

## ATTACHMENT D: FINANCIAL MODELLING ASSUMPTIONS

Outlined below are the assumptions used for the financial modelling included in this report. All financial information that informed the assessment, and that is outlined in this report, is based on modelling and is therefore only an estimate. The modelling is based on the currently projected costs as outlined in the Long Term Plan, and updated through the Annual Plan, as such if those costs were to change in future the debt and household costs outlined in this report may be different.

### Assumptions supporting financial modelling:

- Financial sustainability requirements are met from 2027/28 on.
- WSCCO is implemented in the 2027/28 financial year.
- WSCCO must meet 9% FFO to debt ratio from the first year of operation.
- WSCCO does not purchase any services from QLDC ongoing or during a transitional period.
- Inflation based on BERL adjusters.
- NPV rate is 2%. Real (4.04% nominal including inflation)
- Depreciation funding is consistent with QLDC base data.
- Interest rate is consistent with QLDC base data.
- Both options include additional costs for two economic regulatory reporting specialists.
- A WSCCO would achieve operating efficiencies of 0.36% and capital efficiencies of 0.38% year on year. Efficiencies have been assumed to be minimal as they arise only from structural changes and there are no economies of scope or scale.
- WSCCO establishment costs are debt funded.

### Estimated costs for WSCCO establishment:

Outlined below are the cost assumptions for establishing a standalone WSCCO that does not purchase services from QLDC (option 2). These costs have been built into the cost, and therefore debt and household cost, projections for option 2 (WSCCO) based on these costs all occurring in 2027/2028.

Note that this is not a proposal on what the costs will be, it is a very high level estimate to enable modelling to be undertaken. The estimate was provided by Morrison Low, who undertook the modelling and is consistent with establishment cost assumptions they have used for other similar modelling.

<i>Transition team:</i> Develop and implement an initial transition plan, ensuring it is adequately resourced. Appoint a transition lead and workstream leads, allocate internal staff time, and provide additional backfill resources as needed.	\$880,000
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<i>WSCCO established and resourced:</i> Establish a shell WSCCO, appointing a CEO, Tier 2 executives, and a Board six months prior to commencing operations. The CEO and two General Managers be engaged at 70% capacity for the initial six months.	\$380,000
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<i>Operating model design:</i> Design a new operating model and associated organisation structure.	\$400,000
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<i>Communications and engagement:</i> Targeted engagement with stakeholders throughout process.	\$400,000
<i>Brand establishment:</i> New logo and brand creation in different formats.	\$150,000
<i>Restructuring:</i> Assume existing three waters staff and support roles to be similar enough to transfer to new organisation, allow for some restructuring costs as some staff may choose not to transfer and role description may change enough to justify technical redundancy.	\$250,000
<i>Finance &amp; funding:</i> Establish a comprehensive financial structure for the new entity, including the balance sheet, debt arrangements, and pricing strategies. Secure legal and financial support to facilitate debt novation and transfer.	\$400,000
<i>Legal &amp; compliance:</i> Facilitate the transfer of all titles, duties, rights, and obligations, ensuring legal advice is sought at various stages of the process.	\$360,000
<i>Office set up:</i> Floor area based on 15m <sup>2</sup> per staff member x fitout allowance of \$1200 per m <sup>2</sup> .	\$745,000
<i>Contingency:</i> 25% of estimated costs	\$991,250
Total:	<hr/> \$4,956,250 <hr/>

In addition to the establishment costs for the entity outlined above the modelling also includes a provision for the establishment of new IT systems of \$3 million, spread over two years.