.
Stakeholder consultation and accountability	<ul style="list-style-type: none"> Alignment to stakeholder feedback and outcomes appears to be indirectly achieved through ensuring consistency with the procurement management approach and the 2030 Strategic Ambition and any customer engagement completed at a broader business level. 	<ul style="list-style-type: none"> Unitywater should continue to monitor the outcomes of the procurement management process and ensure alignment with the outcomes of the stakeholder engagement process particularly in relation to value for money.

Table 7: Procurement assessment criteria, continued

Criterion	Observation	Recommendations
Decision-making systems and integration	<ul style="list-style-type: none"> Unitywater appears to have well documented and established processes to support its procurement management approach. Procurement outcomes and efficiency initiatives also demonstrate a focus on value-for-money and cost control at the individual procurement or contract level. Based on the interviews, Unitywater have indicated that they have recently updated their procurement and delivery model to the [REDACTED] Partner Delivery Model. 	<ul style="list-style-type: none"> Unitywater should ensure there is a consistent application of the procurement management framework across all documentation as part of the new procurement and delivery model.
Application of decision-making framework and prioritisation	<ul style="list-style-type: none"> In response to RFI 3 Unitywater provided two case studies (Caboolture South STP disinfection facility construction project and the Aura/Harmony development infrastructure project) to demonstrate the consistent application of the procurement management systems and processes. For both projects, Unitywater applied a staged procurement process appropriate for high-value, high-complexity infrastructure delivery. Unitywater provided a detailed outline of the steps involved with procuring these types of projects consistent with the requirements in the Procurement Guide. It is unclear, based on the case studies, how the procurement framework is applied in practice for projects of differing size, scope and complexity (i.e. apart from high-value, high complexity projects). 	<ul style="list-style-type: none"> No material gaps identified. Unitywater should ensure there is a consistent application of the framework for all types of projects as part of the new procurement and delivery model.
Criteria for investment decision-making	<ul style="list-style-type: none"> The Procurement Guide provides a detailed outline of the considerations that need to be made across the procurement lifecycle including planning, sourcing, how to buy goods and services and post contract management. The considerations depend on the size, scope and complexity of the procurement activity and are strategically aligned as they are focused on ensuring better value for money, high quality project and service delivery, improved opportunities for sustainable procurement and reduced risks to Unitywater which are consistent with the 2030 Strategic Ambition. 	<ul style="list-style-type: none"> No material gaps identified. Unitywater should ensure consistency in how the criteria is applied across Unitywater’s documentation as part of the delivery of the new procurement and delivery model. To demonstrate consistency of application Unitywater should ensure that it is able to provide case studies for projects of differing size, scope and complexity.
Implementation and effectiveness in practice	<ul style="list-style-type: none"> It is not clear whether checks and balances have been introduced by Unitywater to ensure that staff are complying with the procurement management framework. 	<ul style="list-style-type: none"> No material gaps identified. As part of the new procurement and delivery model, ensure there is a consistent application of the framework across all relevant documentation.

2.5.7. Governance findings

Unitywater operates a structured and integrated governance framework that links enterprise strategy, asset management, risk management and financial planning with capital investment decision-making and delivery oversight. Governance arrangements are supported by documented policies, lifecycle processes and committee-based oversight structures, including defined stage gates, approval thresholds and escalation pathways.

Key observations are:

- **No material gaps identified in governance design** - Based on the information provided through the submission, RFIs and interviews, Unitywater's governance, policy and procedures framework is consistent with recognised good industry practice. The framework provides a coherent basis for decision-making, expenditure oversight and control, and is likely to support prudent and efficient investment outcomes if applied appropriately and consistently.
- **Frameworks are supported by documented policies and evidence of operation** - Evidence provided includes governance artefacts such as the Capital Infrastructure Project Manual, Asset Management Framework, Risk Management Policy and Procedure, Procurement Policy and Guide, committee materials and business case documentation. These documents demonstrate that governance frameworks are established, documented and embedded within planning and delivery processes.
- **Integration across governance domains is evident** - Governance arrangements demonstrate integration across capital planning, asset management, risk management and procurement processes. Risk appetite, asset criticality, affordability considerations and service requirements are incorporated into decision-making processes through business case development, prioritisation frameworks and executive oversight.
- **Evidence of application in practice is present but variable across areas** - Evidence provided through RFIs and interviews demonstrates application of governance processes in practice, including examples of project reprioritisation, scope optimisation and cost challenge. However, the level of evidentiary support varies across governance domains, particularly in relation to portfolio-level decision-making, prioritisation trade-offs and consistent application of frameworks under evolving delivery models.
- **Transition to Partner Delivery Model represents a key area for further evidentiary support** - Unitywater is transitioning to a Partner Delivery Model, representing a material evolution in delivery governance. While the existing governance framework appears sufficiently robust at a design level. Documentation provided demonstrates structured governance oversight and application in practice, including program-level reporting, project monitoring and committee-level review. Evidence includes Program Control Group reporting, risk dashboards and committee materials demonstrating review of cost, scope and delivery considerations. This provides strong evidence of governance design and operation at project and program levels. However, the evidence is primarily program-specific and does not yet demonstrate consistent, enterprise-wide application across the full portfolio, including under the Partner Delivery Model. Further evidence demonstrating this consistency and integration would strengthen confidence.

2.5.8. Governance management assessment criteria findings

Table 8: Governance management assessment criteria

Criterion	Observation	Recommendations
<p>System maturity and continuous improvement</p>	<ul style="list-style-type: none"> Unitywater has established a structured, lifecycle-integrated governance framework that is coherent across enterprise, portfolio and project levels. Governance roles, stage gates, funding approvals, change control processes and escalation pathways are clearly defined and embedded within formal committee oversight structures. Unitywater operates a mature and well-documented end-to-end capital lifecycle framework incorporating defined stage gates, structured business case requirements, change control processes and formal closure reporting. Governance roles, delegations and escalation pathways are clearly articulated across governance artefacts, including governance charters, lifecycle frameworks and procedural documentation. Evidence of governance structures is supported through committee documentation, including Infrastructure Strategy Committee and Capital Investment & Innovation Committee materials, which demonstrate formal oversight of planning, prioritisation and delivery activities. Benefits realisation planning and operational readiness assessments are embedded within lifecycle documentation, supporting whole-of-life oversight and transition to operations. Continuous improvement initiatives are evident at a program level, as demonstrated through documentation relating to operational uplift programs and efficiency initiatives (e.g. maintenance optimisation and energy initiatives). These demonstrate that Unitywater is capable of identifying, implementing and monitoring improvement opportunities. Unitywater is transitioning to a Partner Delivery Model, representing a material evolution in delivery structure and accountability. The existing governance framework appears sufficiently robust to support this transition at a design level, and documentation provided demonstrates governance structures and application in practice. This includes program-level reporting, risk monitoring and committee oversight, with evidence from Program Control Group reporting and committee materials demonstrating review and challenge of delivery outcomes. However, the evidence is primarily program-specific and does not yet demonstrate how governance, assurance processes and continuous improvement frameworks are consistently applied and embedded across the full portfolio under the Partner Delivery Model, including the interaction between Unitywater and delivery partners. Further evidence demonstrating this consistency and integration would strengthen confidence. 	<ul style="list-style-type: none"> No material gaps identified in governance design. We note that that Unitywater are transitioning to a new Partner Delivery Model. Evidence demonstrating the implementation of this model, including how governance arrangements, roles, controls and assurance processes are being applied under the new delivery structure, is yet to be tested. Observations and findings are therefore based on the existing governance framework. Evidence provided through RFIs does demonstrate continuous improvement and efficiency initiatives at a program level. Evidence of a standardised, enterprise-wide continuous improvement and efficiency framework, including consistent baseline setting, benefit realisation methodologies and aggregation of outcomes across programs and delivery partners, was not provided. We recommend Unitywater consider collating evidence of an enterprise-wide continuous improvement and efficiency framework that demonstrates: <ul style="list-style-type: none"> A standardised approach to benefit realisation and baseline setting Aggregation of efficiency outcomes across programs and delivery partners Integration of continuous improvement into governance reporting and decision-making processes How efficiency frameworks are being adapted to support the Partner Delivery Model. This evidentiary base will be a key consideration and will be tested fully in Phase 2 on PM26 that focuses on the prudence and efficiency of individual projects developed prior to and after the model's implementation.

Table 8: Governance management assessment criteria, continued

Criterion	Observation	Recommendations
<p>Monitoring and reporting on progress</p>	<ul style="list-style-type: none"> Project-level monitoring appears well established, supported by structured reporting through Program Delivery functions and defined escalation thresholds for scope, cost and schedule variation. Our findings identified that structured monitoring and reporting processes are embedded within governance frameworks, including project-level controls and committee oversight. Evidence provided to date is consistent with project-level monitoring and reporting processes. Stage gates require formal approval prior to progression, reinforcing disciplined control points throughout the lifecycle. Closure documentation includes reconciliation of original baselines against actual delivery outcomes, supporting transparency and accountability. Capital infrastructure risks are monitored and reported through governance processes, including regular reporting to Executive and Board committees (e.g. Infrastructure Strategy Committee and CIIC), with project-level oversight supported through Project Control Groups. Portfolio-level monitoring and reprioritisation processes were described during interviews. Evidence demonstrates established portfolio-level reporting and monitoring, including consolidated financial, delivery and risk reporting through Program Control Group forums and portfolio risk dashboards. While this provides clear visibility of portfolio performance, further evidence demonstrating how this information is systematically used to inform portfolio-level reprioritisation, trade-offs and investment decisions would strengthen confidence. The transition to the Partner Delivery Model introduces new interfaces between delivery partners and corporate governance structures. Evidence demonstrating how monitoring and reporting operates across delivery partners is yet to be tested. 	<ul style="list-style-type: none"> No material gaps identified Additional evidence demonstrating the application of monitoring and reporting processes at a portfolio level would strengthen confidence in effectiveness, including: <ul style="list-style-type: none"> Examples of portfolio-level monitoring, intervention and reprioritisation decisions How monitoring outcomes inform forward investment and planning decisions Integration of monitoring and reporting across delivery partners, including roles, accountabilities and escalation pathways. This evidentiary base will be a key consideration and assessment in Phase 2 of PM26 that focuses on prudence and efficiency for specific projects.
<p>Stakeholder consultation and accountability</p>	<ul style="list-style-type: none"> Stakeholder consultation and accountability mechanisms are embedded within Unitywater’s governance and planning frameworks. Governance documentation, including Project Management Plan templates and lifecycle artefacts, requires identification of stakeholders and consideration of stakeholder requirements throughout project development, delivery and transition to operations. Formal arrangements with Participating Councils, as evidenced through the Participation Agreement, establish requirements for consultation, communication and alignment with council service expectations, providing a structured mechanism for stakeholder engagement and accountability in the decision making framework. Customer engagement is undertaken through structured programs and research activities, including customer insight reports and targeted engagement initiatives, which provide inputs to strategic planning, service delivery and investment considerations. Operational readiness processes and lifecycle documentation further support accountability by ensuring that stakeholder and operational requirements are considered prior to asset handover. Collectively, these documents demonstrate that stakeholder and customer engagement processes are established, structured and embedded within governance and planning frameworks, and provide inputs into broader strategic, service and investment considerations. 	<ul style="list-style-type: none"> No material gaps identified Evidence demonstrates structured stakeholder and customer engagement processes are in place.

Table 8: Governance management assessment criteria, continued

Criterion	Observation	Recommendations
<p>Decision-making systems and integration</p>	<ul style="list-style-type: none"> • Unitywater operates within a clearly defined decision-making framework supported by formal stage gate processes, structured business case templates and defined approval authorities. • Funding approvals are sequenced across lifecycle phases (including early-stage, design and full funding approvals), aligning financial commitment with increasing levels of scope definition and certainty. • Governance artefacts, including CIIC papers, Infrastructure Strategy Committee materials and business case documentation, demonstrate that investment decisions are subject to structured governance review, challenge and approval processes. • Evidence provided includes examples of executive challenge and scope refinement through committee processes, project updates and supporting documentation, indicating that cost, scope and delivery considerations are actively reviewed and challenged as part of decision-making. • Asset management and prioritisation frameworks, including asset criticality methodologies and risk assessment tools, provide structured inputs into investment prioritisation and decision-making processes within the governance framework. • Financial and planning artefacts, including budget development materials and forecast review processes, demonstrate that affordability considerations and efficiency assumptions are incorporated into planning and decision-making discussions. • Integration across discovery, design, delivery and operationalisation phases is structurally embedded within governance artefacts, supporting a whole-of-life approach to decision-making. • Collectively, these documents demonstrate that key inputs – including risk, asset condition, service requirements, cost and efficiency considerations – are incorporated into decision-making processes through business case development, executive challenge and governance review. 	<ul style="list-style-type: none"> • No material gaps identified • Evidence demonstrates structured decision-making frameworks are in place.
<p>Application of decision-making framework and prioritisation</p>	<ul style="list-style-type: none"> • Prioritisation processes are structured and risk-informed at a design level, supported by governance artefacts including asset criticality methodologies, risk assessment tools and business case processes. • These frameworks support the identification, assessment and ranking of investment needs across asset classes and programs, and are embedded within governance documentation and lifecycle processes. • Interviews and supporting materials indicate that prioritisation decisions are informed by strategic alignment, risk, service requirements and delivery considerations. • Documentation provided demonstrates that prioritisation frameworks are established and integrated within governance processes. • However, there is limited evidence demonstrating how these frameworks are consistently applied in practice to support, modify or halt investment decisions, including examples of projects being progressed, deferred or reprioritised based on changing priorities, affordability or delivery constraints. 	<ul style="list-style-type: none"> • No material gaps identified in governance design. • Evidence demonstrates structured prioritisation frameworks are in place. • Additional evidence demonstrating the application of prioritisation frameworks in practice would strengthen confidence, including: <ul style="list-style-type: none"> - Examples of prioritisation decisions and trade-offs across portfolios - How affordability, risk and delivery constraints influence prioritisation outcomes - How prioritisation outcomes are reflected in investment sequencing and funding decisions.

Table 8: Governance management assessment criteria, continued

Criterion	Observation	Recommendations
<p>Criteria for investment decision-making</p>	<ul style="list-style-type: none"> • Business case templates require articulation of baseline measures, expected benefits and defined success criteria • Stage gates test strategic alignment, delivery readiness and value proposition prior to funding approval. • Operating expenditure impacts are considered within asset management and capital planning documentation, supporting whole-of-life cost assessment. • The governance framework structurally supports assessment of prudence, efficiency and customer value within investment decision-making. Evidence demonstrates that investment decision criteria are defined within business case and stage gate processes. However, while examples of these criteria are evident, there is limited evidence demonstrating their consistent and repeatable application in practice across programs, including baseline validation, benefit quantification and linkage between efficiency outcomes and forward expenditure forecasts. 	<ul style="list-style-type: none"> • No material gaps identified in governance design. • Evidence demonstrates that investment decision criteria are defined within governance processes. • We recommend Unitywater consider collating evidence that demonstrates: <ul style="list-style-type: none"> - Standardised approaches to baseline validation and benefit quantification - Consistent and repeatable application of investment decision criteria across programs - How realised benefits and efficiency outcomes are reflected in forward expenditure forecasts. • This evidentiary base will be a key consideration and assessment in Phase 2, where the prudence and efficiency of capital expenditure will be tested in detail.
<p>Implementation and effectiveness in practice</p>	<ul style="list-style-type: none"> • Unitywater’s governance framework reflects a clearly defined whole-of-life asset and project lifecycle model, incorporating structured gateway reviews, documented procedures and defined approval authorities. • Project Management Plans, Stage Gates, closure reporting, operational readiness assessments and Benefits Realisation Plans collectively demonstrate that governance processes are embedded within lifecycle documentation. • The governance system design aligns with indicators of good practice describing integrated lifecycle oversight supported by policies, procedures and structured documentation. • Evidence provided through RFIs indicates that governance processes are embedded within lifecycle documentation, including project management plans, stage gate approvals, closure reporting and operational readiness processes. This is consistent with the existence of structured governance frameworks. • Evidence provided indicates that these processes are applied in practice. However, the material provided offers limited visibility of the consistent application of these processes across projects and programs, including demonstration of outcomes such as scope optimisation, cost control and integration of lessons learned into future decision-making. 	<ul style="list-style-type: none"> • No material gaps identified • Unitywater should consider additional evidence demonstrating the application of governance processes in practice across projects and programs to strengthen confidence in their effectiveness, including: <ul style="list-style-type: none"> - Application of governance processes across a representative sample of projects and programs - Evidence of scope optimisation, cost control and decision-making outcomes - Integration of lessons learned and delivery outcomes into future planning and decision-making. • The application of governance frameworks in practice and resulting expenditure outcomes will be fully assessed in Phase 2 through detailed review of project and program evidence.

3. Operating expenditure forecasting

3.1. Introduction

Assessing the forecasting methods underpinning expenditure submissions is a core part of our review, because the method largely determines whether the resulting forecasts are credible, explainable and fit for regulatory scrutiny. Sound forecasting practice demonstrates that Unitywater can identify key cost drivers, apply consistent assumptions over time, and clearly link proposed expenditure to service outcomes and delivery obligations.

Focusing on method also supports the QCA to distinguish forecasts that are evidence-based from those that rely on arbitrary adjustments, legacy trends or unexplained judgement. This review helps identify where practices could be strengthened to improve transparency, accountability and the quality of decision-making over the medium term.

Ultimately, a clear and defensible forecasting method provides greater confidence that proposed expenditure reflects prudent and efficient costs and will be an important foundation for Unitywater's Phase 2 submission.

3.1.1. Opex and Capex forecasting

Operating and capital expenditure forecasts are developed using different drivers and methods.

Opex forecasts used for regulatory purposes are commonly prepared using a Base Step Trend (BST) approach. BST starts with a base year of actual expenditure, adjusts for one off items, and then applies justified step changes and trend factors to reflect known cost movements, demand growth and productivity expectations. In practice, businesses may also use non-BST approaches, including bottom-up activity based budgeting or simple extrapolations. We also observe hybrid approaches that combine a top-down BST view with bottom-up activity-based inputs.

Capex forecasting is typically shaped by program and project planning cycles rather than recurrent cost patterns. Beyond discrete major projects, ongoing capex is largely renewal and replacement activity intended to maintain service levels and asset performance over time. These programs are informed by asset condition data, risk assessment and long-term planning models. These inputs are considered further under chapter 2.

This chapter focuses primarily on Unitywater's forecasting methods for operating expenditure and, where relevant, the relationship between operating expenditure forecasts and Unitywater's capital program.

3.2. Our approach

URA's assessment of expenditure forecasting and governance considers whether Unitywater's arrangements for developing, challenging and approving operating expenditure forecasts are robust and consistent with good practice. The review covers forecasting method, accountabilities, oversight, documentation, and the controls used to manage key assumptions and risks.

3.2.1. Desktop review and interviews

URA has undertaken a desktop assessment of the operating expenditure forecasting approach documented by Unitywater in its submission. This review has been supplemented by

subsequent responses by Unitywater to requests for information that have been issued by the QCA.

Following this review, we undertook a series of targeted interviews with Unitywater on its submission operating expenditure forecasting approach. These interviews were carried out on 16th and 17th of February with Unitywater at its Maroochydore offices. The interviews covered Unitywater's recent performance and its approach to managing the opex program and forecasting, drawing on the PM26 submission and RFI1 responses.

Discussion focused on:

- The multi-year forecasting method,
- Governance and accountabilities,
- Data protocols,
- Forecasting performance monitoring,
- Quality assurance and any independent assurance,
- Management of forecasting risk and uncertainty (including contractor, market and key cost category risks such as energy and insurance),
- Processes for forecast adjustments (source registers, change control, escalation and indexation), and validation, and
- How opex forecasts link to investment planning and outcome delivery frameworks.

The interviews were aimed at confirming how the documented framework operates in practice and to understand the key steps in the forecasting cycle, including how review and challenge is applied.

3.2.2. Requests for information

In addition to Unitywater's submission three separate rounds of RFIs have informed our review, two of which impacted this review task:

- RFI 2 – The second RFI issued by the QCA on 1 December 2025 focused on both operating expenditure forecasting and efficiency and productivity. The RFI sought documentation that sets out Unitywater's opex forecasting framework and method (including data sources and performance monitoring), governance and quality assurance arrangements, procedures for identifying and quantifying forecast adjustments (including risk, scenarios, change control and escalation/indexation), validation processes for testing forecast accuracy, and how opex forecasting outputs are linked and coordinated with investment planning systems.
- RFI 3 – The third RFI was issued on 25 February 2026. This RFI was structured to address any remaining gaps in information or further information identified through our desktop review of Unitywater's submission and the subsequent operating expenditure interviews. The RFI included:
 - Unitywater's definition and criteria for non-controllable expenditure,
 - Documentation of how it forms partial-year base-year forecasts for BST including escalators and assumptions by cost category, documented step-change criteria including any materiality thresholds and links to baseline escalators, and
 - A working BST and contingency model (or representative sample where methods differ) to allow URA to review the underlying methodology and model structure.

RFI 3 focused on obtaining evidence of the implementation in practice of the method and governance outlined in its submission and interviews.

3.2.3. Assessment approach

Drawing on the desktop review and interview evidence, we assessed Unitywater’s expenditure forecasting method by focusing on:

- Track record: whether historical forecasts have been broadly consistent with actual outcomes.
- Logic: whether the approach is internally coherent and fit for purpose.
- Mathematical integrity: whether the method is correctly specified and reliably implemented.
- Sector acceptance: whether the approach is consistent with commonly applied practice in the wider sector.
- Internal consistency: whether the method is applied consistently across cost categories, time periods and supporting inputs.

In addition to method, we also assessed the governance and administrative framework supporting the method. This assessment was undertaken based on a set of criteria outlined in Table 9. The criteria were established and confirmed with the QCA through the Task 2 Method Workshop.

Table 9: Assessment criteria for operating expenditure forecasting

Criterion	Indicators of good practice
Method and structure	A clearly defined and understood process for forecasting opex, supported by a documented forecasting method covering key assumptions, escalation factors and modelling techniques; consistent application across cost categories; and alignment between top-down and bottom-up approaches.
Data integrity and assumptions	An established process for testing and verifying data inputs, including traceability, supported by verified source data; clear rationale for assumptions such as growth, inflation and productivity; sensitivity testing of key drivers; and an audit trail showing data lineage and validation.
Link to cost and service drivers	Clear linkages between cost drivers and the forecasting method, with a clear linkage between forecast inputs and measurable cost and service drivers, and an evident cause-and-effect relationship between expenditure trends and operational outcomes.
Alignment with regulatory guidance	Alignment with the QCA review processes and good practice regulation, with method, structure and formulation aligned with QCA expectations and those of comparable regulators.

Table 9: Assessment criteria for operating expenditure forecasting, continued

Criterion	Indicators of good practice
Integration	Demonstrated integration with other planning processes, including forecasts aligned with approved investment programs; feedback loops between delivery outcomes and future forecasts; and consistency with long-term capital and asset management plans.
Risk and uncertainty	Consideration of uncertainty in forecasting, supported by documented risk assessment and scenario analysis; clear treatment of contingencies; and explicit escalation and sensitivity assumptions supported by evidence.
Historical performance and trend analysis	Linkages between historical and forecast expenditure, including evidence of reconciliation between historical and forecast data; transparent explanation of variances; and demonstrated learning from past forecast accuracy reviews.
Benchmarking and validation	Consideration of appropriate benchmarks, including use of industry or peer comparisons; application of performance benchmarks and cost efficiency metrics; and evidence of challenge and review.
Continuous improvement and learning	Systems for reviewing forecasting accuracy and embedding lessons into future cycles, including regular post-implementation reviews; established improvement plans; and evidence of ongoing methodological refinement.
Forecasting governance and accountability	Oversight, ownership and documentation of forecasting responsibilities across business units, supported by a clearly documented and accessible governance framework applied consistently; clear roles and accountabilities; version control; documented forecasting policies and procedures; regular executive oversight; and integration with corporate planning and finance.

3.3. Opex forecasting good practice

3.3.1. Base step trend forecasting good practice

Good practice BST forecasting provides a structured and transparent method for developing and assessing operating expenditure forecasts. It is widely applied across Australian utility regulation, including by the AER for electricity and gas networks since 2013, the ESC including under PREMO, ESCOSA in its assessment of SA Water, and the QCA in its reviews of Seqwater (2018, 2022), Sunwater (2025) and Gladstone Area Water Board (2020), and IPART 2025 (Sydney Water, Hunter Water and WaterNSW).

BST forecasting starts with a normalised base year of efficient costs, projects those costs forward using clearly defined trend factors, and then applies discrete step changes where there is evidence of a sustained change in obligations, service requirements, or efficient operating impacts from new capital investment. It is widely used because it supports consistent assessment, reduces the risk of double counting, and avoids the regulatory burden associated with fully bottom-up forecasting.

A good practice BST method has the following features:

- Clear base year definition and normalisation. The base year is intended to represent a normal year of efficient opex. It is typically anchored in recent actuals and then adjusted to:
 - remove non-regulated expenditure
 - remove non recurrent or one-off items
 - include normally recurring costs that were absent in the base year.

These adjustments should be evidenced, documented and applied consistently across categories.

- Trend escalation that reflects scale, productivity and input prices. The base year is extrapolated forward using trend factors that are specified up front and applied consistently. Common elements include:
 - Growth (scale): an allowance for changes in output or customer numbers. Many water frameworks use customer connections as a practical growth proxy. Other frameworks apply a small set of output drivers by functional area, sometimes with an explicit economies-of-scale adjustment.
 - Productivity: a compounding efficiency factor applied to controllable opex to reflect ongoing productivity improvements. Where a frontier or total factor productivity study is not undertaken, a reasonable factor is set with reference to regulatory precedent and peer performance.
 - Real input price movements: where key inputs are expected to change in real terms relative to CPI, the method includes explicit real price escalators for relevant categories such as labour, energy, chemicals or insurance, supported by evidence and applied in real terms.
- Step changes that are discrete, material and evidence based. Step changes capture cost movements that are not explained by the trend factors. Good practice limits steps to changes that are clearly linked to:
 - new or changed external obligations that are binding
 - new or changed service requirements supported by customer engagement and willingness to pay evidence
 - efficient opex impacts from new capital investment, including demonstrated capex opex trade offs.

Steps should be net of efficiencies, supported by clear costing, and subject to materiality thresholds so the forecast remains proportionate and does not drift into a de facto bottom-up build.

- Controls to avoid conflation and double counting. A core benefit of BST is that it separates what belongs in the base, the trends and the steps. Good practice requires checks to ensure:
 - growth is not counted both in the growth factor and in step changes
 - the same input price movement is not counted through both escalators and steps
 - discretionary changes in inputs are not treated as compensable steps unless they are required to meet an obligation or deliver a customer supported outcome.
- Transparent documentation and repeatability. The method should be traceable from inputs to outputs, with clear assumptions, consistent application across categories, and the ability to reconcile forecast movements back to base, trends and steps. This improves governance, supports assurance, and makes the forecast easier to test.

- Consistent treatment of inflation and presentation basis. Forecasts should be internally consistent in real versus nominal terms. Where forecasts are presented in nominal terms, inflation is applied transparently and consistently with the broader regulatory approach used for financial modelling.

Overall, a well specified BST approach provides a disciplined forecasting framework that is practical to implement, easier to review, and well suited to regulatory assessment because it supports a comparison between a business forecast and a reasonable alternative estimate using a common structure and clearly stated assumptions.

3.3.2. Forecasting governance good practice

Good governance for operating expenditure forecasting is characterised by clear ownership, defined accountabilities and structured oversight across the organisation. Good practice arrangements typically include:

- A single Executive level owner who is accountable for the integrity, coherence and overall quality of the expenditure forecast.
- Business unit leaders that retain accountability for the accuracy, completeness and deliverability of inputs within their areas of responsibility.
- Documentation of role descriptions, delegations, approval papers and performance objectives (reinforcing that forecasting is a core management responsibility and not solely a finance function).

Effective governance is supported by structured forums that enable challenge and decision making throughout the forecasting cycle. Dedicated review points are used to test key assumptions, including efficiency and productivity expectations, and to resolve trade offs between cost, risk and service outcomes before forecasts are finalised. Standing agendas and defined escalation thresholds support consistent treatment of material changes and emerging risks, including clear pathways for issues to be elevated to senior management and, where relevant, to the Board. Independent challenge from finance, strategy and assurance functions further strengthens confidence that forecasts are robust and defensible.

Robust documentation underpins both accountability and transparency. Forecasting methods, key assumptions and roles are typically set out in a central policy and supported by assumption registers and consistent templates. This improves internal consistency, supports independent review and replication, and reduces reliance on individual knowledge. Clear documentation also supports continuity over time and strengthens organisational resilience.

3.4. Overview of expenditure forecasting method

3.4.1. Forecasting approach

Unitywater's opex forecasts are developed as part of its annual budgeting process, which is supported by a Base–Step–Trend (BST) methodology. The BST framework provides the structure for estimating efficient operating costs, while the annual budget cycle remains the primary mechanism through which expenditure is reviewed, challenged and approved.

Although the framework also produces a rolling five-year outlook, the forecasts are fundamentally anchored in the annual budget process, with the forward view intended to support multi-year planning in Phase 2.

In summary, Unitywater’s forecasting approach incorporates the following features.

- **Mature BST method** – the BST is an established part of Unitywater’s budgeting process and Unitywater indicated that it will utilise the forward-looking component of its current BST for its Phase 2 multi-year forecasts.
- **Cost categorisation** - BST forecasts are prepared across 11 operating cost categories. Unitywater has advised that there are no material interdependencies between categories that require explicit modelling within the BST approach, allowing each category to be forecast using its own cost drivers.
- **Base year establishment and annual reset** - The base year is reset each year and is derived from the previous financial year; this means it will incorporate partial actuals and partial forecasts where required. The base year is reviewed for performance and adjusted to remove non-recurrent or abnormal expenditure to establish an efficient starting point for forecasting.
- **Extrapolation of base costs and application of step changes** – In the absence of a working BST model it appears that Unitywater extend the base year out to form a baseline which they then apply their step changes to. Step changes are applied to reflect discrete cost impacts not captured in trend drivers, such as new obligations, service level changes or asset commissioning impacts.
- **Trend escalation and efficiency adjustments** - The baseline forecast (including steps) is escalated using CPI, growth and efficiency factors. Growth escalators are applied selectively to variable cost components to align expenditure movements with demand and service drivers.
- **Contingency mechanism** - A contingency mechanism sits above each BST category to incorporate known expenditures with defined risk profiles, including weather-related costs. The contingency is designed to operate annually: where risks materialise, costs are recovered through the mechanism, with residual risk reviewed and updated. Any true-up occurs in the following year’s operating expenditure. Expenditure covered by the contingency mechanism must meet the following requirements:
 - Be unforeseen or unavoidable in nature – be related to non-ordinary events or identified during budgeting as unbudgeted risks pending further clarity or trigger events.
 - Have a material impact – present a significant operational, safety, customer, compliance or reputational risk.
 - Have no available reallocation for funding.
 - Need to be addressed prior to the next annual planning cycle.
- **Treatment of uncontrollable costs** - Uncontrollable costs are added to the BST forecasts and include items such as bulk water charges, land tax and bad debt. In assessing whether a cost is non-controllable, Unitywater considers whether the expenditure:
 - Is determined by external parties, regulatory frameworks or government settings
 - Is primarily driven by factors outside Unitywater’s direct operational control (e.g. customer demand or behaviour)
 - Cannot be materially influenced through management action, efficiency measures or alternative delivery approaches in the short term.
- **Affordability objective** - A key objective guiding the forecasting and budgeting process is affordability. Forecast allowances and efficiency measures are therefore developed with regard to delivering sustainable price outcomes for customers.

Unitywater’s approach integrates structured cost forecasting with the discipline of the annual budget process, providing a transparent basis for estimating operating expenditure while maintaining flexibility to respond to emerging cost pressures and operational priorities.

3.4.2. Forecasting governance

Unitywater’s opex forecasting is embedded within a structured corporate planning and financial governance framework. The BST methodology provides a defined and repeatable approach to resetting the base year, applying category-specific escalators and incorporating prioritised step changes.

Forecast ownership sits within Finance, with structured ELT review and Board approval pathways. Governance design is mature and integrated with long-term financial sustainability planning, capital planning and risk management processes.

Unitywater’s opex forecasting governance has the following features.

- **Method and Structure:** The forecasting method is documented and embedded within the annual budgeting cycle. Cost categories are clearly defined, base year resets are applied annually, and step changes are subject to prioritisation through formal governance pathways. Escalators are applied selectively at the cost-category level to reflect specific cost drivers rather than uniform indexation. Forecast accuracy of approximately $\pm 1\%$ indicates disciplined reconciliation between forecast and actual outcomes over time.
- **Data Integrity and Assumptions:** Growth and demand assumptions are Board-approved and integrated across opex and capex planning processes. Escalator application is subject to executive scrutiny, and assumptions are reviewed within structured financial governance cycles. Accountability for forecast integrity sits at section manager level, with executive oversight and second-line monitoring functions providing independent challenge and validation.
- **Risk and Uncertainty Management:** A refreshed Board-approved risk appetite framework underpins planning and expenditure settings. Portfolio-level contingency is governed through defined approval thresholds, with executive control over access and reallocation decisions. The governance framework is structurally capable of managing uncertainty and volatility within forecast development, including scenario consideration where required.
- **Integration with Service and Capital Planning:** Forecasting is linked to service performance expectations, customer engagement insights and asset management planning. Demand modelling, renewals programs and capital delivery assumptions inform forward operating expenditure settings. Efficiency initiatives are governed through defined benefit identification and monitoring frameworks, and intra-portfolio reallocations are subject to executive approval. Forecast governance is therefore integrated across strategy, service delivery and infrastructure planning.
- **Continuous Improvement and Validation:** Forecasting processes are reviewed annually and have evolved over successive regulatory periods. Reconciliation reporting, executive monitoring and benchmarking — including Totex comparisons and national performance reporting — provide mechanisms for validation and refinement. Governance arrangements support learning from prior cycles and continuous methodological improvement.

3.5. Expenditure forecasting performance

3.5.1. Why forecasting performance matters

This section sets out URA's assessment of Unitywater's forecasting performance, focusing on historical performance and trend analysis. The assessment is directed to Unitywater's processes, methods and governance that support expenditure forecasting. It does not extend to findings on prudence or efficiency of the underlying expenditure.

The review considers two aspects. First, we assess the performance of the forecasting method by comparing forecasts to actual outcomes over time and identifying material variances and any recurring patterns of over or under forecasting. Second, we assess how the method and supporting governance arrangements respond to actual outcomes, including whether delivery experience is used to update assumptions, inputs, controls and forecasting practices.

Forecasting performance is relevant in a regulated setting because it provides evidence on how forecasts translate into delivery and outcomes. Reviewing forecast accuracy and the drivers of variance supports clearer accountability, improves forecasting methods over time and strengthens the credibility of submissions to internal and external stakeholders. It also supports confidence that expenditure planning is targeted and that key risks are being managed.

From a governance perspective, review of forecasting performance provides an evidence base for assurance and continuous improvement. Without structured analysis of accuracy and variances, it is difficult to demonstrate that assumptions are being challenged appropriately and that lessons are being embedded over time.

3.5.2. Forecast performance

Unitywater's submission includes clear reporting on operating expenditure outcomes, including total opex and opex per property over time. However, it does not include an explicit assessment of forecasting performance, such as comparisons of historical forecasts to actual outcomes. For regulated utilities, medium term operating cost forecasts are typically used as a reference point to test forecast accuracy, with businesses expected to explain material variations between forecasts and actuals, such as labour market constraints affecting labour costs or supply disruptions affecting chemical inputs. In Unitywater's proposal, this line of evidence is largely absent.

Aside from discussion of cost escalations, the submission provides limited commentary on trends in forecasts over time. The only clear use of an historical trend measure in the proposal relates to postage expenditure escalation, which applies an historical average, whereas other escalation assumptions are presented as forward looking.

Information provided in response to URA's first request for information indicates that Unitywater has internal processes that support budget scrutiny and variance explanation on a year-on-year basis. Proposed budgets are assessed against the current year budget, with material changes expected to be explained through scope changes, efficiencies, or price and volume variance analysis. The Planning and Analysis Business Partners coordinate this analysis, and the CEO and CFO hold budget review meetings with each Business Unit prior to finalising the budget submission.

This provides a basis for explaining movements based on one year of actuals but does not of itself demonstrate how forecast performance is assessed over a medium-term horizon, where uncertainty is higher and there is typically a greater need to explain how uncertain costs are treated and how risk is shared with customers.

3.6. Assessment

3.6.1. Expenditure forecasting findings

We found that Unitywater’s current approach to BST forecasting generally aligns with regulatory good practice. However, we noted that the current method has been designed to provide annual forecasts and not the multi-year forecasts required for Phase 2.

It is recommended that Unitywater formalise its multi-year BST forecasting method, including clear treatment of how the contingency mechanism will operate within a multi-year forecast framework. Key observations are:

- **Treatment of step changes within the baseline** - Embedding step changes within the baseline prior to escalation may give rise to methodological issues. A common risk in BST applications is duplication between escalation factors and step changes. In practice, this risk is often mitigated by applying escalators to the extrapolated base year before step changes are added. Step changes can be difficult to decompose in a manner that clearly separates growth, efficiency and input price effects. For example, growth-related step changes must be decomposed to ensure that growth escalators are not duplicating the same drivers and thereby inflating the baseline.
- **Eligibility criteria and materiality thresholds for step changes** - The current approach does not include explicit eligibility criteria for step changes. Clear criteria are important to define when a cost change qualifies as a step, how materiality thresholds are applied, and how steps interact with baseline escalators. For example, growth-related steps should be net of any growth allowance embedded in the baseline to avoid double counting. Establishing these rules would improve transparency and support consistent treatment across cost categories.
- **Transition from annual budgeting to a multi-year framework** - The current approach retains characteristics of an annual budgeting process and may require further development to fully support a multi-year forecasting framework. Unitywater indicated during interviews that parameters applied in forward forecasts may change as part of the Phase 2 multi-year proposal, reinforcing the need to confirm the durability of key assumptions. We note that Unitywater does maintain a 10-year forecast model to inform its prioritisation activities.
- **Appropriateness and operation of the contingency mechanism** - The contingency mechanism is designed to support year-to-year management of at-risk expenditures within the BST framework. This approach provides greater transparency than many BST applications by explicitly identifying risk-related expenditure rather than embedding it within the base year, baseline or step changes. However, the effectiveness of the mechanism will depend on transparent articulation of risk categories, the basis for cost estimation and the methodology used to quantify risk allowances. It is also unclear how the contingency mechanism will be integrated into multi-year forecasts in the context of the Phase 2 submission.

3.6.2. Expenditure forecasting governance findings

Unitywater’s forecasting governance framework is structurally sound, clearly owned and integrated with corporate oversight mechanisms. Roles and accountabilities are defined, the BST methodology is documented, and executive and Board oversight are embedded within the budgeting cycle. Integration with capital planning, risk management and long-term financial sustainability settings is evident.

3.6.3. Forecasting criteria assessment findings

Table 10: Forecasting assessment criteria

Criterion	Observation	Recommendations
Method and structure	<ul style="list-style-type: none"> Unitywater adopts a BST method that is integrated into its internal budgeting framework. The key features that distinguish Unitywater’s approach from common practice are: <ul style="list-style-type: none"> Forecasts are undertaken on an annualised basis (with a five-year outlook). Differenced in sequencing. Unitywater indicated that step adjustments are applied to the baseline before escalators. Application of a contingency true-up mechanism to account for at-risk expenditure. Such a mechanism is consistent with the ability in other regulatory frameworks (such as the PREMO framework in Victoria) to allow for the reopening of prices to account for abnormal cost events that have potentially material outcomes. 	<ul style="list-style-type: none"> Unitywater’s current application of escalators to step changes is not consistent with BST approaches adopted in NSW and Victoria. In those jurisdictions, step changes are applied after the baseline expenditure has been escalated. This approach reduces the risk of over-recovering escalators within step changes. We recommend Unitywater consider revising the BST sequence so that escalators are applied to the base year before step changes are added. This would simplify the BST method and reduce the risk of double counting, avoiding unnecessary complexity. As the assessment team has not had access to the underlying modelling, it has not been possible to determine the materiality of that risk. We recommend Unitywater develop a multi-year BST forecast method that clearly addresses the application of the annual contingency mechanism within the context of a multi-year forecast. This will likely range from exclusion of the contingency mechanism, to their separate inclusion in the baseline overlaid by risk sharing principles (including any quantifiable thresholds) that make it clear what level of risk Unitywater is absorbing on behalf of its customers. By definition, a multi-year forecast of the contingency allowance will be confined to unbudgeted risks. Our review is based on the documentation provided by Unitywater through its proposal, interviews and RFI responses. This documentation does not include functioning versions of its BST and contingency models. Accordingly, URA has not been able to verify the application of the method descriptions provided by Unitywater. We would anticipate that any assessment of prudence and efficiency undertaken in Phase 2 of the Price Monitoring Review will need to have access to these models.
Data integrity and assumptions	<ul style="list-style-type: none"> Data and assumptions are centrally managed through the “Objective” platform. Forecast inputs are informed by demand modelling (DMAT), Board-approved growth assumptions, asset data and contract information. Escalator assumptions (e.g. energy) are subject to executive scrutiny. Independent monitoring functions provide second-line oversight once plans are set, with escalation pathways for contested assumptions. Key escalators are: <ul style="list-style-type: none"> Non-labour costs are escalated based on Enterprise Agreement outcomes and labour indexation. Non-labour costs are escalated using the Consumer Price Index (CPI) as the default assumption. Alternative escalators may be applied where there is clear evidence that CPI does not reflect underlying cost movements; for example, postage costs and software/managed information technology (IT) services. For electricity and insurance, CPI is applied to the baseline cost, with additional expected price increases above CPI captured separately as step changes. 	<ul style="list-style-type: none"> No gaps have been identified. We note that Unitywater has not provided a functioning version of the underlying BST model and URA has not been able to verify the treatment of data and assumptions within the functioning models. We anticipate that this analytical task will be undertaken in the PM26 Phase 2 assessment of prudence and efficiency.

Table 10: Forecasting assessment criteria, continued

Criterion	Observation	Recommendations
Link to cost and service drivers	<ul style="list-style-type: none"> Separate BST models are developed for 11 cost categories, with drivers and assumptions specified independently and reflected in the escalators applied to each baseline. This level of disaggregation is greater than BST approaches used in Victoria (ESC) and NSW (IPART) and is likely to provide closer alignment between forecasts and underlying cost drivers. 	<ul style="list-style-type: none"> On the basis of the documentation provided by Unitywater no material gaps have been identified. We note that Unitywater has not provided a functioning version of the underlying BST model and URA has not been able to verify Unitywater’s linking of costs to service drivers with a functioning model. We anticipate that this analytical task will be undertaken in the PM26 Phase 2 assessment of prudence and efficiency.
Alignment with regulatory guidance	<ul style="list-style-type: none"> The QCA has indicated that it has not issued guidance under the Performance Monitoring framework for the development of opex forecasting methods. In regard to alignment with regulatory practice in other jurisdictions (such as Victoria and NSW), we note that these frameworks are materially different from Unitywater’s price monitoring framework. They are deterministic in nature and do not contain comparable annual price setting processes. However, with the exception of Unitywater’s application of escalators to step changes (see Method and Structure criteria) its BST approach is largely consistent with the key fundamentals of the methods adopted in these jurisdictions. 	<ul style="list-style-type: none"> No material gaps have been identified (see recommendations in Method and Structure Criteria on the application of escalators and the development of multi-year forecasts).
Integration expenditure business planning and delivery	<ul style="list-style-type: none"> Integration is achieved through dedicated modelling, capital planning and the annual budget process. Financial Sustainability Model (FSM) provides a whole of business assessment of forecasts integrated with capital programs and demand. Common planning assumptions for growth, CPI, wage and EA changes, along with other escalators are applied uniformly across all plans and budgets. Capital expenditures and opex forecasts are iterated collectively through the budgeting process. Opex forecasts are iterated with both demand forecasts and capital plans through a coordinated annual planning process. This iteration occurs for demand forecast and capital planning outputs. While the documented framework does not reference formal TOTEX decision making it does note that the Asset Management Framework focuses on lowest whole-of-life costs across the asset lifecycle balancing capital and operating expenditure. 	<ul style="list-style-type: none"> No gaps have been identified.
Risk and uncertainty management	<ul style="list-style-type: none"> A refreshed Board-approved risk appetite framework underpins planning settings. Portfolio-level contingency is governed through defined approval thresholds with executive oversight of drawdowns. Scenarios are run on major opex cost drivers such as growth. 	<ul style="list-style-type: none"> No gaps have been identified.
Historical performance and trend analysis	<ul style="list-style-type: none"> Closure reporting and financial reconciliation processes support comparison of forecast to actual outcomes. Forecast performance is monitored monthly, and any underspending of the contingency allowance is then returned to debt reduction. 	<ul style="list-style-type: none"> No gaps have been identified.
Benchmarking and validation	<ul style="list-style-type: none"> References to national performance reporting and WSSA Totex benchmarking to contextualise performance. Internal peer review and executive challenge apply across cost categories. 	<ul style="list-style-type: none"> No gaps have been identified.
Continuous improvement and learning	<ul style="list-style-type: none"> The forecasting framework is reviewed annually. Given the annual budgeting context of the forecasts, the review cycle is more frequent than is typically experienced in other jurisdictions who will only typically review opex outcomes and BST forecasts once or twice over the course of their associated pricing period. 	<ul style="list-style-type: none"> No gaps have been identified.

4. Productivity Improvement and efficiency measures

4.1. Introduction

Assessing the rigour and credibility of productivity and efficiency initiatives is an important aspect of our review. The process of identification and quantification of efficiency gains directly shapes whether proposed expenditures (which are to follow in the Phase 2 submission) reflects a genuinely efficient cost base.

Good practice in this area requires Unitywater to have an integrated approach between its productivity and efficiency initiatives, its corporate strategy and its annual budgeting processes. Other features which are important include benchmarking performance against relevant comparators and demonstrating that identified opportunities are translated into concrete, time-bound commitments with measurable cost saving or productivity outcomes.

Understanding Unitywater's capabilities through these lenses helps identify where practices could be strengthened to improve transparency, accountability and the quality of decision-making by the utility.

4.2. Our approach

URA's assessment of productivity and efficiency measures considers whether Unitywater's approach to managing costs and driving improvement (over simply carrying forward past spending and performance) is robust and consistent with good practice. The review covers whether Unitywater has a clear strategic intent embedded in its business, the effectiveness of governance and reporting structures for initiatives and the integration with expenditure and outcome planning.

4.2.1. Desktop review and interviews

URA has undertaken a desktop review of the productivity and efficiency strategies and initiatives documented by Unitywater in its submission. This review has been supplemented by responses by Unitywater to requests for information that have been issued by the QCA.

Following this review, URA undertook a series of targeted interviews with Unitywater on these productivity and efficiency strategies. These interviews were carried out on 16 of February with Unitywater at its Maroochydore offices. Discussion focused on:

- The overarching strategy for delivering productivity and efficiency improvement,
- How the individual programs identified in the PM26 submission integrate into Unitywater's overarching strategy,
- The ability to demonstrate program-level benefits and delivery timeframes and how these initiatives are embedded in Unitywater's broader operational plans, workforce strategy and asset management plans,
- Prioritisation between programs and prioritisation of costs where savings do not meet initiative-level expectations,
- Executive oversight and accountability for these initiatives and at a program-level, including frameworks for audits or reviews of these initiatives, and

- How efficiency targets are set, monitored and reported.

The interviews were aimed at confirming how Unitywater's PM26 submission operates in practice.

4.2.2. Requests for information

In addition to Unitywater's submission, three separate rounds of RFIs have informed our review, two of which are relevant to this review task:

- RFI 2 – The second RFI issued by the QCA on 1 December 2025 focused on both operating expenditure forecasting and efficiency and productivity. Relevant to the latter, the RFI sought documentation that sets out Unitywater's corporate strategy and any antecedent strategy documents, project governance and benefits frameworks, annual budgeting framework, how productivity and efficiency is embedded in day-to-day operations, initiative monitoring and continuous improvement channels and information packs on key current productivity and efficiency programs.
- RFI 3 – The third RFI was issued on 25 February 2026. This RFI was structured to address any remaining gaps in information or further information identified through our desktop review of Unitywater's submission and the subsequent interviews. The RFI included:
 - Demonstrating how the business plans for, implements and oversees productivity and efficiency improvements,
 - More detailed information describing how productivity initiatives are measured, monitored, and evaluated, including benefits-tracking frameworks, efficiency reporting to management or the board and post-implementation reviews, and
 - Documentation that demonstrates productivity and efficiency are embedded in business processes.

RFI 3 focused on obtaining evidence of the implementation of the approach and governance outlined in Unitywater's submission and interviews.

4.2.3. Assessment approach

Drawing on the desktop review and interview evidence, we assessed Unitywater's approach to developing, implementing and reporting on its productivity and efficiency measures by focusing on:

- How productivity and efficiency targets are set, tracked, and reviewed.
- How productivity and efficiency considerations influence project selection, procurement and delivery.
- How lessons from previous cycles are embedded into new plans.
- Validation of governance and implementation processes.

This assessment was undertaken based on a set of criteria outlined in table 11. The criteria were established and confirmed with QCA staff.

Table 11: Assessment criteria for productivity and efficiency measures

Criterion	Indicators of good practice
Strategic intent	Existence of clear productivity and efficiency objectives linked to corporate strategy. Explicit targets, measurable goals, clear accountability.
Governance and accountability	Oversight, roles and responsibilities for delivering productivity outcomes. Dedicated governance forums, regular reporting, executive ownership.
Integration with expenditure planning	Evidence that productivity planning informs expenditure forecasts. Documented efficiency assumptions, scenario testing, cost challenge processes.
Measurement and tracking	Systems to monitor progress, quantify benefits, and report outcomes. Defined KPIs, annual reviews, internal audits, benchmarking and continuous improvement loops
Demonstrated outcomes	Evidence of realised efficiency gains or sustained performance improvement. Verified savings, trend analysis, external validation, reinvestment of savings.

4.3. Productivity and efficiency good practice

4.3.1. Efficiency framework and operational integration good practice

While productivity and efficiency frameworks can take a variety of forms, there are a range of features that underpin good practice.

A robust framework generally begins with well-defined strategic intent. This intent provides the foundation for what the organisation is seeking to achieve over the medium to long term, why these objectives are important, and how success will be measured. It acts as a reference point for decision-making and should be consistently referenced across expenditure-related strategies and plans. By providing a shared direction, it ensures that planning, budgeting and operational decisions remain aligned with broader corporate objectives.

In relation to how this success is measured, businesses generally identify corporate cost savings targets, supported by identifiable short-term cost-saving initiatives. Longer-term forecasts may also include an overarching efficiency challenge designed to drive further productivity improvements. Although not all efficiency targets are tied to specific initiatives, they will still need to be quantified and embedded within budgets and forecasts. This transparency supports accountability for delivery. It can be often formalised through a dedicated efficiency program that tracks and reports on initiatives as well as overall enterprise outcomes. These features are commonly seen across regulated submissions.

Integrating these targets into expenditure planning and budgeting, rather than treating them as separate or aspirational exercises, is important to realising the gains, iterating them with realistic outcomes in mind and ensuring benefits are eventually passed onto customers. Assumptions that are made throughout this process are discussed with business units when undertaking bottom-up expenditure forecasting exercises, agreed with Executive leadership and explicitly documented.

Good practice approaches to measuring and tracking efficiency involve a consistent performance framework built around these performance targets. These targets should be aligned to key cost drivers and operational outcomes, such as unit costs, labour and asset productivity, costs per customer and delivery performance. These are applied consistently over time. These targets should also seek to distinguish between efficiency improvements and changes driven by external factors such as demand, weather, or regulatory requirements, supporting meaningful interpretation of results.

Regular review plays a critical role in assessing performance against these targets and maintaining ongoing accountability for delivery. These reviews typically combine quantitative and qualitative assessments of progress against targets and overall delivery of initiatives. Internal audits or independent assurance reviews are used periodically to test the robustness of efficiency measurement, the integrity of underlying data and the effectiveness of governance arrangements.

To support this, benchmarking against peers and relevant industry standards provides external reference points for performance and ambition. Good practice involves using benchmarking not as a mechanical target-setting tool, but as an input to identify improvement opportunities and inform management challenge.

4.3.2. Productivity and efficiency governance good practice

Good practice governance arrangements for productivity and efficiency do not necessarily require a standalone efficiency program. Rather, leading organisations embed productivity and efficiency within core governance, planning and decision-making frameworks, ensuring that efficiency is treated as an ongoing organisational discipline rather than a discrete initiative.

A key feature of good practice is the presence of clear governance structures and defined accountabilities. Responsibility for productivity and efficiency is typically distributed across relevant functions such as finance, asset planning, procurement and delivery while maintaining strong central oversight through executive and board-level governance forums. This ensures that efficiency considerations are consistently applied across the full investment lifecycle and that accountability for delivery is clearly understood.

Effective governance frameworks also incorporate structured challenge mechanisms. This includes formal investment assurance processes, gateway reviews and independent challenge functions that test assumptions, assess value-for-money and ensure that expenditure proposals are justified and aligned with organisational objectives. These mechanisms are critical in promoting disciplined decision-making and preventing cost escalation or scope expansion without appropriate scrutiny.

Integration is another defining characteristic of good practice. Productivity and efficiency should be embedded within expenditure planning, budgeting and portfolio sequencing processes, rather than treated as an overlay. This includes linking efficiency considerations to asset management planning, lifecycle modelling, procurement strategies and delivery models. Integration ensures that efficiency is considered at the point of decision-making and is reflected in both capital and operating expenditure forecasts.

Good practice governance also requires robust monitoring and reporting frameworks. This includes regular reporting to executive and board forums on financial performance, delivery outcomes and progress against efficiency initiatives. Performance frameworks should include clearly defined metrics aligned to key cost drivers and operational outcomes, such as unit costs, productivity measures and delivery performance indicators. Transparent reporting supports accountability and enables timely intervention where performance deviates from expectations.

Another important feature is the ability to demonstrate application in practice. Strong governance frameworks are not only documented but are actively used to inform decisions, including the progression, deferral or modification of investments. Evidence of how governance processes influence outcomes such as reprioritisation decisions, cost adjustments or scope refinements provide assurance that frameworks are functioning effectively.

Continuous improvement is also central to good practice. Organisations typically implement internal audit, assurance reviews and benchmarking activities to assess the effectiveness of governance arrangements and identify areas for improvement. Lessons learned from delivery and performance outcomes should be fed back into planning and decision-making processes, supporting iterative improvement over time.

Finally, good practice governance supports the measurement and validation of efficiency outcomes. This includes establishing mechanisms to track realised savings, distinguish efficiency gains from external cost drivers and validate performance improvements. Over time, this enables organisations to build a credible evidence base demonstrating the effectiveness of their efficiency initiatives and governance arrangements.

4.4. Overview of productivity and efficiency measures

4.4.1. Unitywater's approach

Unitywater's approach to productivity and efficiency is embedded across its strategic, operational and asset management frameworks rather than consolidated within a single standalone strategy. Through what appears to be an initiative-driven approach with robust oversight, the framework emphasises affordability, service reliability and customer outcomes, positioning efficiency as an ongoing discipline rather than a one-off cost reduction exercise.

Unitywater's approach contains the following key features:

- **Strategic framework** - Productivity and efficiency are anchored in Unitywater's 2030 Strategic Ambition, which links efficiency, affordability and customer outcomes. The Strategic Ambition is supported by three corporate strategies — Customer and Community, People, and Sustainability — which collectively guide cost discipline, service delivery performance and long-term affordability.
- **Integration with broader planning and service objectives** - Efficiency initiatives are prioritised within the strategic framework with the aim of supporting price restraint, service reliability and long-term sustainability while maintaining service standards and regulatory compliance.
- **Targeted productivity and efficiency programs** - Unitywater has implemented a range of focused programs designed to deliver operational improvements and cost efficiencies, including:
 - Energy Management Plan (EMP): a multi-year program to reduce energy consumption and manage energy cost exposure, improving operating cost outcomes while enhancing resilience to energy price volatility.
 - Sewer Odour Abatement Plan (SOAP): initiatives to reduce inflow and infiltration, optimise network performance and minimise reactive maintenance, thereby lowering avoidable operational costs.
 - Sewer Corrosion and Odour Management Plan (SCOMP): a long-standing program aimed at improving asset performance and reducing lifecycle costs through proactive corrosion and odour management.

- Digital metering: currently a region-based pilot program involving the implementation of digital meters to reduce water losses and the need for meter readings, also enabling a reduction in customer service complaints and consequently, the resources needed to respond.
- Optimisation of asset utilisation and fleet purchases: initiatives to reduce the need to incur routine external asset hire costs, while simultaneously improving the ability to respond to reactive works more efficiently.
- **Embedded operational and workforce efficiencies** - productivity improvements are embedded in day-to-day operations through workforce planning initiatives, maintenance strategies designed to improve asset reliability and whole-of-life cost outcomes, continuous improvement in business processes and digital tools, and integration of efficiency considerations into annual budgets and forecasts. Efficiency expectations are reinforced through cost challenge processes and performance monitoring to support sustained improvement.
- **Monitoring, reporting and continuous improvement** - Delivery of efficiency initiatives is monitored through regular Executive Leadership Team and Board reporting. Performance outcomes are reviewed and used to inform future planning, prioritisation and forecasting, reinforcing efficiency as a continuous improvement discipline that supports long-term affordability and customer outcomes.

4.4.2. Unitywater’s governance

Unitywater’s productivity and efficiency measures are governed through established corporate planning, investment and performance management frameworks rather than through a standalone efficiency program. Oversight sits with the Executive Leadership Team and Board, with accountability allocated to executive managers and budget owners. Efficiency is positioned as an ongoing organisational discipline linked to affordability, financial sustainability and service performance outcomes.

Unitywater’s approach to governance contains the following key features:

- **Strategic Intent** - Strategic intent is clearly articulated. Productivity and efficiency objectives are aligned to the 2030 Strategic Ambition and broader affordability settings. Interviews indicate that efficiency activity is categorised into initiatives, avoided costs and productivity improvements, with management expected to offset shortfalls where targets are not achieved. Efficiency is framed not solely as cost reduction, but as improving value, sustaining service performance and managing long-term price impacts.
- **Governance and Accountability** - Governance and accountability mechanisms are embedded within formal approval pathways. Material efficiency initiatives progress through established business case and lifecycle governance artefacts. Executive-level oversight and escalation pathways operate within existing corporate governance structures. Second-line financial oversight and executive challenge are applied once assumptions are established, reinforcing governance discipline.
- **Integration with Planning and Expenditure** - Efficiency assumptions are integrated into annual budgeting, long-term forecasting and capital planning processes. Interviews highlighted examples such as energy optimisation, digital initiatives and operational uplift programs where efficiency measures are aligned to operational drivers and strategic priorities. Cross-functional integration is evident, with affordability and trade-offs considered within broader investment and delivery discussions.
- **Measurement and Continuous Improvement** - Measurement and continuous improvement mechanisms are in place. Material initiatives are monitored through structured reporting,

dashboards and post-implementation reviews. Benefits realisation processes are embedded within lifecycle governance, providing mechanisms to verify outcomes and capture lessons learned. Efficiency measures extend beyond direct savings to include avoided costs, productivity gains and risk mitigation outcomes, reflecting a broader value-based approach.

4.5. Assessment

4.5.1. Productivity improvement and efficiency measures findings

No material gaps have been identified in Unitywater's approach. Unitywater's framework for productivity and efficiency emphasises affordability, service reliability and customer outcomes, positioning efficiency as an ongoing discipline rather than a one-off cost reduction exercise. Nevertheless, while Unitywater has demonstrated several credible initiatives arising under its framework, there is an opportunity for improvement, outlined below.

- **Overarching productivity and efficiency plan** – Establishing an overarching plan would provide a centralised focal point for communicating the efficiency program in its entirety to customers, stakeholders and the QCA. The plan would provide clear direction on the coordination and calibration of Unitywater's productivity and efficiency programs and their relationship to the efficiency factor embedded in the BST opex forecasts, minimising the risk of misalignment between realistic efficiency or productivity capabilities and inputs into opex budget forecasts. The plan would also provide a central focal point for the setting of efficiency targets, and evidence how they are performing against Unitywater's overarching affordability objective.

4.5.2. Productivity and efficiency criteria assessment

Table 12: Productivity and efficiency criteria assessment

Criterion	Observation	Recommendations
Strategic intent	<ul style="list-style-type: none"> Strategic intent is clearly articulated through the 2030 Strategic Ambition and embedded within Unitywater’s corporate planning framework. Productivity and efficiency objectives are aligned to affordability, financial sustainability and service performance outcomes. Corporate planning artefacts, strategic documentation and supporting materials demonstrate that efficiency is positioned as an ongoing organisational discipline rather than a standalone program. Evidence provided through RFIs and supporting materials, including benefits realisation documentation, executive reporting extracts and program-level initiative documentation, indicates that efficiency is embedded in practice across governance, planning and delivery processes. This includes application of efficiency considerations in investment decision-making, operational initiatives and executive cost challenge processes. Efficiency is framed across multiple dimensions, including initiatives, avoided costs and productivity improvements, with management expected to address shortfalls where targets are not achieved. While strategic intent is clearly embedded across planning processes, documentation provided does not include a single, consolidated view of how efficiency initiatives, targets and outcomes are coordinated and tracked at an enterprise level. 	<ul style="list-style-type: none"> No material gaps identified. Unitywater may want to consider the transparency and line of sight through development of an overarching productivity and efficiency plan for consideration in the Phase 2 review.
Governance and accountability	<ul style="list-style-type: none"> Unitywater’s governance framework enables efficiency initiatives to be progressed through formal business case processes and lifecycle governance artefacts. Governance documentation, including business case templates, Stage Gate processes and committee materials, demonstrates that efficiency initiatives are subject to structured governance, approval and oversight. Committee papers and executive reporting materials provide evidence of oversight through Executive Leadership Team and Board governance structures, including review of financial performance, investment decisions and program delivery. Accountability for efficiency outcomes is assigned to executive managers and budget owners, supported by second-line financial oversight and executive challenge of cost assumptions and forecast inputs. Evidence provided indicates that governance arrangements are established and operating in practice, with efficiency considerations embedded within existing governance structures rather than through a standalone program. 	<ul style="list-style-type: none"> No material gaps identified. There is an opportunity for Unitywater to strengthen governance and accountability through: <ul style="list-style-type: none"> - Requiring demonstration of how strategic efficiency objectives feed into divisional performance plans. - Calibration of efficiency measures and affordability constraints.

Table 12: Productivity and efficiency criteria assessment, continued

Criterion	Observation	Recommendations
<p>Integration with expenditure planning</p>	<ul style="list-style-type: none"> Productivity and efficiency considerations are embedded within planning and expenditure processes, including annual budgeting, long-term forecasting and capital planning. Financial and planning artefacts, including budget materials, forecast review processes and summary financial extracts, demonstrate that efficiency assumptions are incorporated into expenditure planning and subject to executive review and challenge. Evidence provided includes summary statistics and financial extracts demonstrating Executive oversight of operating expenditure outcomes and trends, which are used to inform forecasting assumptions and challenge cost drivers. Governance processes incorporate cross-functional inputs, including operational initiatives, affordability considerations and investment trade-offs, supporting integration between efficiency planning and expenditure decision-making. However, detailed documentation underpinning executive cost challenge processes and the consistent translation of realised efficiency outcomes into baseline expenditure and forward forecasts was not fully provided. 	<ul style="list-style-type: none"> No material gaps identified. While no material gaps have been identified for the Phase 1 assessment, we note that establishing prudence and efficiency during the Phase 2 assessment will require additional evidence demonstrating the application of integration processes in practice, including: <ul style="list-style-type: none"> Documentation supporting executive cost challenge and forecast adjustment processes. Examples of how realised efficiency outcomes are reflected in baseline expenditure and forward forecasts.
<p>Measurement and tracking</p>	<ul style="list-style-type: none"> Efficiency initiatives are tracked through lifecycle governance using structured reporting, dashboards and benefits realisation processes. Documentation provided includes benefits realisation reports, initiative-level performance reviews and Board reporting materials (including programs such as the Energy Management Plan, Works Management Uplift Program and Digital initiatives), demonstrating that outcomes are measured and monitored. Governance artefacts demonstrate that performance is reported through Executive and Board-level reporting processes, with oversight of financial and non-financial outcomes including cost savings, avoided costs, productivity gains and broader value outcomes. Post-implementation review processes and benefits ownership embedded within lifecycle documentation support verification of outcomes and capture of lessons learned. These documents demonstrate that measurement and tracking frameworks are established and operating in practice. However, documentation provided includes limited visibility of a standardised, enterprise-wide approach to baseline setting, benefit measurement and aggregation of efficiency outcomes across programs and initiatives. 	<ul style="list-style-type: none"> No material gaps identified. While no material gaps have been identified for the Phase 1 assessment, we note that establishing prudence and efficiency during the Phase 2 assessment will require additional evidence demonstrating the consistency and standardisation of measurement practices, including: <ul style="list-style-type: none"> Standardised approaches to baseline setting and benefit measurement. Aggregation of efficiency outcomes across programs and initiatives.

Table 12: Productivity and efficiency criteria assessment, continued

Criterion	Observation	Recommendations
<p>Demonstrated outcomes</p>	<ul style="list-style-type: none"> • Unitywater has demonstrated realised efficiency outcomes across a number of initiatives, including energy optimisation, operational uplift programs and maintenance productivity improvements. • Documentation provided, including benefits realisation reports and program-level performance reporting, demonstrates measurable outcomes such as cost savings, avoided costs and productivity improvements. • Governance processes support verification of realised efficiency outcomes, with benefits ownership embedded within lifecycle artefacts and post-implementation reviews used to confirm outcomes and capture lessons learned. • Performance trends indicate that while total operating expenditure has increased over time, operating expenditure per connection has remained relatively stable, with evidence that service standards have been maintained. This indicates that efficiency initiatives have contributed to effective cost management rather than solely cost reduction. • While evidence demonstrates that efficiency outcomes are being achieved and monitored, documentation provided includes limited visibility of how these outcomes are systematically aggregated and translated into forward expenditure forecasts. 	<ul style="list-style-type: none"> • No gaps identified. • While no material gaps have been identified for Phase 1 assessment, we note that establishing prudency and efficiency during Phase 2 assessment will require additional evidence demonstrating the translation and validation of efficiency outcomes, including: <ul style="list-style-type: none"> - Linkage between realised efficiency outcomes and forecast expenditure assumptions - Aggregation of efficiency outcomes at an enterprise level - Validation or assurance processes supporting reported outcomes.

Inherent Limitations

This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently, no opinions or conclusions intended to convey assurance have been expressed. No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Queensland Competition Authority, Unitywater, Urban Utilities and personnel consulted as part of the process. URA has indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. URA is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

This assessment has been prepared specifically to address the requirements of Part 1 of the South East Queensland Distributor Retailer Price Monitoring Review 2026. It is limited to a review of governance, processes, procedures, forecasting approaches and productivity and efficiency initiatives relevant to that stage of the review. It does not extend to an assessment of the prudence and efficiency of Unitywater's or Urban Utilities' submitted operating or capital expenditures, which is to be considered separately as part of the later stage of the review.

The findings in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Scope Section and for the Queensland Competition Authority's information and is not to be used for any other purpose or distributed to any other party without URA's prior written consent. This report has been prepared at the request of the Queensland Competition Authority in accordance with the terms and conditions contained within the letter of engagement with the Queensland Competition Authority. Other than our responsibility to the Queensland Competition Authority, neither URA nor any member or employee of URA undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.



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