

5 Finance

5.1 Total capital expenditure: water supply and wastewater – F16

Total capital expenditure (\$000s) on water supply and wastewater (F16) provides a measure of the total level of capital investment by each utility and the size of the utility and its capital responsibilities.

Capital expenditure programs often affect operational expenditure. They are influenced by several factors, including the:

- age of a utility's infrastructure
- stage of each asset's lifecycle
- time and duration of a project.

Capital expenditure data is indexed using the consumer price index (CPI) to facilitate comparison in real terms.

Total capital expenditure for water supply and wastewater data for all utilities reporting in 2022–23 is presented in Table A5, Appendix A.

5.1.1 Key findings

Table 5.1 presents a summary of total capital expenditure for water and wastewater by utility size group. In real terms, total capital expenditure rose by 16% to \$5.9 billion, which is a significant increase in rate of spending from previous years. This reflects the progression of the capital programs of several utilities such as Barwon Water which has nearly doubled both water supply and wastewater capital expenditure this year. As in previous years, Sydney Water had the highest total capital expenditure for 2022–23.

Table 5.1 Overview of results: Total capital expenditure: water and wastewater (\$000s)

Utility group	Range (\$ million)		No. utilities with increase/decrease from 2021–22		Total		Change in total from 2021–22 (%)
	High	Low	Increase	Decrease	2021–22	2022–23	
Major	1,675,146	66,402	12	3	4,245,826	4,919,105	16%
	Sydney Water	Central Coast					
Large	128,276	6,689	9	2	408,344	482,201	18%
	Townsville	Redland City					
Medium	61,769	3,563	11	6	306,074	365,220	19%
	Eurobodalla	Coffs Harbour					
Small	17,580	2,332	9	7	127,564	139,548	9%
	Bega Valley	Ballina					
All size groups (national)	1,675,146	2,332	41	18	5,087,808	5,906,074	16%
	Sydney Water	Ballina					

Note: Total capital expenditure for water and wastewater services in each year is calculated using data from active utilities reporting against F14 and F15 in both years.

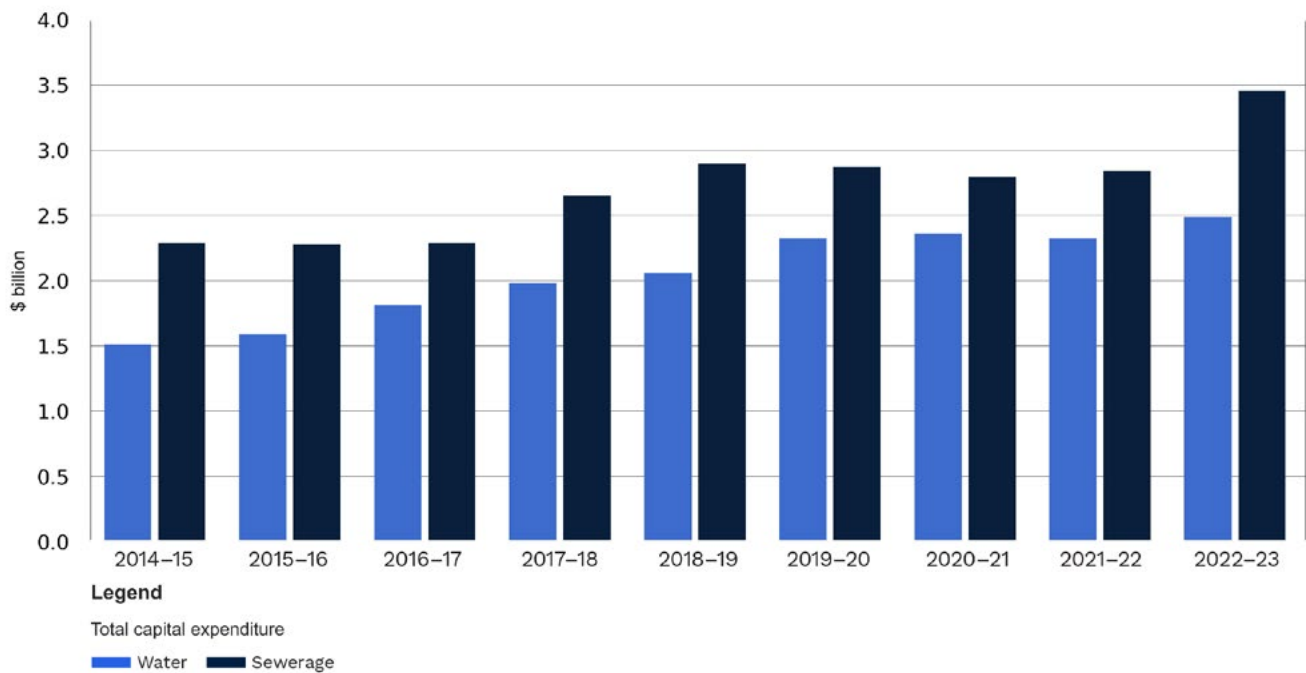


Figure 5.1 Total capital expenditure: water supply and wastewater (\$ billion) for active utilities that reported all 9 years (excluding bulk water utilities)

5.1.2 Results and analysis – Major utility group

An increase in capital expenditure across water and wastewater operations was reported by 12 out of the 15 utilities in the Major utility group. Only 3 utilities reported a decrease after multiple years of higher spending on capital works, with City of Gold Coast having the largest proportional decrease (34.3%). Barwon Water and Central Coast Council had the most significant increases, nearly doubling capital expenditure from 2021-22.

5.2 Capital expenditure per property: water supply (F28) and wastewater (F29)

Capital expenditure (\$/property) on water supply (F28) and wastewater (F29), on a per connected property basis, provides a measure of capital investment by each utility relative to its customer base. The normalisation on a per connected property basis facilitates a comparison between utilities.

Capital expenditure data is indexed using the consumer price index (CPI) to facilitate comparison in real terms.

Capital expenditure data per connected property, for water and wastewater services, for all utilities reporting in 2022-23 is presented in Tables A6 and A7, Appendix A.

5.2.1 Key findings

Tables 5.2 and 5.3 present a summary of the median capital expenditure of utilities providing water and wastewater services, respectively, by utility size group.

Table 5.2 Overview of results: Capital expenditure per property: water supply (\$/property)

Utility group	Range		No. utilities with increase/decrease from 2021–22		Median		Change in median from 2021–22 (%)
	High	Low	Increase	Decrease	2021–22	2022–23	
Major	485	91	11	4	167	233	40%
	TasWater	Gold Coast					
Large	1,053	51	8	3	260	327	26%
	Townsville	Redland City					
Medium	2,278	34	9	8	271	312	15%
	Eurobodalla	Coffs Harbour					
Small	1,403	58	10	6	253	499	97%
	Mount Barker	Ballina					
All size groups (national)	2,278	34	38	21	253	250	-1%
	Eurobodalla	Coffs Harbour					

Note: Median capital expenditure per property: water supply (\$/property) for each year is calculated using data from utilities providing water and wastewater services that reported against F28 in that year.

Table 5.3 Overview of results: Capital expenditure per property: wastewater (\$/property)

Utility group	Range		No. utilities with increase/decrease from 2021–22		Median		Change in median from 2021–22 (%)
	High	Low	Increase	Decrease	2021–22	2022–23	
Major	770	174	13	2	251	340	35%
	Logan	Greater Western Water					
Large	454	61	5	6	278	270	-3%
	Townsville	Redland City					
Medium	983	43	9	8	219	320	46%
	Fitzroy River Water	Albury					
Small	965	35	7	10	292	240	-18%
	Mount Barker	Armidale					
All size groups (national)	983	35	34	26	255	294	15%
	Fitzroy River Water	Armidale					

Note: Median capital expenditure: wastewater (\$/property) in each year is calculated using data from all active utilities providing water and wastewater services that reported against F29 in that year.

In 2022–23, the median capital expenditure for water supply per property increased for all utility size groups and was higher for 38 utilities compared to the previous year. The Small utility group had the largest increase of 97% from 2021–22.

The national median capital expenditure per property on wastewater services increased by 15%, mainly driven by a 46% increase in the capital expenditure of the utilities within the Medium size group. All utilities in the Major size group, except Icon Water Limited and the City of Gold Coast, reported increased expenditure for wastewater services. There was a decrease of 18% in the Small size group and a slight decrease (3%) in the Large utility group.

5.2.2 Results and analysis – Major utility group

Figure 5.2 shows a ranked breakdown of capital expenditure on a per connected property basis for the Major utility group. The figure shows the water supply (F28) and wastewater (F29) components of the total expenditure and reinforces the year-to-year variation.

There is typically volatility in capital expenditure due to the phasing of major projects. The mean capital expenditure on water and wastewater services combined was 20% higher than in 2021–22.

Barwon Water had the highest increase from 2021–22, nearly doubling its capital expenditure per property on both water supply (83.1%) and wastewater (93.3%) services over the reporting period. Despite a reduction this year, Logan City Council had the highest combined capital expenditure per property. City of Gold Coast had the highest combined decrease with a 34.9% reduction in water supply and wastewater combined capital spending per property in 2022–23 from the previous year.

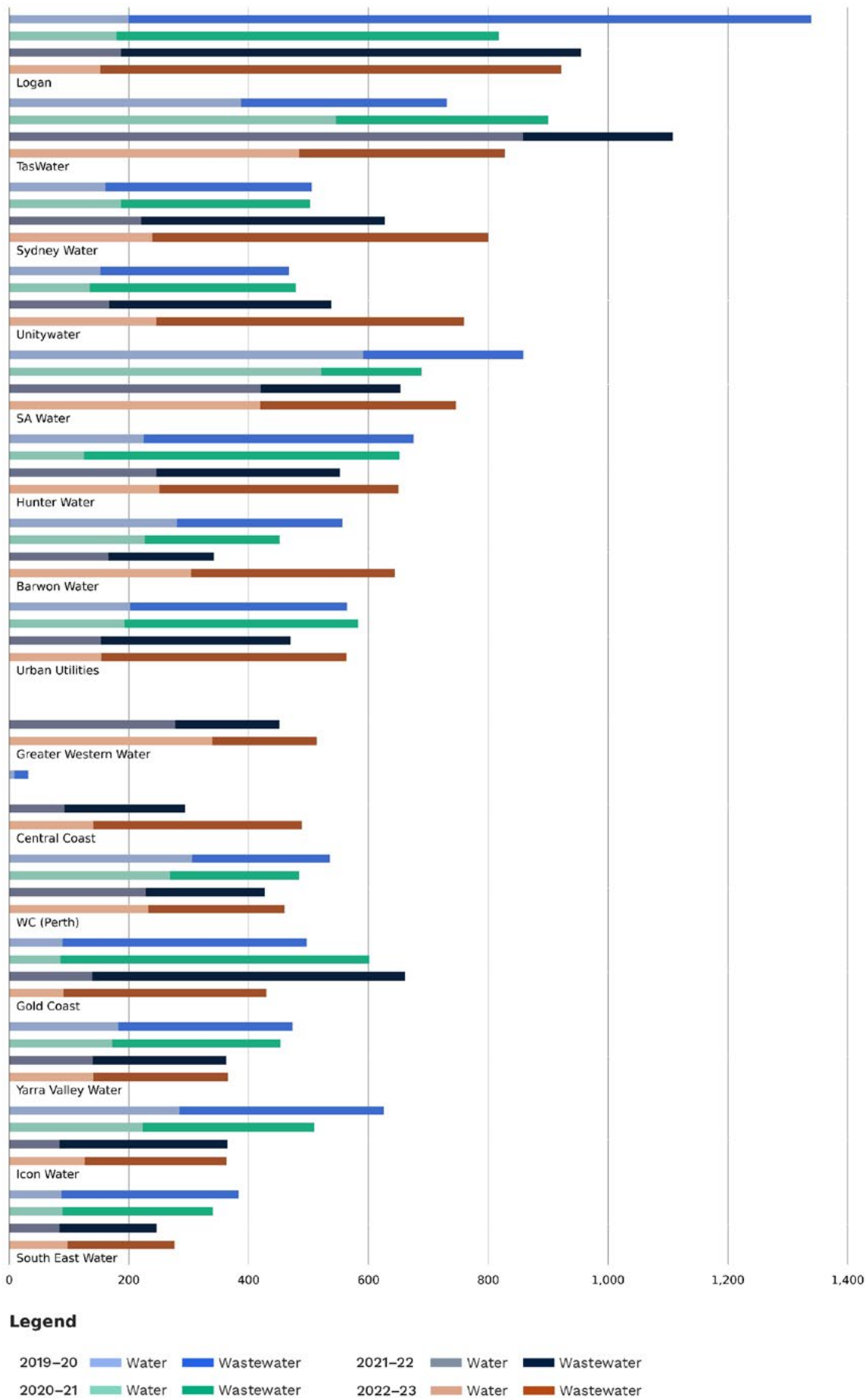


Figure 5.2 Capital expenditure: water supply and wastewater (\$/property) – Major utility group

5.3 Combined operating cost per property: water supply and wastewater – F13

Combined operating costs (\$/property) for water supply and wastewater on a per property basis (F13) provides a measure of a utility’s operation, maintenance and administration costs in relation to the number of properties serviced. Operating costs are influenced by:

- utility size
- government policy
- climate and rainfall
- distance and method by which water is transported (for example, piped)
- sources of water (for example, purchased from a bulk utility or sourced from dams or alternative sources such as desalination plants)
- input costs (for example, fuel, chemicals and labour)
- level of water and sewage treatment required
- capital procurement strategies (for example, public–private partnerships or build–own–operate–transfer [BOOT] schemes).

Operating costs are increasing, particularly for larger utilities. However, operating costs per property can fall as the size of the utility increases due to economies of scale.

Operating cost data are indexed using the consumer price index (CPI) to facilitate comparison in real terms.

Combined operating cost (water supply and wastewater) data for all utilities reporting in 2022–23 is presented in Table A8, Appendix A.

5.3.1 Key findings

Figure 5.3 shows a box-and-whisker plot of combined operating cost (water supply and wastewater) data for all utilities reporting F13 for a given reporting year from 2012–13 to 2022–23. Table 5.4 presents a summary of the median combined operating costs per property by utility size group.

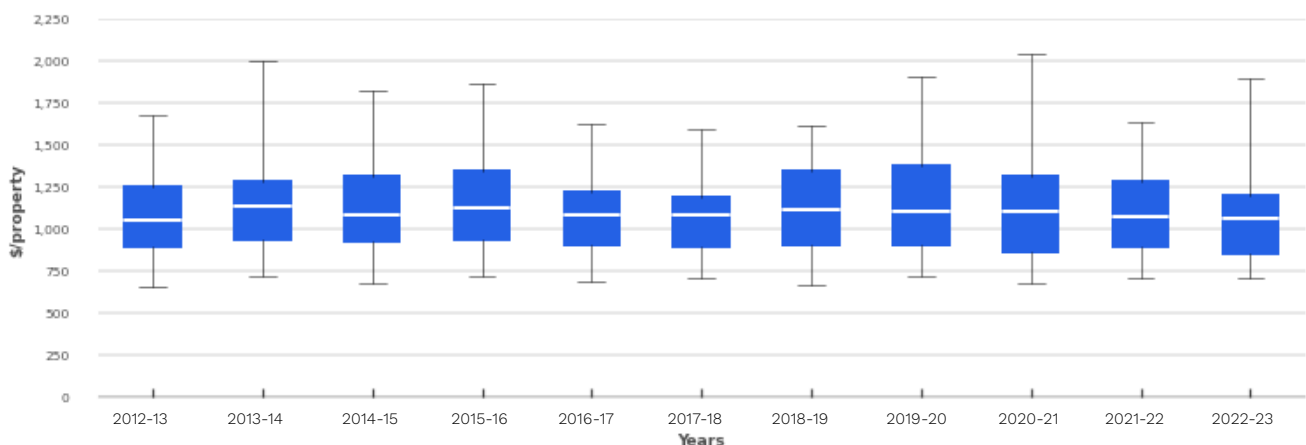


Figure 5.3 Combined operating cost per property: water supply and wastewater (\$/property)

In 2022–23, the national median operating cost (on a per property basis for utilities delivering both water and wastewater services) was \$1,065, a slight increase (1%) from 2021–22 (Table 5.4).

Despite a slight increase in the combined median operating costs per property for water and wastewater across all utilities in 2022–23, the Major utilities group reported a more significant decrease of 7% in costs. Nationally, 38 utilities across all size groups reported decreases in their operating expenditure per property, while 24 utilities reported increases.

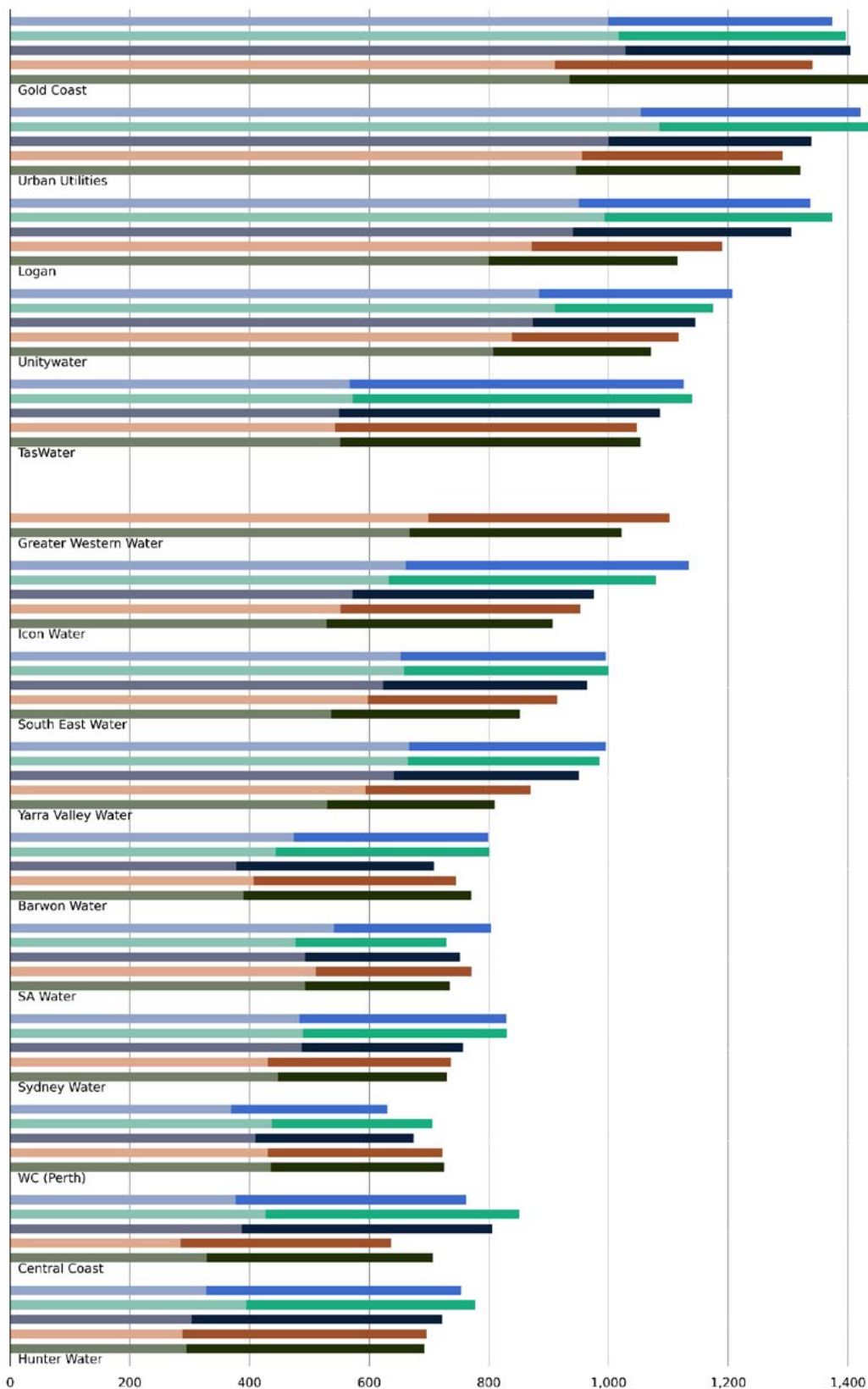
Table 5.4 Overview of results: Combined operating cost per property: water and wastewater (\$/property)

Utility group	Range		No. utilities with increase/decrease from 2021–22		Median		Change in median from 2021–22 (%)
	High	Low	Increase	Decrease	2021–22	2022–23	
Major	1,448	692	6	9	914	852	-7%
	Gold Coast	Hunter Water					
Large	1,410	743	4	7	1,028	1,093	6%
	Townsville	Cairns					
Medium	2,071	754	10	8	1,068	1,030	-4%
	Gladstone	Clarence Valley					
Small	1,974	543	4	14	1,187	1,148	-3%
	Byron	Mount Barker					
All size groups (national)	2,071	692	24	38	1,059	1,065	1%
	Gladstone	Hunter Water					

Note: Table 5.4 is based on F13 Combined operating cost per property: water supply and wastewater for the reporting utilities that provide both reticulated water supply and wastewater services. This is not always a straight addition of F11 and F12 and depends on the relative numbers of connected water properties and connected sewerage properties. For this reason, some figures presented in the charts and tables may differ from those based on a summation of F11 and F12.

5.3.2 Results and analysis – Major utility group

Figure 5.4 presents a ranked breakdown of operating expenditure per connected property for water supply and wastewater services for the Major utility group. The figure shows the component of operating expenditure for water (F11) and wastewater (F12) expenditure for each Major utility from 2018–19 to 2022–23.



Legend

Combined operating cost per property: water supply and wastewater

- | | | | | | |
|---------|-------|------------|---------|-------|------------|
| 2018-19 | Water | Wastewater | 2021-22 | Water | Wastewater |
| 2019-20 | Water | Wastewater | 2022-23 | Water | Wastewater |
| 2020-21 | Water | Wastewater | | | |

Figure 5.4 Combined operating cost: water supply and wastewater (\$/property) – Major utility group

5.4 Community service obligations ratio – F8

Revenue from community service obligations (CSOs) as a percentage of a utility's total income (F8) is a measure of the extent to which activities undertaken by a utility are subsidised.

Payments for CSOs (F25) to a utility by a state or territory government are made when a utility is directed to undertake activities that they would not perform on a solely commercial basis. CSOs in the water sector may be provided to:

- allow reductions on bills to certain disadvantaged customer groups (for example, pensioners)
- allow utilities to charge common tariffs across all geographical regions despite cost differences
- ensure the delivery of government policy (for example, by administering rebates)
- allow utilities to provide services to high-cost areas where full cost recovery would otherwise result in unaffordable bills.

CSO data for all utilities reporting in 2022–23 is presented in Table A9, Appendix A.

5.4.1 Key findings

Table 5.5 presents a summary of the revenue from CSOs, by utility size group.

Nationally, there was a 26% decrease in the median revenue from CSOs from 2021–22, largely because of the significant reduction within the Major size utility group. More utilities reported a decrease this year than last year (36 in 2022–23 to 27 in 2021–22).

Table 5.5 Overview of results: Community service obligations ratio

Utility group	Range		No. utilities with increase/decrease from 2021–22		Median		Change in median from 2021–22 (%)
	High	Low	Increase	Decrease	2021–22	2022–23	
Major	0.1070	0	3	10	0.0346	0.0242	-30%
	SA Water	Multiple utilities					
Large	0.0578	-0.0787	2	8	0.0190	0.0189	-1%
	North East Water	WC (Mandurah)					
Medium	0.0681	0.0020	9	7	0.0088	0.0104	18%
	GWMWater	Mackay					
Small	0.1401	-0.8339	2	11	0.0074	0.0069	-7%
	P&W (Alice Springs)	WC (Geraldton)					
All size groups (national)	0.1401	-0.8339	16	36	0.0151	0.0111	-26%
	P&W (Alice Springs)	WC (Geraldton)					

Notes: Median revenue from community service obligations (%) for each year is calculated using data from all utilities providing data in that year. In Western Australia, some regional schemes recover adequate revenue to cover the cost of service of the scheme, including the community service obligations, and these schemes partially offset the net loss of other regional services. When reported independently, these schemes will show a negative operating subsidy.

5.4.2 Results and analysis – Major utility group

The Major utility group reported a decrease in median CSO payments of 30% from 2021–22.

SA Water Corporation continued to have the highest proportion of revenue from CSOs of 11% in the current reporting year. For this utility, CSO payments are used to subsidise non-profitable water services, to provide water services in country areas at metropolitan water prices.

Barwon Water reported the largest percentage increase, with its CSO revenue increasing from 4.3% in 2021–22 to 4.5% in 2022–23. Central Coast Council reported the largest decrease, with a 33.3% reduction in the ratio of revenue coming from CSO compared with the previous year.