Technical Paper 6

Revenue requirements and financial metrics

September 2025

Central Coast Council | Water and Sewer

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1 Key points

- Actual revenue for the current pricing proposal is within 1% of target.
- The Regulated Asset Base (RAB) increases over time due to new capital investment (mainly in sewer).
- The Weighted Average Cost of Capital (WACC) used in 3.3% based on April 2025 data.
- Council has made a revenue adjustment for the WACC true-up, which is an upward adjustment to revenue.
- Proposed target revenue is higher in the upcoming pricing period, due to increases in sewer revenues.
- The main drivers of the higher sewer target revenue are:
    - High proportion of sewer capital spend on upgrades at Charmhaven and Gwandalan Sewage Treatment Plants (STPs) (increasing the return on the regulated asset base).
    - A revenue adjustment of $9.1M (plus an adjustment for water of $8.8M).
- Proposed target revenues pass IPART's financeability tests.

2 Building block components

Central Coast Council (Council) has calculated target revenues required over the five-year period to 30 June 2031 using the Independent Pricing and Regulatory Tribunal's (IPART) Building Block Model (BBM). The building block model allows a utility to calculate revenue that is used to set both the usage and service charges for water and sewer services.

The notional revenue requirement (NRR) is the sum of the following cost allowances:

- Operating expenditure
- Return of capital (depreciation)
- Return on regulatory asset base (RAB)
- Return on working capital
- Tax allowance.

Each allowance of the building blocks is explained in Section 4.

3 Regulated revenue over the current pricing period

In the 2022 Determination (2022-2026), IPART calculated a target revenue for Council's water, sewer and stormwater drainage of $811M ($2021-22).

Council's revenue for its water, sewer and stormwater drainage businesses come from both residential and non-residential customers.

The revenue split for water, sewer and stormwater drainage from the 2022 Determination is shown in Table 1 in $2021-22. Table 2 and Table 3 present the performance against this revenue allowance in $2025-26. Actual revenue for the current pricing proposal is within 1% of target.

Table 1: IPART revenue allowance ($2021-22, $M)

IPART allowed $M	2022-23	2023-24	2024-25	2025-26	Total
Water	83.2	92.9	106.3	108.1	**390.4**
Sewer	82.9	86.0	89.5	90.6	**348.9**
Stormwater drainage	17.9	18.0	18.0	18.1	**72.0**
Total	**184.0**	**196.8**	**213.8**	**216.8**	**811.3**

Table 2: Total actual/forecast revenue against IPART revenue allowance ($2025-26, $M)

IPART allowed $M	2022-23 Actual	2023-24 Actual	2024-25 Actual	2025-26 Forecast	Total
IPART Determination	219.6	235.1	255.4	259.0	969.0
Actual/Forecast	219.9	238.4	258.1	261.0	977.4
Variance $	(0.3)	(3.4)	(2.7)	(2.0)	(8.4)
Variance %	(0.1%)	(1.4%)	(1.1%)	(0.8%)	(0.9%)

Note: CPI used for $2025-26 are as per IPART SIP of 2022-23 5.1% 2023-24 7.0% 2024-25 3.6% & 2025-26 2.4%

Table 3: Water, sewer and stormwater drainage revenue against IPART revenue allowance ($2025-26, $M)

$M	2022-23	2023-24	2024-25	2025-26	Total
Water	**Actual**	**Actual**	**Actual**	**Forecast**	
IPART determination	99.3	110.9	127.0	129.1	466.3
Actuals/forecast	98.4	112.8	128.3	129.5	469.0
$ Variance	0.9	(1.8)	(1.4)	(0.4)	(2.8)
% Variance	0.9%	(1.7%)	(1.1%)	(0.3%)	(0.6%)
Sewer	**Actual**	**Actual**	**Actual**	**Forecast**	
IPART determination	98.9	102.7	106.9	108.3	416.8
Actuals/forecast	100.0	104.0	108.0	109.8	421.9
$ Variance	(1.1)	(1.3)	(1.1)	(1.6)	(5.1)

% Variance	(1.1%)	(1.3%)	(1.1%)	(1.4%)	(1.2%)
Stormwater drainage	**Actual**	**Actual**	**Actual**	**Forecast**	
IPART determination	21.3	21.4	21.5	21.6	85.9
Actuals/forecast	21.4	21.6	21.7	21.6	86.4
$ Variance	(0.1)	(0.2)	(0.2)	(0.0)	(0.5)
% Variance	(0.5%)	(1.0%)	(1.0%)	(0.1%)	(0.6%)

Note: CPI used for $2025-26 are as per IPART SIP of 2022-23 5.1% 2023-24 7.0% 2024-25 3.6% & 2025-26 2.4%

3.1 Water

Water revenue is predominantly recovered via usage charges which account for approximately 62% of the total regulated revenue for water. Revenue outcomes are variable and dependent on climatic conditions throughout the regulatory period.

Table 4 below shows the actual / forecast water revenue against the IPART allowance and it forecast to be within 1% of allowance.

Table 4: Water actual / forecast revenue against IPART revenue allowance ($2025-26, $M)

$M	2022-23	2023-24	2024-25	2025-26	Total	Total	Total
Water	**Actual**	**Actual**	**Actual**	**Forecast**	**Actual/ forecast**	**IPART Determination**	**Variance**
Service charge	26.5	37.8	53.1	55.2	172.5	172.8	0.2
Usage charge	71.0	73.8	73.8	73.1	291.8	289.0	(2.7)
Other fees and charges	2.0	2.1	2.3	2.2	8.7	8.5	(0.2)
Net pensioner rebates	(1.1)	(1.0)	(0.9)	(1.0)	(4.0)	(4.0)	(0.0)
Total Regulated Revenue	98.4	112.8	128.3	129.5	469.0	466.3	(2.8)

3.2 Sewer

Sewer revenue is predominantly recovered via service charges which account for 76% of the total regulated revenue.

Table 5 below shows the actual / forecast sewer revenue against the IPART allowance. The higher actual / forecast revenue is mainly due to higher trade waste charges and higher usage volumes than in the determination. The trade waste charges are higher due to non-compliant excess mass charges for some large customers based on operational failures resulting in high strength waste discharged.

Table 5: Sewer actual / forecast revenue against IPART revenue allowance ($2025-26, $M)

$M	2022-23	2023-24	2024-25	2025-26	Total	Total	Total
Sewer	**Actual**	**Actual**	**Actual**	**Forecast**	**Actual/ forecast**	**IPART Determination**	**Variance**
Service charge	74.6	78.4	82.0	83.7	318.7	319.6	1.0
Usage charge	21.3	21.7	21.7	21.7	86.4	85.4	(1.0)
Trade waste charges	4.1	4.0	4.4	4.6	17.1	12.6	(4.4)
Other fees and charges	1.3	0.9	0.8	0.9	3.8	3.2	(0.6)
Net pensioner rebates	(1.3)	(0.9)	(0.9)	(1.0)	(4.1)	(4.1)	0.0
Total Regulated Revenue	100.0	104.0	108.0	109.8	421.9	416.8	(5.1)

3.3 Stormwater drainage

Stormwater drainage charges are recovered through fixed charges per property and the forecast result across the determination is within 1% (refer to Table 6).

Table 6: Stormwater drainage actual / forecast revenue against IPART revenue allowance ($2025-26, $M)

$M	2022-23	2023-24	2024-25	2025-26	Total	Total	Total
Stormwater drainage	**Actual**	**Actual**	**Actual**	**Forecast**	**Actual/ forecast**	**IPART Determination**	**Variance**
Property charges	21.4	21.6	21.7	21.6	86.4	85.9	(0.5)

4 Proposed revenue requirements

4.1 Target revenue

Table 7 summarises proposed target revenues for the upcoming pricing period – 1 July 2026 to 30 June 2031. The totals relate to water and sewer only, as stormwater drainage from 1 July 2026 will no longer be regulated by IPART.

- Sales revenue refers to revenue received from water and sewer service and usage charges.
- Other regulated revenue includes revenue from miscellaneous and trade waste charges.

Table 7: Proposed target revenue, upcoming pricing period ($2025-26, $M)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total revenue	5-year NPV
Sales revenue	253.3	255.1	256.5	257.6	259.6	1,282.1	**1,158.2**
Other regulated revenue	5.7	5.0	5.0	5.0	5.0	25.7	**23.2**
Target revenue	**259.1**	**260.1**	**261.5**	**262.5**	**264.5**	**1,307.7**	**1,181.4**
Notional revenue requirement	267.0	254.1	258.0	263.6	264.6	**1,307.3**	**1,181.4**

Figure 1 shows proposed target revenue and includes the IPART-determined allowance for 2025-26 for comparison:

- Overall increase is driven by sewer, with the target revenue for water decreasing.
- Sewer target revenues increase due to increased capital expenditure on sewer assets.
- High proportion of sewer capital spend is related to upgrades at Charmhaven and Gwandalan sewage treatment plants (increasing the return on the regulated asset base)
- Revenue adjustment of $17.8M in the first year of the new determination (revenue adjustment) is the "true up" at the end of the regulatory period related to updates to the cost of debt. Refer Section 4.7 below.

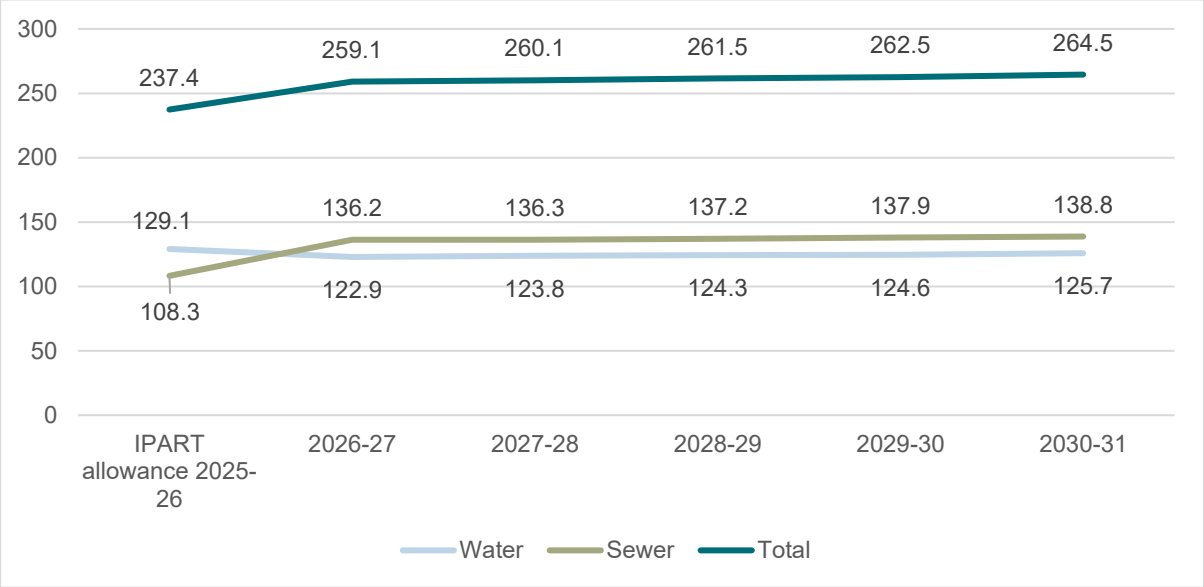

Figure 1: Proposed target revenues, by product ($2025-26, $M)

Table 8 shows the proposed NRR calculated using the building block method, with the IPART-determined allowance (for water and sewer only) for comparison.

Table 8: Proposed revenue requirements, Total ($2025-26, $M)

	IPART allowance 2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating expenditure	127.7	141.4	140.3	139.5	141.9	140.2
Return of capital (depreciation)	43.7	45.0	47.5	49.4	50.9	52.3
Return on RAB	45.5	59.0	62.3	64.4	65.7	66.6
Return on working capital	1.5	2.6	2.5	2.8	2.9	3.0
Tax allowance	0.7	1.1	1.5	1.8	2.2	2.5
Revenue adjustments	0.0	17.8	0.0	0.0	0.0	0.0
Notional revenue requirement	**219.2**	**267.0**	**254.1**	**258.0**	**263.6**	**264.6**

Table 9 shows the proposed water Net Revenue Requirement (NRR) calculated using the building block method, with the IPART-determined allowance for comparison.

Table 9: Proposed revenue requirements, Water ($2025-26, $M)

	IPART allowance 2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating expenditure	69.0	71.1	70.0	69.0	70.9	70.4
Return of capital (depreciation)	22.5	22.8	23.0	23.3	23.7	24.1
Return on RAB	22.1	26.4	26.1	25.9	25.9	26.0
Return on working capital	1.1	1.9	1.7	1.7	1.7	1.7
Tax allowance	0.0	0.6	0.7	0.8	1.0	1.2
Revenue adjustments	0.0	8.8	0.0	0.0	0.0	0.0
Notional revenue requirement	**114.6**	**131.6**	**121.5**	**120.8**	**123.2**	**123.4**

Table 10 shows the proposed sewer NRR calculated using the building block method, with the IPART-determined allowance for comparison.

Table 10: Proposed revenue requirements, Sewer ($2025-26, $M)

	IPART allowance 2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating expenditure	58.8	70.3	70.3	70.4	71.0	69.8
Return of capital (depreciation)	21.3	22.2	24.5	26.1	27.3	28.2
Return on RAB	23.4	32.6	36.2	38.5	39.8	40.6
Return on working capital	0.5	0.7	0.8	1.1	1.2	1.3
Tax allowance	0.7	0.6	0.8	1.0	1.2	1.4
Revenue adjustments	0.0	9.0	0.0	0.0	0.0	0.0
Notional revenue requirement	**104.6**	**135.4**	**132.6**	**137.2**	**140.4**	**141.3**

Figure 2 shows the building block components across the current and proposed determination period. The numbers exclude the one-off revenue adjustments in both periods. The main increases are:

- Operating expenditure has increased predominately in the sewer business, see Technical Paper 5 for more details.
- Higher return of capital and return on RAB due to major capital expenditure in the sewer business, see Technical Paper 4 for more details.

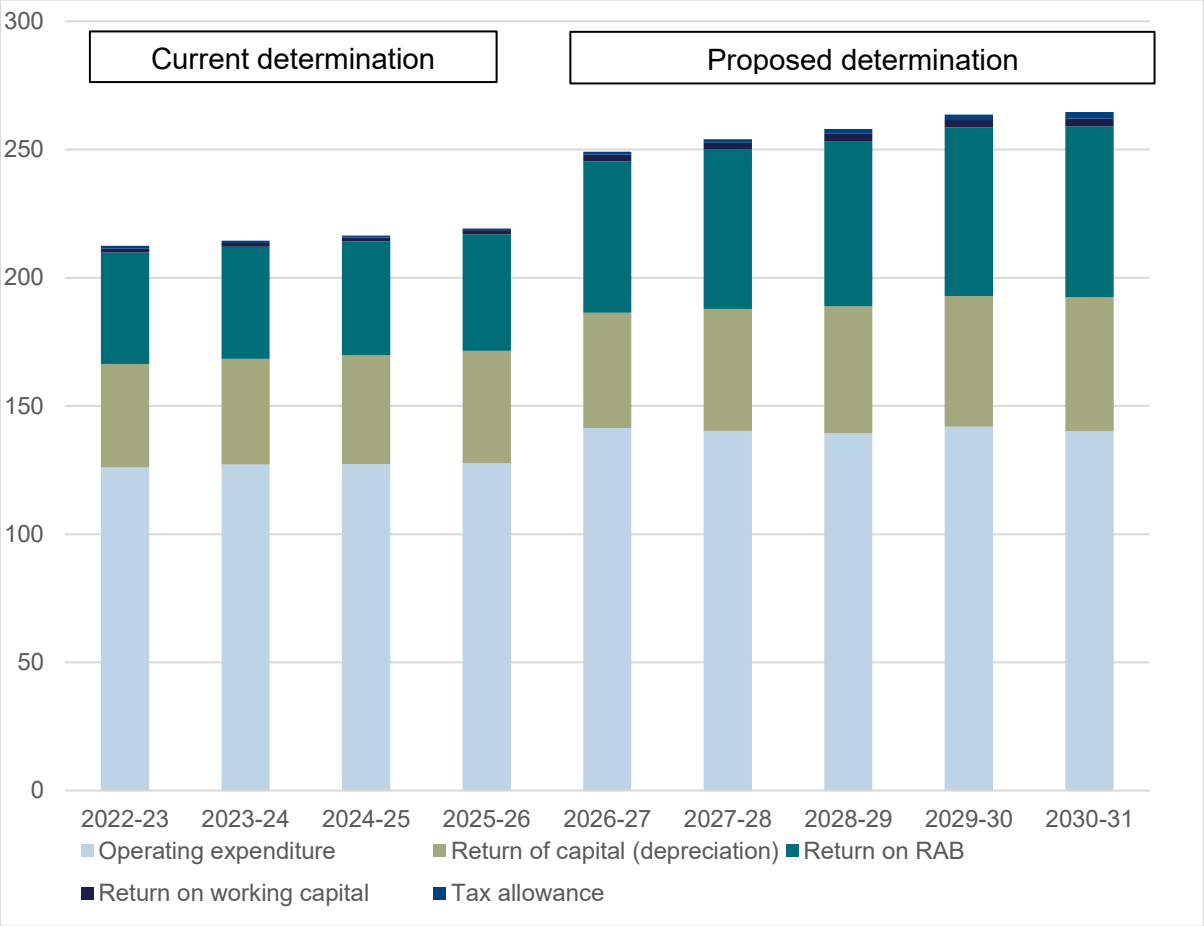

Figure 2: Building block allowances, trend over time ($2025-26, $M)

Table 11 shows the proposed revenue requirements by product and Figure 3 shows the proportion of total revenue by product, with a switch to a higher proportion for sewer in the proposed determination.

Table 11: Proposed revenue requirements, by product ($2025-26, $M)

	2026-27	2027-28	2028-29	2029-30	2030-31
Water	131.6	121.5	120.8	123.2	123.4
Sewer	135.4	132.6	137.2	140.4	141.3
Total	**267.0**	**254.1**	**258.0**	**263.6**	**264.6**

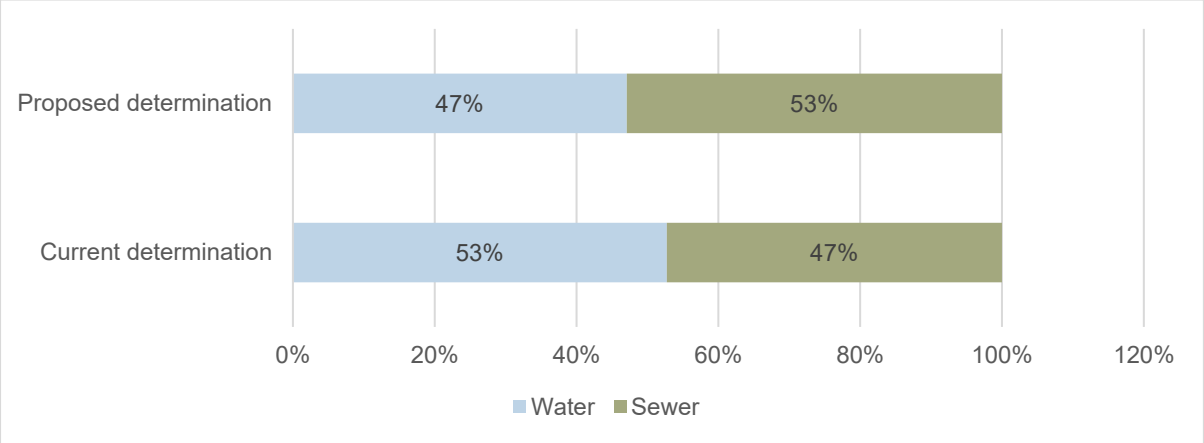

Figure 3: Revenue requirements by product, proportion of total revenue (%)

4.2 Operating expenditure

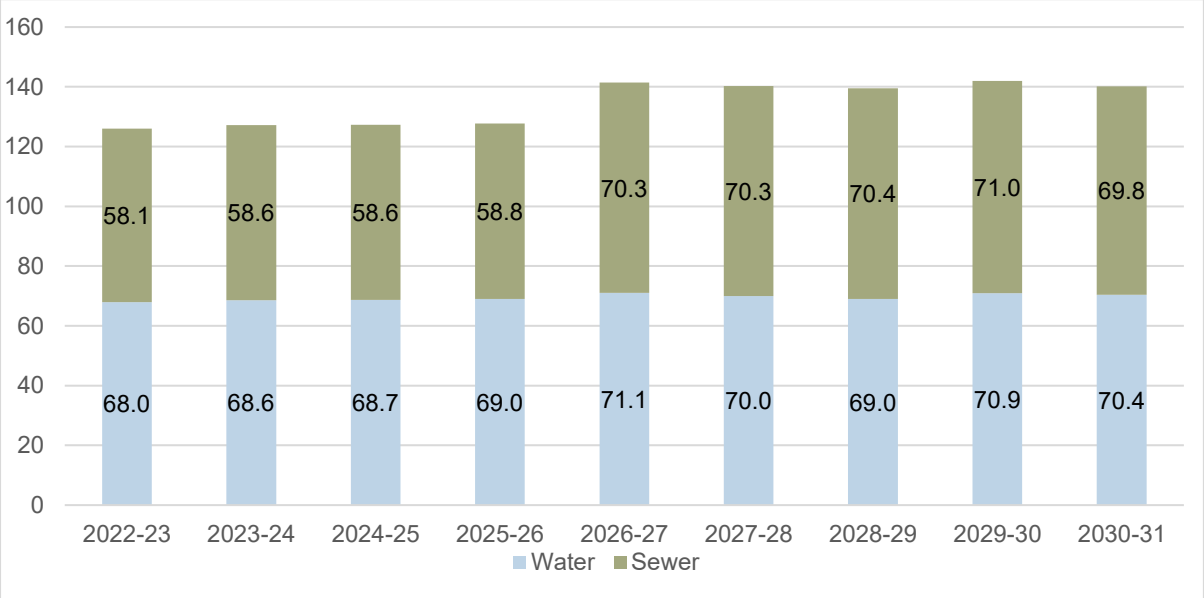

Figure 4 shows operating expenditure for both the current and proposed determination for water and sewer. The increase is in the sewer business, for more details of this expenditure and the base-step-trend approach, see Technical Paper 5.

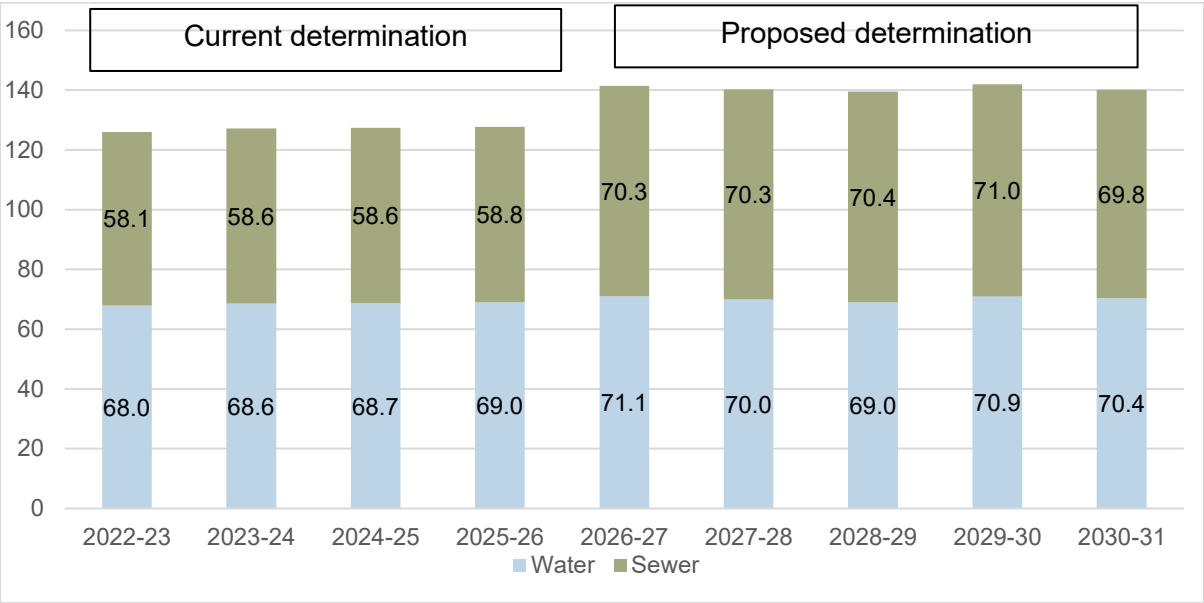

Figure 4: Proposed operating expenditure ($2025-26, $M)

4.3 Return of capital (depreciation)

The return of capital (depreciation) building block is shown in Figure 5.

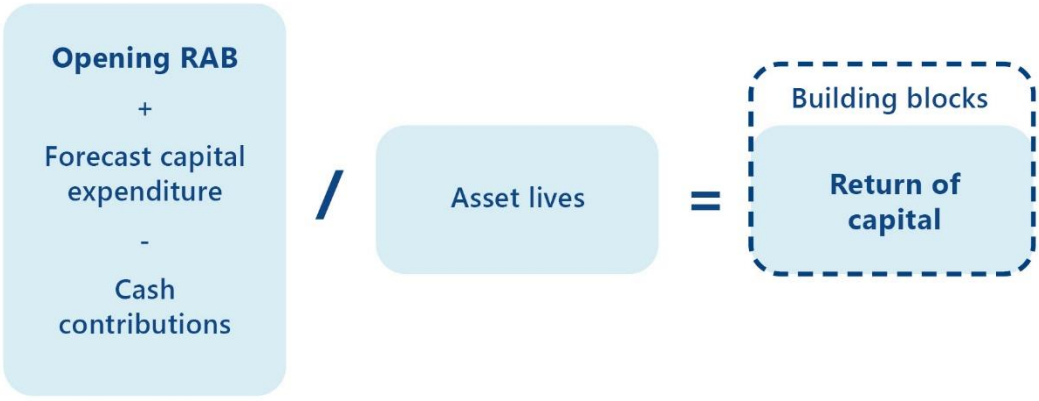

Figure 5: Return of capital (depreciation) building block

The RAB determines the return of and return on capital.

The opening and closing RAB for the current and proposed determination periods are shown in Table 12 and Table 13.

Table 12: Roll forward of RAB, current determination ($nominal, $M)

	2021-22	2022-23	2023-24	2024-25	2025-26
Opening RAB	1,273.4	1,361.0	1,453.3	1,538.1	1,626.6
Add: capital expenditure	36.7	66.1	81.3	112.6	132.2
Less: cash capital contributions	(10.0)	(19.1)	(13.1)	(15.3)	(19.0)
Less: depreciation	(17.6)	(37.8)	(40.0)	(42.0)	(44.5)
Add: indexation	78.5	83.1	56.5	33.3	45.4
Closing RAB	**1,361.0**	**1,453.3**	**1,538.1**	**1,626.6**	**1,740.7**

Table 13: Roll forward of RAB, proposed determination ($2025-26, $M)

	2026-27	2027-28	2028-29	2029-30	2030-31
Opening RAB	1,740.7	1,848.6	1,942.2	1,977.0	2,019.5
Add: capital expenditure	160.2	149.9	92.8	102.5	72.3
Less: cash capital contributions	(6.6)	(8.0)	(7.9)	(8.1)	(8.1)
Less: depreciation	(45.7)	(48.3)	(50.2)	(51.8)	(53.1)
Closing RAB	**1,848.6**	**1,942.2**	**1,977.0**	**2,019.5**	**2,030.6**

Depreciation is calculated using a straight-line methodology. It uses the weighted average asset lives for both new and existing assets (Refer Table 14).

Depreciation is increasing across all years of the current and proposed determination (as shown in

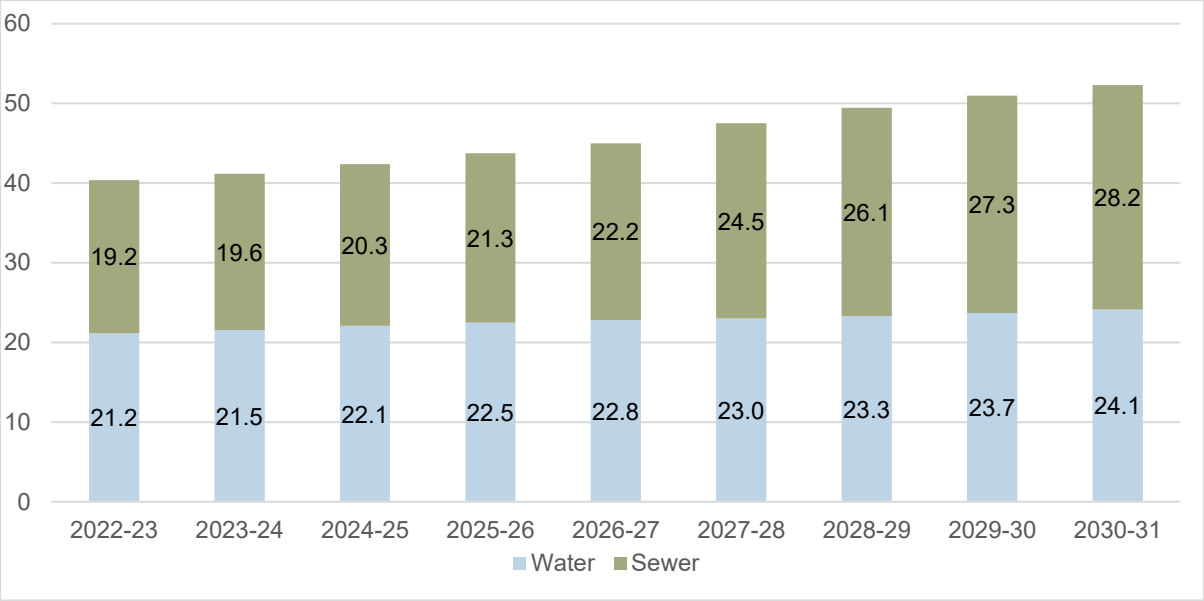

Figure 7). This is a result of higher capital expenditure in the proposed determination (especially in the first two years). Refer to Figure 6 below for details. The large proportion of the capital expenditure is in the sewer business, see Technical Paper 4 for more details.

Table 14: Proposed existing and new asset lives from 1 July 2026, years

	Existing assets	New assets
Water	35.1	60.3
Sewer	41.3	57.4

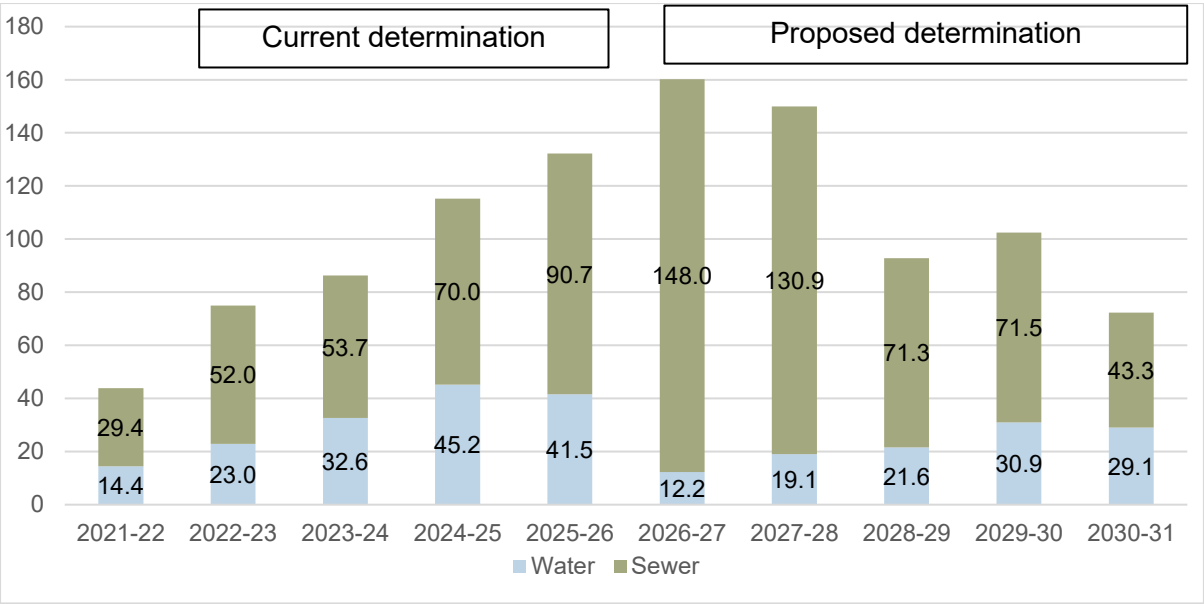

Figure 6: Capital expenditure added to the RAB ($2025-26, $M)

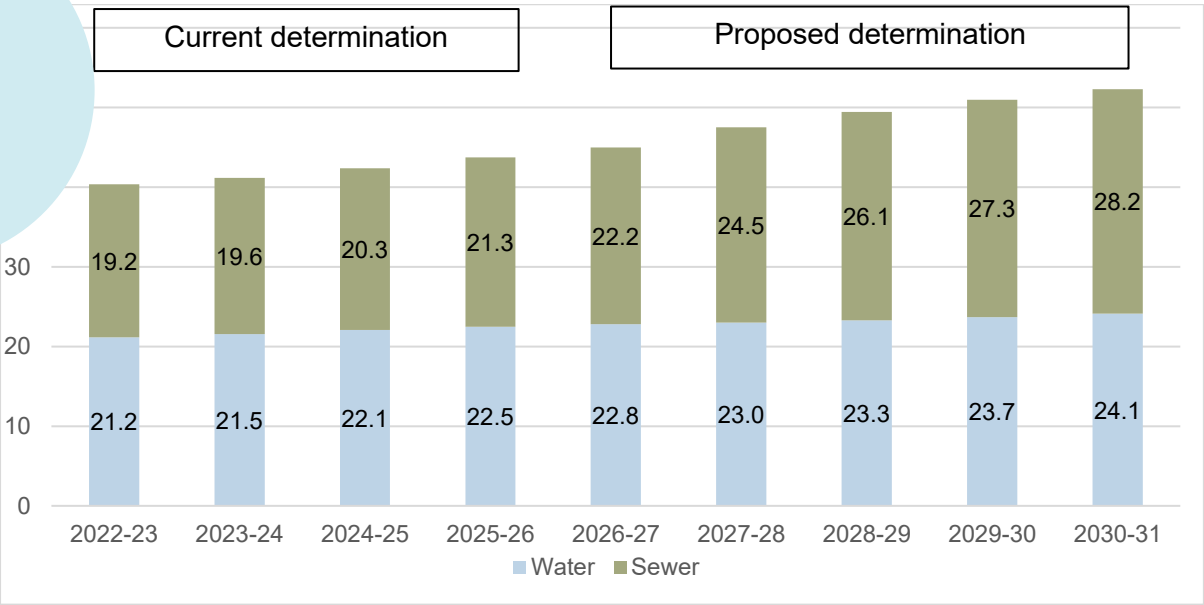

Figure 7: Regulatory depreciation by product ($2025-26, $M)

4.4 Return on RAB

IPART include an allowance for return on assets in the revenue requirement to account for the opportunity cost of capital invested to provide regulated services. IPART applies a

Weighted Average Cost of Capital (WACC) multiplied by the mid-year RAB value to calculate the return on assets.

The WACC is the weighted average cost of debt and equity required for a benchmark business to invest in necessary infrastructure. The calculation of the WACC is found using an equal weighting of current (number of years in the determination period) and long-term (10 years) market data to provide a mid-point WACC.

The current WACC components, dated April 2025, are shown in Table 15.

The post-tax real WACC is set at 3.3% and has increased from the last determination period (2.8%), driven by a higher nominal risk-free rate.

Forecast return on capital is higher than the current calculated return on capital due to a combination of higher WACC and a higher RAB.

The historical and forecast return on RAB is shown in Figure 8.

Table 15: WACC components

Component	Current market data	Mid-point	Long term averages
Nominal risk-free rate	3.3%	3.0%	2.7%
Inflation	2.6%	2.6%	2.6%
Implied debt margin	2.1%	2.2%	2.3%
Market risk premium	6.2%	6.1%	6.0%
Debt funding	60%	60%	60%
Equity funding	40%	40%	40%
Gamma	0.25	0.25	0.25
Corporate tax rate	30%	30%	30%
Equity beta	0.70	0.70	0.70
Post tax real WACC	3.6%	3.3%	3.1%

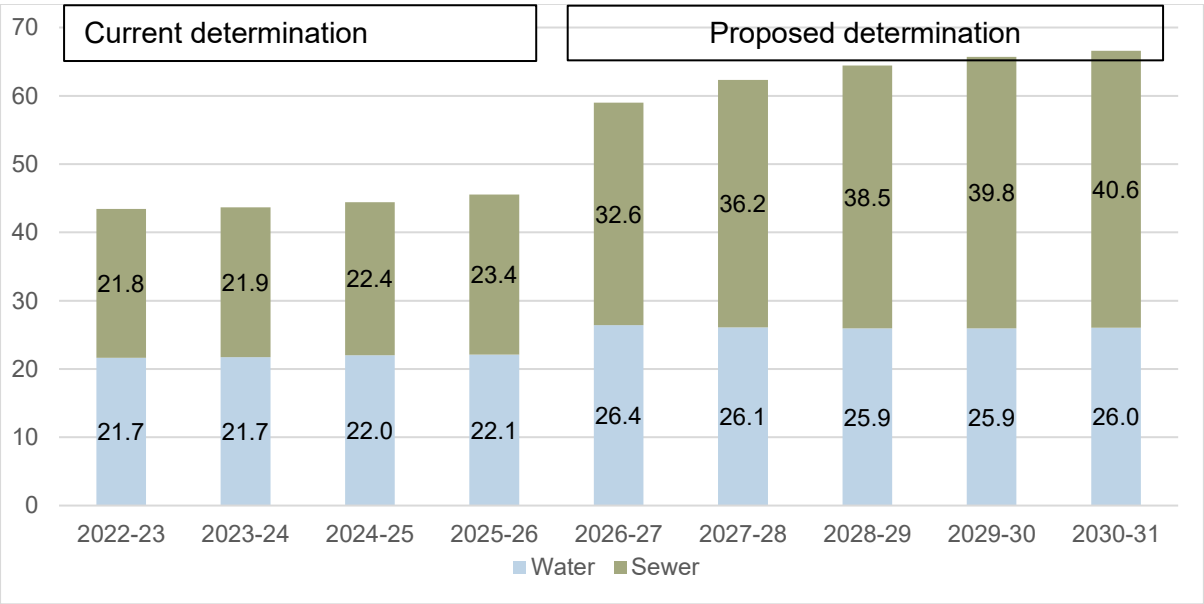

Figure 8: Return on RAB ($2025-26, $M)

4.5 Return on working capital

Working capital allowance is the notional revenue requirement to allow Council to recover the costs it incurs due to delays between it delivering services (water and sewer) and receiving payment for those services. We have adopted IPART's 2022 method of calculation as outlined in the 2023 Water Regulation Handbook. (*page 97 Table A.1 Summary of changes to our working capital policy).*

The following is used in the calculation:

1. **Receivables** – money received from billing. Council use a 90-day billing cycle (quarterly). It considers allowed days for payment, forecast revenue from charges. It also considers the number of days billed in areas and the days before payment.
2. **Payables** – it reviews the payments required to cover the cost of maintaining the services in both operational and capital expenditure. This is usually benchmarked against 30 days.

A return on working capital, uses a nominal post-tax WACC, to recover the interest associated with the working capital facility. The return on working capital for the next determination period is shown in Table 16.

Table 16: Return on working capital calculation ($2025-26, $M)

	2026-27	2027-28	2028-29	2029-30	2030-31
Receivables	68.4	65.2	65.9	67.4	67.6
Inventory	0.0	0.0	0.0	0.0	0.0
Prepayments	0.4	0.4	0.4	0.4	0.4
Accounts payable	(24.2)	(23.2)	(18.4)	(19.4)	(16.8)
Net working capital	44.6	42.4	47.9	48.4	51.2
Return on working capital	**2.6**	**2.5**	**2.8**	**2.9**	**3.0**

4.6 Tax allowance

Tax is calculated as a separate allowance in the notional revenue requirement, consistent with the use of a post-tax WACC. The commercially based tax allowance is a separate building block that replicates the tax liability of a similar, well-managed privately-owned business. The reason for this allowance is described by IPART in the commentary below:

"We included an explicit allowance for tax because we use a post-tax WACC to estimate the allowance for a return on assets in the revenue requirement. Our decision on the tax allowance aims to replicate the tax payable by an efficient benchmark business, to promote efficient prices."

The forecast tax allowance for the next determination period is shown in Table 17.

Table 17: Tax allowance calculation ($2025-26, $M)

	2026-27	2027-28	2028-29	2029-30	2030-31
Tax allowance	**1.1**	**1.5**	**1.8**	**2.2**	**2.5**

4.7 Revenue adjustments

IPART allows two revenue adjustments, relevant to the current pricing period. These are:

- Demand Volatility Adjustment Mechanism (DVAM), triggered when revenue from actual water sales varies more than 5 percent from forecast.
- Annual WACC adjustment – IPART will apply an end of period true-up to reflect annual changes in the cost of debt.

4.7.1 DVAM

Council's actual water sales are within 5 percent of the forecast, therefore no DVAM adjustment is required (*refer Technical Paper 7 Table 4 – Current pricing period forecast versus actual water sales).*

4.7.2 WACC adjustment

Council uses a constant WACC over the determination period and then undertakes a cost of debt true-up to account for the changes during the determination period.

We have used IPART's true-up calculator to determine an end of period upward adjustment of $17.8M. The true-up is shown in Table 18.

Table 18: Calculation of WACC true-up revenue adjustment

		2022-23	2023-24	2024-25	2025-26	Total
Total debt - IPART determined	$21-22 $M	822.6	822.6	822.6	822.6	
Cost of debt						
IPART determined	%	1.8%	1.8%	1.8%	1.8%	
Re-calculated	%	1.8%	2.0%	2.4%	2.8%	
Return on debt						
IPART determined	$21-22 $M	14.8	14.8	14.8	14.8	59.2
Re-calculated	$21-22 $M	14.8	16.5	19.7	23.0	74.0
Difference	$21-22 $M	0.0	1.6	4.9	8.2	14.8
Difference - Present Value	$21-22 $M	0.0	1.8	5.2	8.5	15.5
Difference - Present Value	**$25-26 $M**	**0.0**	**2.1**	**6.0**	**9.8**	**17.8**

5 Financeability

IPART undertakes financeability tests to:

- Ensure its pricing decisions allow an efficient investment-grade rated Council to raise finance and remain financeable during the regulatory period (benchmark test)
- Assess whether the actual Council would be financeable during the regulatory period (actual test)

IPART conducts a financeability test if:

- The prices IPART regulates determine the revenues of the service provider
- The provider is established as, or part of, an entity with a distinct capital structure.

The financeability test is comprised of benchmark and actual calculation of the following ratios:

1. **Interest Coverage** – This is calculated as Funds From Operations (FFO) plus interest expense divided by interest expense. This ratio measures a Council's ability to service its debt burden using the Council's cash flows.
2. **Fund from operation (FFO) divided by Debt**– This is a more dynamic measure of leverage than debt gearing because it measures a Council's ability to generate cash flows to service and repay debt.
3. **Debt gearing (gearing)** – This is calculated as debt divided by the regulatory value of fixed assets, i.e., the RAB. It measures a Council's leverage.

The ratios are then compared to IPART's targets shown in Table 19.

Table 19: IPART ratio targets

Ratio	Benchmark test	Actual test
Interest cover	> 2.2x	> 1.8x
FFO over debt	> 7.0%	> 6.0%
Gearing	< 70%	< 70%

5.1 Historical financeability

In the 2022 determination, IPART used the results of a 2021 financeability assessment of the Council. The results were provided for:

- Benchmark test ratios (Table 20)
- Actual rest ratios (Table 21)

Council was forecast to outperform two of the ratios, Interest Cover Ratio and Gearing, with the FFO over debt not considered sufficient to warrant a change in pricing decision.

Table 20: 2021 Financeability benchmark ratios

Ratio	Benchmark test	2022-23	2023-24	2024-25	2025-26
Interest cover	>2.2x	4.6	4.4	5.3	5.3
FFO over debt	>7.0%	6.2%	6.1%	7.8%	7.8%
Gearing	<70%	60.0%	60.0%	60.0%	60.0%

The results of the actual test suggested that Council would substantially exceed the ratios.

Table 21: 2021 Financeability actual ratios

Ratio	Target	2022-23	2023-24	2024-25	2025-26
Interest cover	>1.8x	7.1	8.1	8.7	8.3
FFO over debt	>6.0%	29.8%	31.5%	35.2%	31.1%
Gearing	<70%	11.0%	11.9%	12.6%	14.3%

5.2 Forecast financeability

The forecast financeability of the Council over the next determination period has been undertaken and the results of the benchmark tests are shown in below in Table 22.

Table 22: Forecast financeability - benchmark test ratios against targets

Benchmark test ratio	2026-27	2027-28	2028-29	2029-30	2030-31
Interest cover	4.5	3.9	3.9	3.7	3.8
Target > 2.2x	✓	✓	✓	✓	✓
FFO over debt	7.9%	7.4%	7.3%	7.0%	7.2%
Target > 7.0%	✓	✓	✓	×	✓
Gearing	60.0%	60.0%	60.0%	60.0%	60.0%
Target < 70%	✓	✓	✓	✓	✓

Similar to the 2022 pricing proposal, Council is forecast to outperform two of the ratios, Interest Cover Ratio and Gearing. The FFO over debt is higher than the target for all but one of the years.

The results of the actual test ratios are shown below in Table 23.

Table 23: Forecast financeability - actual test ratios against targets

Actual test ratio	2026-27	2027-28	2028-29	2029-30	2030-31
Interest cover	51.9	19.6	14.1	14.7	15.2
Target > 1.8x	✓	✓	✓	✓	✓
FFO over debt	91.6%	64.1%	67.5%	67.8%	90.6%
Target > 6.0%	✓	✓	✓	✓	✓
Gearing	5.5%	7.4%	6.9%	6.7%	5.1%
Target < 70%	✓	✓	✓	✓	✓

Council outperforms the actual test ratios and is well-placed from its actual Council position in the next period under the current pricing proposal.

6 Estimating bill impacts for the 2031-36 pricing period

Council has 10-year investment plans that set the future requirements for Water and Sewer. These forecasts have been developed to understand the long-term impacts to our customers that reflect their long-term interests.

The long-term interests of the community are related to:

1. Asset performance relevant to delivering quality water
2. Reliable service - ensuring that Asset management plans are in place for effective management of ageing assets
3. Asset resilience in relation to climate change
4. Central Coast Water Security Plan (CCWSP) that provides the long-term strategic plan for Local Government Area (LGA). This is to ensure that Council has plans in place to ensure a sustainable and resilient water supply over the next 30 years.

The indicative capital program for the 2031-36 remains stable (refer Table 24) by comparison to the forecasts for the 2026-31 determination period. It is anticipated that the future pricing will produce no material difference to forecast prices (2026-31). There are no unforeseen large investments that have been deferred in the 2026-31 price path and moved to the 2031-36 period. This stability is based on the assumptions that there are no large increases to operational expenditure based on changing regulations or licencing conditions.

In the 2026-31 price path Council is contributing $75.9M ($2025-26) from its reserves to reduce the revenue needed related to operational expenditure. This was to address affordability in relation to community concerns. The base operational expenditure from 2031-36 may include some of this contribution resulting in higher revenue needs of Council.

It is also dependent on the economic movements in relation to the cost of debt and equity in regarding the Weighted Average Cost of Capital (WACC) or Demand Volatility Adjustment Mechanism (DVAM). In addition, it is hard to predict climatic conditions that may require Council to propose pass through costs related to drought conditions.

Table 24: Forecast Capital investment up to 2035-36 ($2025-26) $M

2026-27	2027-28	2028-29	2029-30	2030-31	2031-32 (LTFP)	2032-33 (LTFP)	2033-34 (LTFP)	2034-35 (LTFP)	2035-36 Est.
160.2	150.0	92.9	102.4	72.4	62.0	74.0	77.0	84.0	75.0

Source: Central Coast Council Long Term Financial Plan (LTFP)

Abbreviations

DVAM	Demand Volatility Allowance Mechanism
FFO	Funds From Operations
IPART	Independent Pricing and Regulatory Tribunal
NRR	Notional Revenue Requirement
RAB	Regulated Asset Base
STP	Sewage Treatment Plant
WACC	Weighted Average Cost of Capital

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