

Financial measures to support the 'Financial Sustainability Assessment'

Plans must include a council self-assessment of the financial sustainability of their water services delivery. Plans should aim to 'achieve' financial sustainability by 30 June 2028 at the latest.

Financial sustainability is not an absolute test. In order to assist with this assessment, Plans ask councils to consider three factors to assist the determination of whether water services delivery is financially sustainable.

These factors are:

- **Revenue sufficiency** – is there sufficient revenue to cover the costs (including servicing debt) of water services delivery?
- **Investment sufficiency** – is the projected level of investment sufficient to meet regulatory requirements and provide for growth?
- **Financing sufficiency** – are funding and finance arrangements sufficient to meet investment requirements?

A series of performance indicators for each component has been developed to assist with assessment. The intention is that these measures will indicate whether there is sufficient revenue, investment and financing within a Plan.

The financial sustainability assessment is to be undertaken on water services in aggregate (being the summation of drinking water, wastewater and stormwater financial projections); however, in completing this assessment councils should consider the financial sustainability test measures for each individual water service.

The **revenue sufficiency test** asks councils to confirm:

- That projected revenues are sufficient to cover the costs (including servicing debt) of water services delivery;
- That projected revenues are sufficient to finance the required level of investment; and
- Whether projected revenues have been assessed as meeting the 'revenue sufficiency' test.

The **investment sufficiency test** asks councils to confirm:

- That the proposed level of investment is sufficient to meet levels of service, regulatory requirements and provide for growth;
- That the proposed level of investment is fully funded by projected revenues and access to financing; and
- Confirm that projected levels of investment have been assessed as meeting the 'revenue sufficiency' test.

The **financing sufficiency test** asks councils to confirm:

- Whether projected total council borrowings are within council borrowing limits;
- Whether projected water services borrowings are within the council-determined limit for water services borrowing; and
- That the required levels of borrowings can be sourced; and
- That the Plan meets the 'financing sufficiency' test.