

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 2023–24 is shown in Table A5, Appendix A.

5.1.1. Key findings

Table 5.1 shows a summary of total capital expenditure for water and wastewater by utility size group. In real terms, total capital expenditure rose by 19% to nearly \$7.5 billion compared to 2022–23 which was higher than the 16% increase in 2022–23 compared to 2021–22. This reflects the progression and expansion of capital programs, particularly works on wastewater assets, as well as higher project costs. 45 utilities reported an increase in capital spending out of 70 reporting utilities. As in previous years, Sydney Water Corporation (New South Wales) had the highest total capital expenditure in 2023–24 (~\$2.12 billion).

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

Utility group	Range		No. utilities with increase/decrease from 2022–23		Total		Change in total from 2022–23 (%)
	High	Low	Increase	Decrease	2022–23	2023–24	
Major	2,119,910	70,564	13	2	5,125,981	6,177,293	21
	Sydney Water	Icon Water					
Large	83,623	12,438	9	3	564,202	600,199	6
	Coliban Water	Redland City					
Medium	84,100	3,859	13	6	431,064	524,519	22
	Eurobodalla	Albury					
Small	29,685	1,280	10	10	188,393	193,349	3
	Cassowary Coast	Snowy Monaro					
All size groups (national)	2,119,910	1,280	45	21	6,309,640	7,495,360	19
	Sydney Water	Snowy Monaro					

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.

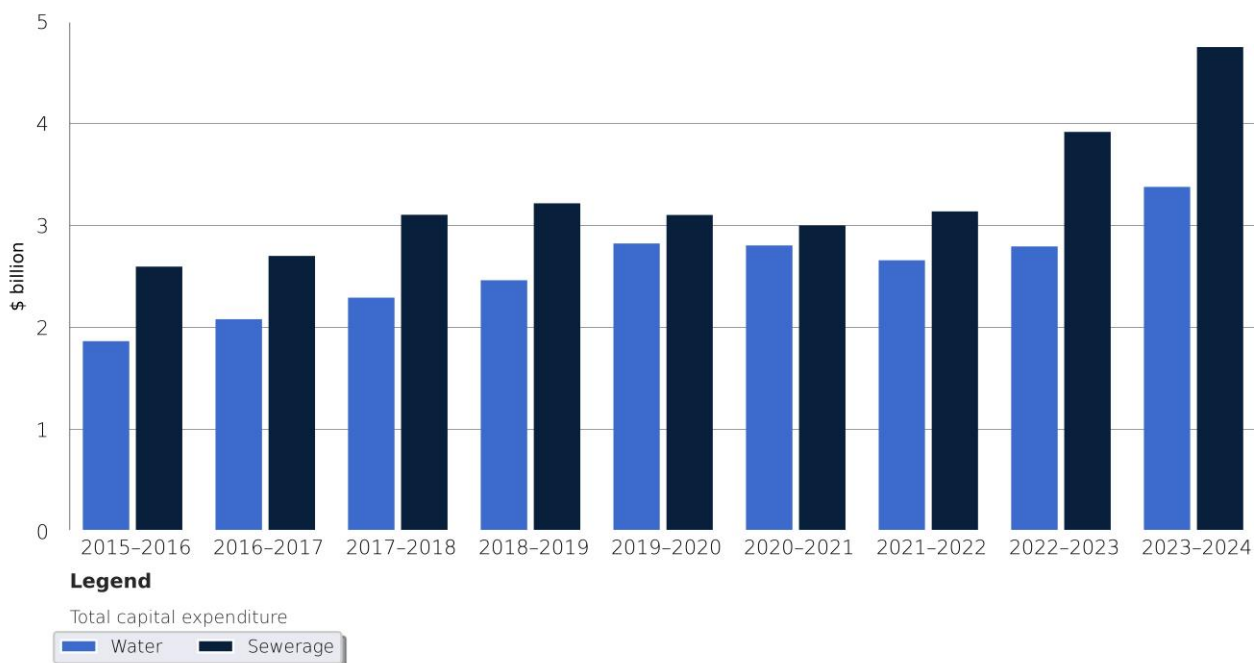


Figure 5.1 Total capital expenditure: water supply and wastewater (\$ billion) for active utilities that reported all 9 years (excluding bulk water utilities)

5.1.2. Results and analysis – Major utility group

An increase in total capital expenditure across water and wastewater operations was reported by 13 out of the 15 reporting utilities in the Major utility group, resulting in a total increase of 21% (~\$1.1 billion) in 2023–24 from the previous year. Only Urban Utilities (Queensland) and Icon Water Limited (Australian Capital Territory) reported small decreases of less than 7% in spending from 2022–23.

The utilities with the highest increases in total capital expenditure from the previous year were Water Corporation – Perth (Western Australia) with 55.6% increase, Unitywater (Queensland) with 41.1%, and TasWater (Tasmania) with 38.4%. Despite reporting a decrease in water supply project costs, TasWater (Tasmania) more than doubled spending on advancing works on wastewater assets.

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 2023–24, is shown in Table A6 and Table A7, Appendix A.

5.2.1. Key findings

Table 5.2 and Table 5.3 show 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 2022–23		Median		Change in median from 2022–23 (%)
	High	Low	Increase	Decrease	2022–23	2023–24	
Major	549	76	10	5	242	222	-8.3
	SA Water	Gold Coast					
Large	944	46	8	4	348	365	5.0
	P&W (Darwin)	Redland City					
Medium	1,231	89	11	8	325	290	10.8
	Fitzroy River Water	Albury					
Small	6,008	0	11	9	408	286	29.9
	Mount Barker	Byron					
All size groups (national)	6,008	0	40	26	308	307	-0.3
	Mount Barker	Byron					

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 2022–23		Median		Change in median from 2022–23 (%)
	High	Low	Increase	Decrease	2022–23	2023–24	
Major	897	167	11	4	354	377	6
	TasWater	Icon Water					
Large	484	131	7	5	295	301	2
	North East Water	Toowoomba					
Medium	1,709	62	11	8	315	354	12
	Wingecarribee	Albury					
Small	2,312	0	9	11	250	225	-10
	Cassowary Coast	Byron					
All size groups (national)	2,312	0	38	28	315	331	5
	Cassowary Coast	Byron					

Note: Median capital expenditure per property: 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.

The median capital expenditure for water supply per property remained almost unchanged nationally but was higher for 40 out of 69 reporting utilities compared to the previous year (Table 5.2). Mount Barker District Council (South Australia) in the Small size group had the highest increase (311.0%) compared to the previous year and the highest capital expenditure for water supply per property (\$6,008/property) with the expansion of the municipality's recycled water network to supply non-residential customers.

The national median capital expenditure per property on wastewater services increased by 5% from \$315/property in 2022–23 to \$331/property in 2023–24 (Table 5.3). Increases in the median compared to the previous year were reported for all utility size groups except for the Small size groups. Cassowary Coast Regional Council (Queensland) had the highest capital expenditure per property on wastewater services at \$2,312/property, nearly 4 times higher than the previous year, due to the acquisition and replacement of a regional sewerage treatment plant.

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. Out of the 15 utilities in the Major size group, 10 reported increases in capital expenditure per property for water supply and 11 for wastewater services. TasWater (Tasmania) had the highest combined water supply and wastewater capital expenditure per property in 2023–24. This was driven by a 150.7% increase in the wastewater component, a significantly higher increase than the other Major utilities. Unitywater (Queensland) reported the highest increase in water supply capital expenditure per property (70.1%), becoming the utility with the second highest combined capital expenditure per property for water supply and wastewater services in 2023–24.

Compared to the previous year, only Icon Water Limited (Australian Capital Territory) and Urban Utilities (Queensland) reported a decrease in the combined capital expenditure per property for water supply and wastewater services, with Icon Water Limited (Australian Capital Territory) reporting the lowest combined expenditure of all Major utilities in 2023–24.

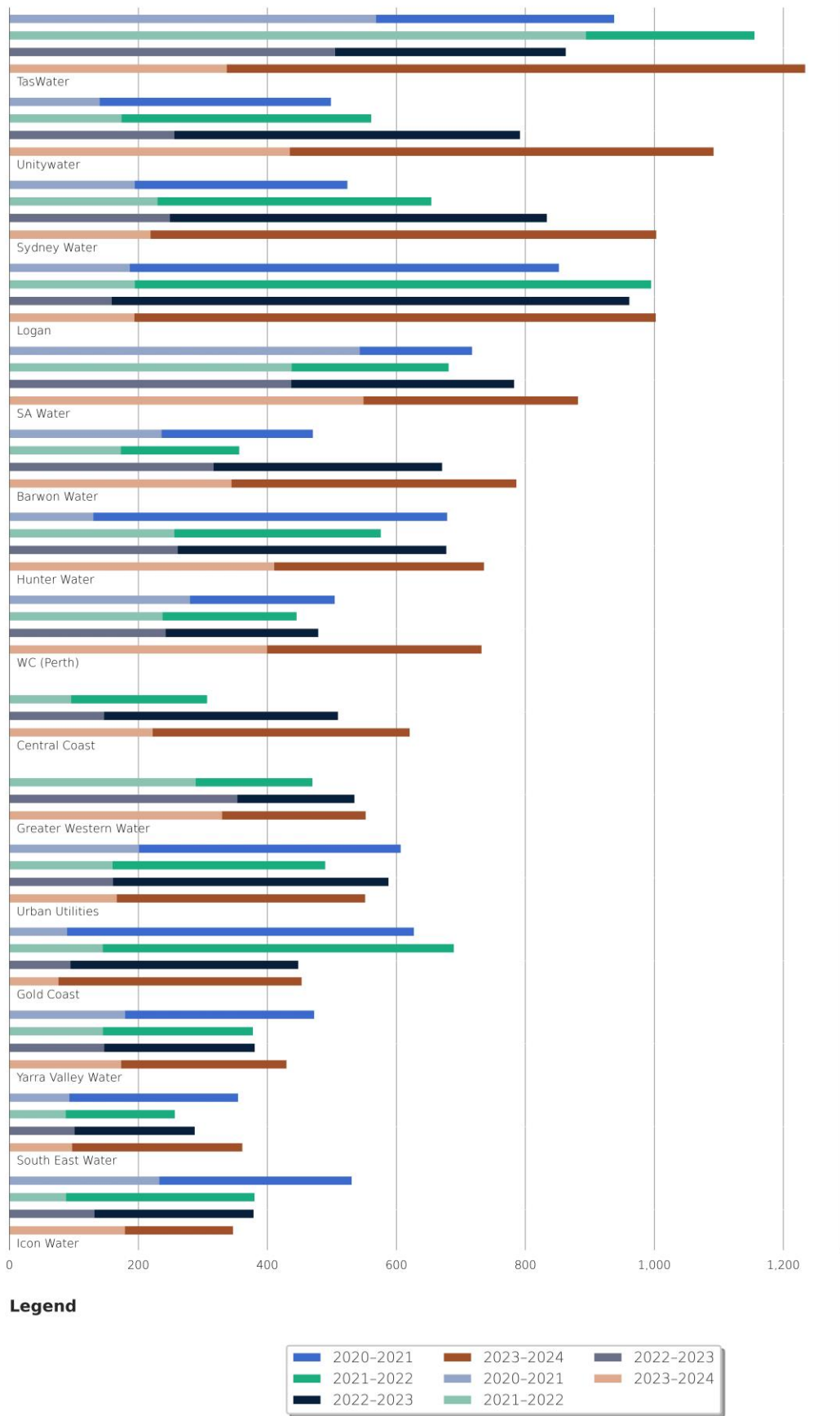


Figure 5.2 Capital expenditure: water supply and wastewater (\$/property) – Major utility group

5.3. 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 2023–24 is presented in Table A8, Appendix A.

5.3.1. Key findings

Table 5.4 shows a summary of the revenue from CSOs, by utility size group.

In 2023–24, 39 utilities reported decreases in the revenue received from CSOs relative to total income, while 19 utilities reported increases. Nationally, there was a 5% decrease in the median revenue from CSOs from 2022–23.

Table 5.4 Overview of results: Community service obligations ratio

Utility group	Range		No. utilities with increase/decrease from 2022–23		Median		Change in median from 2022–23 (%)
	High	Low	Increase	Decrease	2022–23	2023–24	
Major	0.1038	0	2	11	0.0242	0.0220	-9
	SA Water	Multiple utilities					
Large	0.0559	-0.0504	5	7	0.0169	0.0164	-2
	North East Water	WC (Mandurah)					
Medium	0.0645	0	6	13	0.0101	0.0089	-12
	GWMWater	Queanbeyan					
Small	0.1360	-0.4546	7	8	0.0071	0.0061	-14
	P&W (Alice Springs)	WC (Geraldton)					
All size groups (national)	0.1360	-0.4546	20	39	0.0101	0.0096	-5
	P&W (Alice Springs)	WC (Geraldton)					

Note: 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.

5.3.2. Results and analysis – Major utility group

In 2023–24, the Major size utility group reported a decrease of 9% in the median CSO payments relative to total utility income.

As in previous years, SA Water Corporation (South Australia) continued to report the highest proportion of revenue from CSOs (of 10.4% in 2023–24). For this utility, CSO payments are used to subsidise non-profitable water services, to provide water services in country areas at metropolitan water prices.

Only 2 Major utilities (Central Coast Council in New South Wales and Icon Water Limited in Australian Capital Territory) reported a small increase in CSO revenue relative to income. Barwon Water had the largest overall decrease in the absolute values of CSO ratio, from 4.46% in 2022–23 to 4.05% in 2023–34 (representing an absolute decrease of 0.41%). The Queensland utilities of City of Gold Coast, Logan City Council and Urban Utilities all reported no CSO payments this year.