

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 2021–22 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 increased slightly by 0.9% to \$4.5 billion. The Small utility group had the highest decrease (6%) in the total capital expenditure. This follows a 4.7% decrease in capital expenditure from the Medium utility group in the previous year. The Major and Large utility groups reported an increase in capital expenditure from 2020–21 to 2021–22.

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

Utility group	Range (\$ million)		No. utilities with increase/decrease from 2020–21		Total		Change from previous year (%)
	High	Low	Increase	Decrease	2020–21	2021–22	
Major	1,216,441	36,723	6	8	3,657,295	3,716,911	1.6
	Sydney Water	Central Coast					
Large	87,643	3,472	5	7	405,681	408,224	0.6
	Townsville	Redland City					
Medium	42,809	458	7	12	303,878	289,637	-4.7
	Port Macquarie Hastings	Queanbeyan					
Small	17,623	0	8	11	144,357	135,701	-6.0
	Snowy Monaro	Byron					
All size groups (national)	1,216,441	0	26	38	4,511,211	4,550,473	0.9
	Sydney Water	Byron					

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.

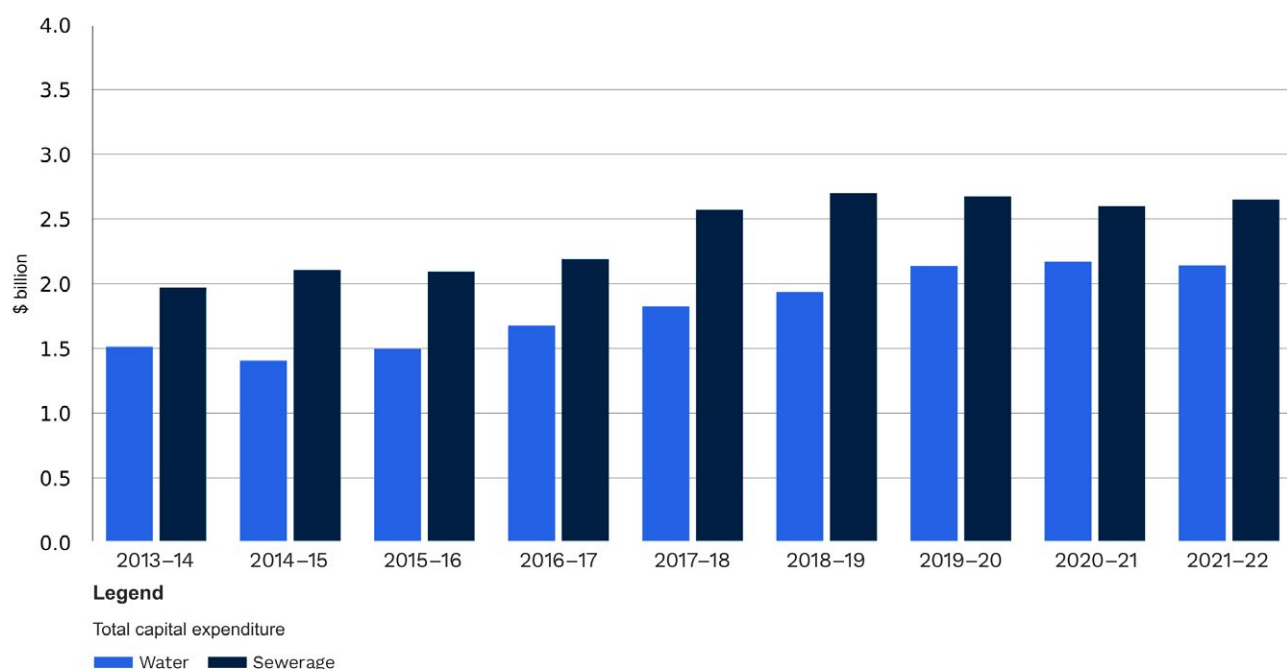


Figure 5.1 Total capital expenditure: water supply and wastewater (\$ billion) for active utilities that reported all 9 years (excluding bulk water utilities)

5.1.2 Results and analysis – Major utility group

An increase in capital expenditure across water and wastewater operations was reported by 5 of the 14 utilities in the Major utility group. Central Coast Council reported a \$3.67 million increase after not having any capital expenditure: water and wastewater last year (100% increase from last year). Icon Water had the highest percent decrease of 26.6% from last year. This decrease follows a decrease of 16% in capital expenditure from 2020–21 to 2019–20.

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 2021–22 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 2020–21		Median		Change from previous year (%)
	High	Low	Increase	Decrease	2020–21	2021–22	
Major	802	78	7	7	171	155	-9
	TasWater	South East Water					
Large	701	14	4	8	217	242	11
	Townsville	Redland City					
Medium	738	10	9	10	246	245	-0.5
	Port Macquarie Hastings	Queanbeyan					
Small	689	0	7	13	360	222	-38
	Central Highlands	Byron					
All size groups (national)	802	0	27	38	249	217	-13
	TasWater	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: wastewater (\$/property)

Utility group	Range		No. utilities with increase/decrease from 2020–21		Median		Change from previous year (%)
	High	Low	Increase	Decrease	2020–21	2021–22	
Major	718	122	6	8	282	234	-17.0
	Logan	Greater Western Water					
Large	389	47	4	8	228	260	14.0
	North East Water	Redland City					
Medium	1,102	10	8	11	219	195	-11.0
	Eurobodalla	Queanbeyan					
Small	1,867	0	12	8	252	251	0.4
	Snowy Monaro	Byron					
All size groups (national)	1,867	0	30	35	235	222	-6.0
	Snowy Monaro	Byron					

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 2021–22, the national median per property capital expenditure on water supply services decreased by 13%. Utilities in the Small size group had the highest percentage decrease in median per property capital expenditure on water supply (38%) (Table 5.2).

The national median per property capital expenditure on wastewater services also decreased by 6% from 2020–21 to 2021–22 (Table 5.3). Major and Medium utility groups reported decreases for both water and wastewater services, while the Large utility group reported increases of 11% and 14% for median per property expenditure on water services and wastewater services, respectively.

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.

The capital expenditure on water and wastewater services combined increased by 1.6% compared to 2020–21.

Hunter Water Corporation reported the highest percentage increase in capital expenditure water supply per connected property (96.5%) from 2020–21 to 2021–22. This large increase follows a large decrease in the previous year, with the volatility due to the uneven nature of capital expenditure on major projects. Icon Water reported the largest percentage decrease in capital expenditure on water services (62.1%).

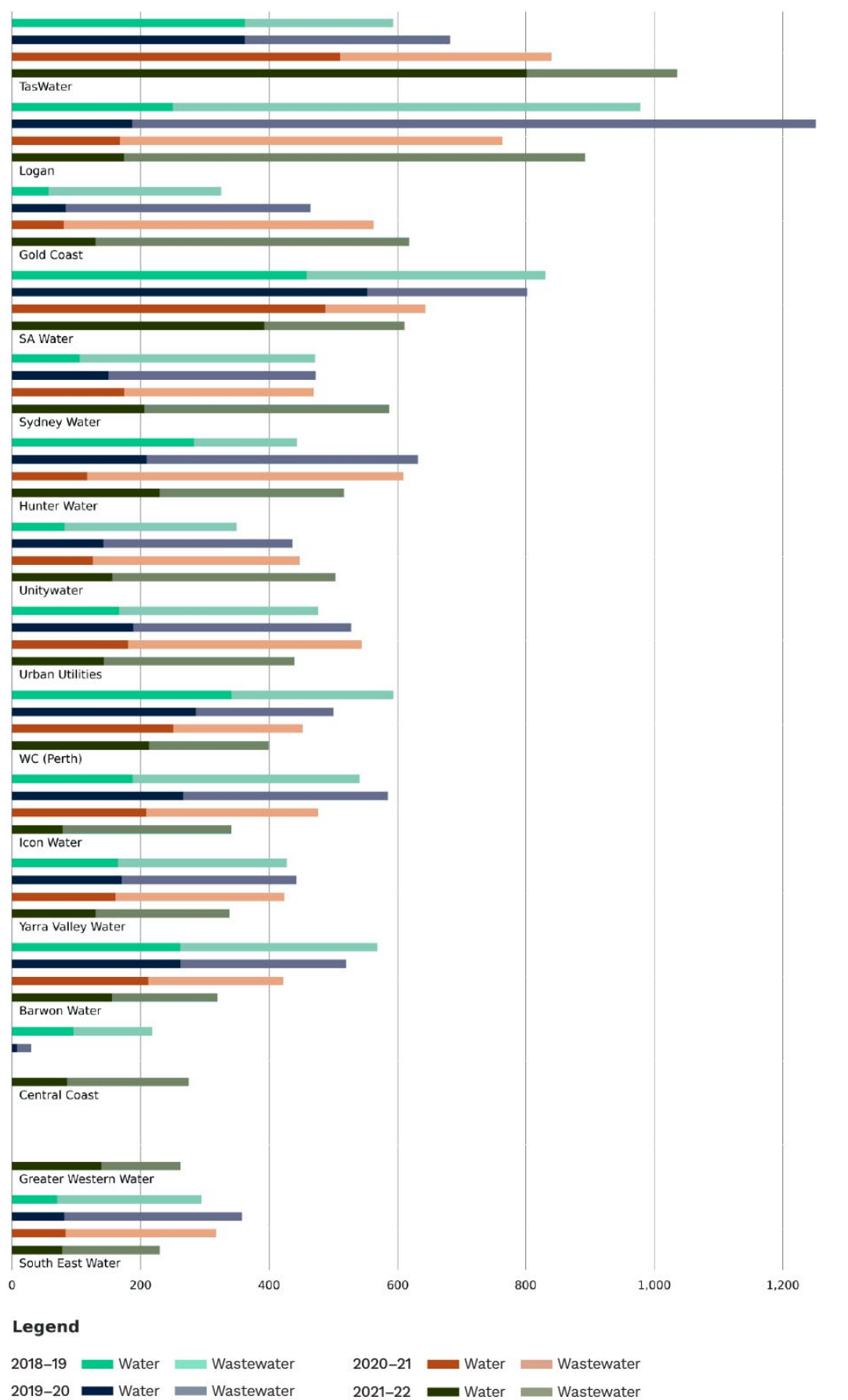


Figure 5.2 Capital expenditure: water supply and wastewater (\$/property) – Major utility group

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 2021–22 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 2011–12 to 2021–22. Table 5.4 presents a summary of the median combined operating costs per property by utility size group.

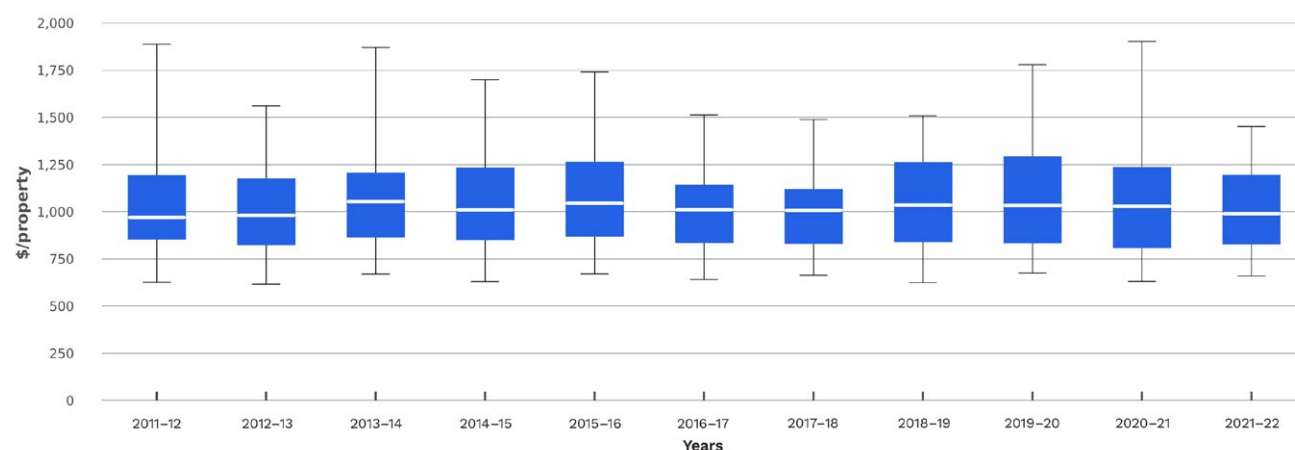


Figure 5.3 Combined operating cost per property: water supply and wastewater (\$/property)

The national 2021–22 median operating cost (on a per property basis for utilities delivering both water and wastewater services) was \$980, with a decrease of 4% from 2020–21. (Table 5.4).

All utility groups reported a decrease in combined median operating costs per property for water and wastewater from 2020–21 to 2021–22. Nationally, 41 utilities across all size groups reported decreases in their operating expenditure per property, while 22 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 2020–21		Median		Change from previous year (%)
	High	Low	Increase	Decrease	2020–21	2021–22	
Major	1,253	595	3	11	894	854	-4
	Gold Coast	Central Coast					
Large	1,522	658	5	7	1,011	961	-5
	Townsville	WC (Mandurah)					
Medium	1,445	771	7	11	1,066	998	-6
	Gladstone	GWMWater					
Small	1,915	682	7	12	1,163	1,109	-5
	Byron	Cassowary Coast					
All size groups (national)	1,915	595	22	41	1,022	980	-4
	Byron	Central Coast					

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 2017–18 to 2021–22.

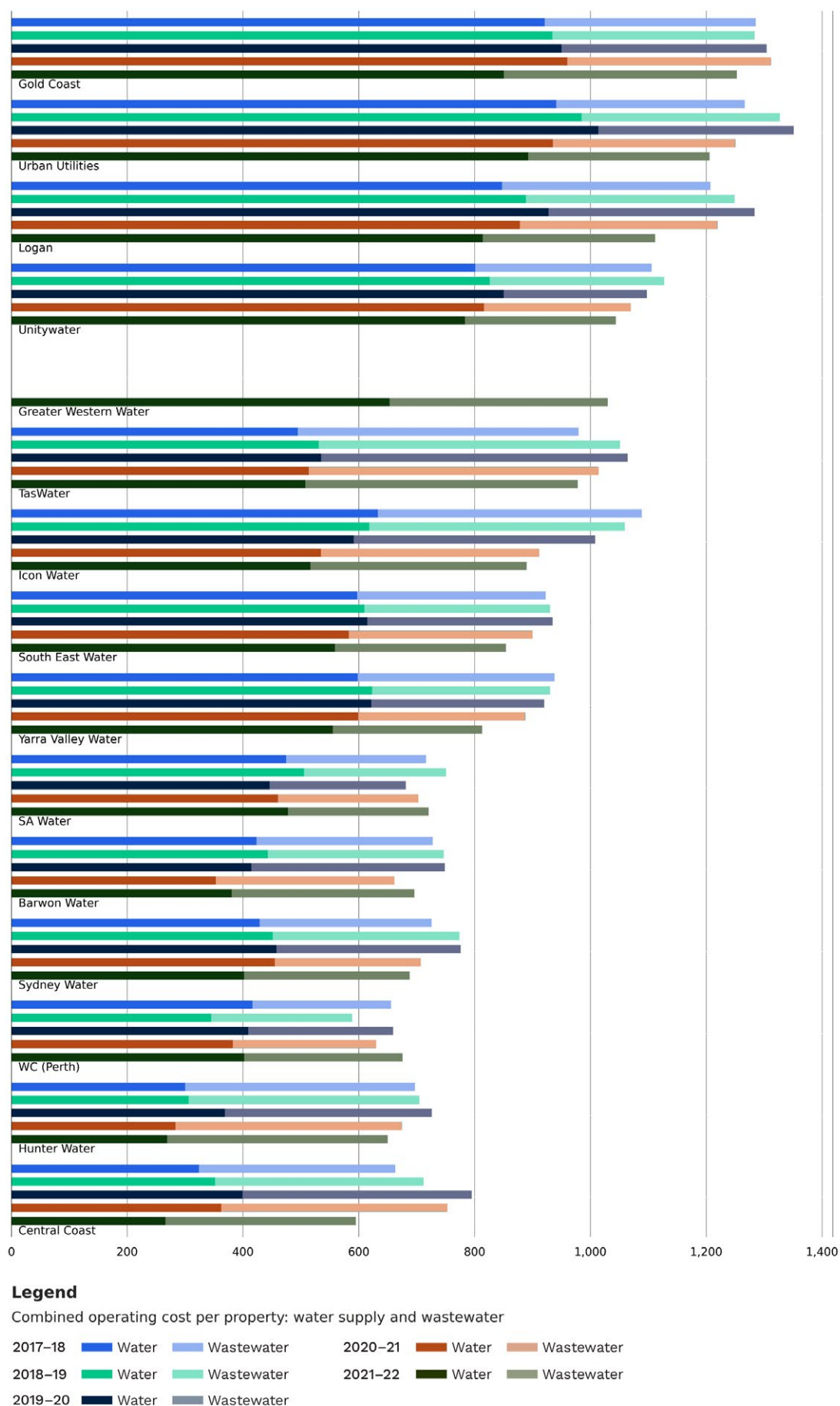


Figure 5.4 Combined operating cost: water supply and wastewater (\$/property) – Major utility group

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 2021–22 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.

In 2021–22, the number of utilities that reported a decrease (27) were more than the number of utilities that reported an increase (22), and 13 utilities reported no change in the revenue received from CSOs. This resulted in a 9% decrease in the national median revenue from CSOs from 2020–21 to 2021–22.

Table 5.5 Overview of results: Community service obligations ratio

Utility group	Range		No. utilities with increase/decrease from 2020–21		Median		Change from previous year (%)
	High	Low	Increase	Decrease	2020–21	2021–22	
Major	0.1104	0.0000	4	7	0.0455	0.0346	-24
	SA Water	Multiple utilities					
Large	0.0639	-0.1341	5	6	0.0283	0.0190	-33
	North East Water	WC (Mandurah)					
Medium	0.0673	0.0020	5	8	0.0100	0.0088	-12
	GWMWater	Mackay					
Small	0.1413	-0.4408	6	5	0.0070	0.0071	1
	P&W (Alice Springs)	WC (Geraldton)					
All size groups (national)	0.1413	-0.4408	20	26	0.0110	0.0130	18
	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 24% from 2020–21.

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

City of Gold Coast reported the largest percentage increase, with its CSO revenue increasing from 4.0% to 4.3% in 2021–22. Icon Water reported the largest decrease, with a 18.3% reduction in the ratio of revenue coming from CSO.