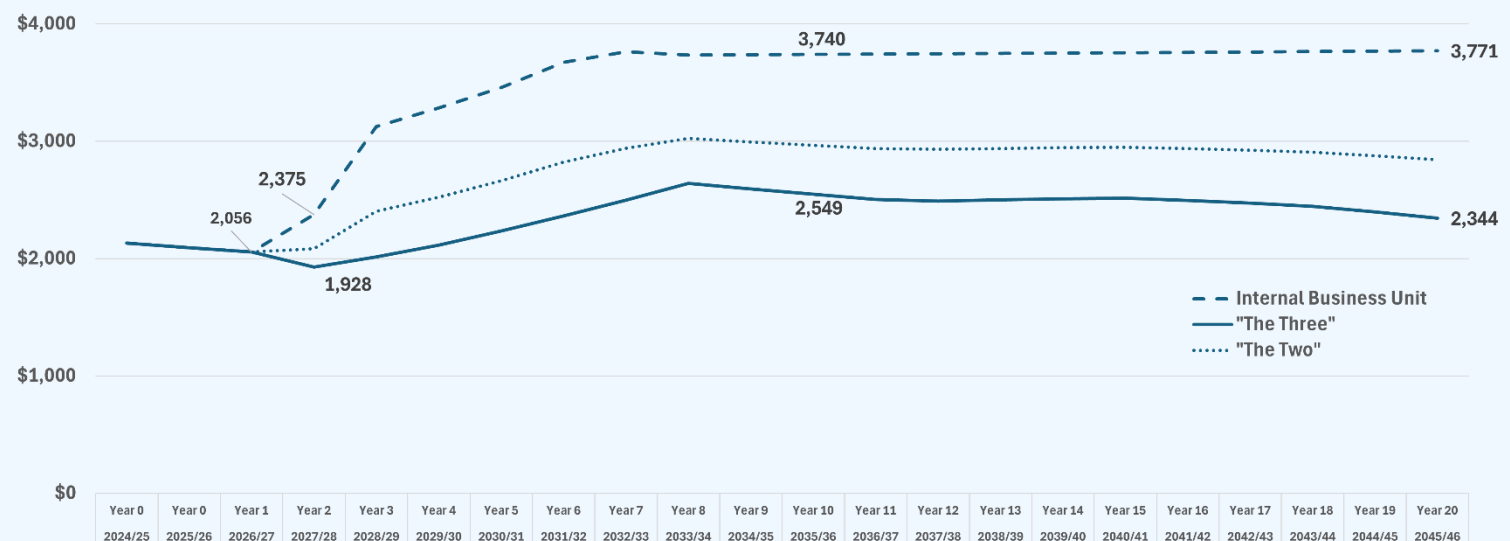


Financial Modelling for Local Water Done Well

Find out more about what financial modelling was done for us to make a decision on our preferred option

We have worked with some experts to complete financial modelling for delivery options for the future management of water services. This has provided us with an example of the likely pricing that consumers or residents could face. The modelling has been done for an internal business unit and a joint Council Controlled Organisation. This gives us an opportunity to compare the pricing and make an informed decision.

In the longer term the modelling shows us that a joint Council Controlled Organisation across the West Coast Region may give cheaper prices. This is shown in the graph to the right.



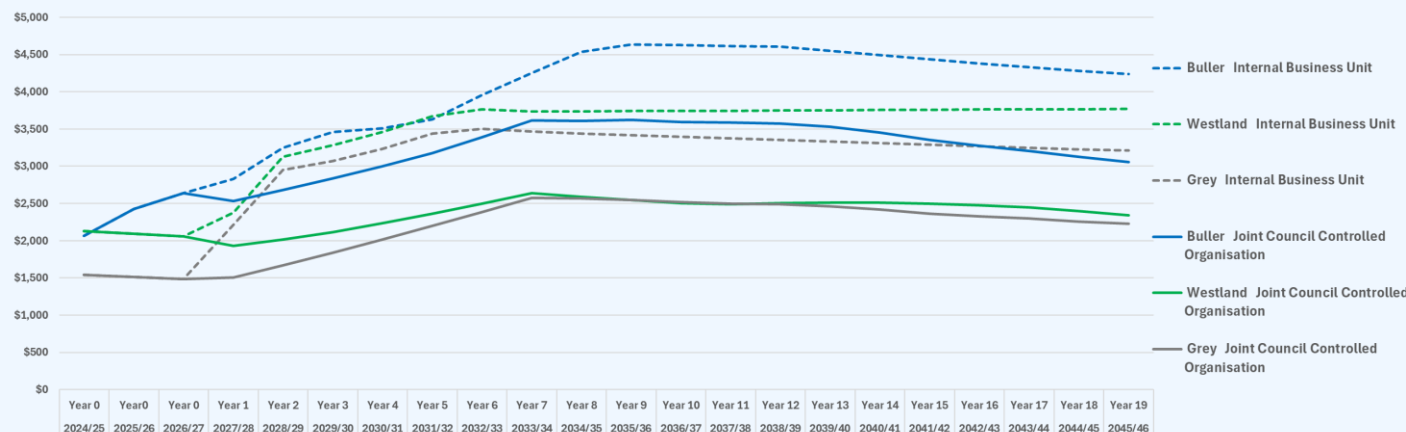
What prices will consumers/residents pay for their water services?

In our consultation document we have proposed three options:

- Option One – “The Three”
We would create a joint Council Controlled Organisation to manage water services across the region for the three West Coast District Councils.
- Option Two – “Internal Business Unit”
This option would see Council continuing to deliver the districts water services.
- Option Three – “The Two”
This option is the same as option one, except only one other council would be involved in the water organisation.

What does this look like across the entire West Coast

In the longer term the modelling shows us that a joint Council Controlled Organisation across the West Coast Region may give cheaper prices for all residents and consumers that live on the West Coast. This is shown in the graph below.



What are the other key assumptions behind the modelling?

Numerous key assumptions were made as part of the modelling. These include:

- Start date for a new delivery model is July 2027.
- Budget of a setup cost of \$1m per Council to set up an individual Council Controlled Organisation/Internal Business Unit.
- Only users of Drinking Water or Wastewater will be charged for the service. Stormwater has been included in the Council Controlled Organisation and is charged across all households in the territorial authority.
- Additional operational expenditure has been added to reflect new expenses incurred because of the reform, this would affect any model.
- Capital expenditure forecasts are based on the draft 2025 – 2034 Long Term Plan.
- Operational expenditure has been taken from the forecast expenditure in Councils 2025-2034 Long Term Plan.
- Fees and charges have been assumed to increase 20% to reflect a change in the market price of fees and services.
- The interest rates on borrowing have been assumed for an organisation at BBB+ credit rating.
- Opening asset balances have been used from the Annual Plan 2022/2023 closing asset position, plus the projected capital expenditure for Financial Year 24, less depreciation at 2% to get a forecast opening asset position.
- Business efficiency has been applied to both operational and capital expenditure.
- Assets will be replaced at the end of their useful lives.
- Levels of service is expected to remain constant during the period.
- Salary estimates for staff have been included.
- Business and Economic Research Limited (BERL) inflation rates have been used in the financial forecast.

