



Moreton Bay Regional Council

Local Government Infrastructure Plan (LGIP)
Interim Amendment No. 1
Schedule of Works Extrinsic Material

Extrinsic material and background reports

The Local Government Infrastructure Plan (LGIP) is supported by a suite of reports available on the Moreton Bay Regional Council website.

An extrinsic material report is provided for each of the following trunk infrastructure networks:

- Transport (roads)
- Transport (active)
- Stormwater (quality and quantity)
- Public parks
- Land for community facilities.

An extrinsic material report is provided for each of the following:

- Planning assumptions
- Schedule of works model.

A background report is provided for each of the following:

- Active transport
- Parks catchment analysis
- Community facilities network
- Stormwater quantity
- Stormwater quality
- Land valuations.

Note: The first local government infrastructure plan for Moreton Bay Regional Council came into effect in 2017 and is referred to as LGIP 2017 in all extrinsic materials. The term LGIP refers to the Local Government Infrastructure Plan (LGIP) Interim Amendment No. 1.

Note: The LGIP will provide up-to-date and comprehensive network planning for the period from 2016 to 2036. To ensure a minimum 10 year and maximum 15 year PIA, the future trunk infrastructure will be from the period 2021-2036. The projects delivered in 2016-2021 have been treated as existing assets.

During the planning and preparation phase of the LGIP Interim Amendment No.1, a new version of the Minister's Guidelines and Rules (MGR) was introduced which influenced the alignment of the base date and the future trunk infrastructure. Any LGIP amendment undertaken post-release of the census data in mid-2022, will align the base date with future trunk infrastructure that has not been delivered. Council will undertake an LGIP review in 2022 and consider these matters further.

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Glossary

Term	Description
ABS	Australian Bureau of Statistics
AMP	Asset Management Plan
Cap X	Capital expenditure cost related to delivering the LGIP
CF	Cash flow for LGIP is the net difference between infrastructure charges (IC) received and capital expenditure (Cap X).
CPI	Consumer Price Index
DVT	Daily vehicle trips - measures demand on transport network
FAR	Council's fixed asset register
GIS	Geographic information system
IC	Infrastructure charge
Imp Ha	Impervious hectare
JLL	James Lang LaSalle Advisory Services
LGIP	Local Government Infrastructure Plan
LTFF	Long term financial forecast
MGR	Minister's Guidelines and Rules
NPV	Net present value
PIA	Priority Infrastructure Area
PPI	Producer price index
QTC	Queensland Treasury Corporation
SoW	Schedule of works
WACC	Weighted average cost of capital

1 Purpose

The Local Government Infrastructure Plan (LGIP) identifies Council’s plans for trunk infrastructure on the networks it operates to serve existing and future growth in an effective and financially sustainable manner. In May 2021 Council resolved to undertake an interim amendment to its LGIP 2017 to implement the most recent trunk infrastructure network planning for the region under the Minister’s Guidelines and Rules (MGR 2020) within the Planning Act 2016.

This report provides the extrinsic material for the schedule of works (SoW) model which forms part of Council’s LGIP. The SoW methodology and assumptions are described below. The networks covered by this SoW are transport (roads), active transport, stormwater, public parks, and land for community facilities. Water and sewerage networks managed by Unitywater and covered by its Netserv Plan.

2 Background

The SoW model has been completed following the MGR, which sets out the minimum requirement for preparing or amending an LGIP in accordance with section 21 of the Planning Act 2016. The MGR also states that a local government must be able to fund trunk infrastructure in its LGIP from a combination of sources including infrastructure charges and rates revenue, and over time advance the alignment of the LGIP with AMP and LTFF. The model used follows the MGR template and modelling requirements of MGR Schedule 7.

3 SoW model assumptions

Base date: A base date of 30 June 2021 was used for the SoW financial modelling. All existing and future infrastructure costs were escalated to the base date. Future infrastructure costs were then escalated to the expected delivery date then discounted back to the base date using an NPV calculation.

Modelling term: The LGIP has been modelled on 15 years, from 1 July 2021 to 30 June 2036.

Discount rate: A discounted cash flow calculation has been used consistent with MGR Option 2 (WACC2) to allow for cost comparisons over different time periods and calculate average servicing cost of the different networks. The discount rate used in the model is Council’s WACC rate of 4.98%. The following components were used to derive the WACC:

- **Risk free rate 2.14%**

This has been derived from a rolling five-year average of the Australian Government’s monthly 10-year bond rate as a proxy for a risk free rate, using August 2020 as the first year:

Australian Government 10-year bond rate		
Year	Monthly closing	12 month rolling average
August 2020	0.89%	0.99%
August 2019	0.95%	1.99%
August 2018	2.59%	2.70%
August 2017	2.60%	2.54%
August 2016	1.88%	2.46%
5 year rolling average		2.14%
Base data sourced from the Reserve Bank of Australia		

Table 3.1: 10-year Australian Government bond rates

- **Capital structure (% debt) 5.61%**

This is based on Moreton Bay Regional Council’s audited 30 June 2019 accounts.

- **Market risk premium 6.0%**

This has been sourced from the Local Government Bulletin 06/01 (Queensland Government, Department of Local Government and Planning, 6 June 2001, page 4).

- **Asset beta 0.47**

This is the mid-range of the estimate for road construction in the Local Government Bulletin 06/01 Queensland Government, Department of Local Government and Planning, 6 June 2001, page 3).

- **Cost of debt 5.44%**

MBRC's rate with QTC as at 30 June 2019.

Escalation rates: These rates are used in the SoW model to escalate the costs of both works and land from their valuation date to the base date, and future works and land to the estimated year of completion. Escalation rates are also used to escalate modelled IC revenue into future years.

The works component uses an average of PPI and CPI, which aligns with the escalation rates used by Council in its LTFF.

- Historical costs rates are an average of PPI and CPI at the September quarter for each relevant year. This rate is used to escalate the works costs from the valuation year to the base year. See Table 3.2.
- The future cost rate is the rolling average of a 10-year period from September 2020. This rate is used to escalate future works costs to the estimated year of completion and is used in the NPV calculation. The rate used 1.76% (see Table 3.2).

ABS indices PPI and CPI for works component				
Date	PPI	CPI	Average PPI & CPI	% change
September 2020	115.2	116.2	115.7	0.04%
September 2019	115.8	115.5	115.7	1.72%
September 2018	114.0	113.4	113.7	2.90%
September 2017	109.6	111.4	110.5	3.13%
September 2016	104.6	109.7	107.2	(0.09)%
September 2015	106.4	108.1	107.3	0.28%
September 2014	107.4	106.5	107.0	2.20%
September 2013	105.5	103.8	104.7	2.15%
September 2012	103.3	101.6	102.5	3.54%
September 2011	98.0	99.9	99.0	1.85%
10 year rolling average				1.76%
Base data sourced from the Australian Bureau of Statistics				
CPI: Index 6401.0, Table 5 CPI all groups Brisbane				
PPI: Index 6427.0 Table 17 Index 3101 Road and bridge construction, Queensland				

Table 3.2: PPI and CPI

- The land component uses CPI as a proxy for land indexation, consistent with the guidelines, as there is no reliable data on the escalation of unimproved capital value for land within the local government area.
- The historical costs rate (1.83%) is the rolling average of a 10 year period from September 2020. This rate is used to escalate the land costs from the valuation year to the base year the rate (see Table 3.3).
- The future cost rate is the same rate used above but used to escalate the land cost from the base date to the estimated delivery date.

ABS index CPI for land component		
Date	CPI	% change
September 2020	116.2	0.61%
September 2019	115.5	1.85%
September 2018	113.4	1.80%
September 2017	111.4	1.55%
September 2016	109.7	1.48%
September 2015	108.1	1.50%
September 2014	106.5	2.60%
September 2013	103.8	2.17%
September 2012	101.6	1.70%
September 2011	99.9	3.10%
10 year rolling average		1.83%
Base data sourced from the Australian Bureau of Statistics CPI: Index 6401.0, Table 5 CPI all groups Brisbane		

Table 3.3: CPI

The IC escalation rate (1.66%) is derived from a three-year rolling average of % change between the financial quarters:

ABS index PPI for IC escalation		
Date	PPI	% change
September 2020	115.2	0.35%
June 2020	114.8	(0.78)%
March 2020	115.7	(0.26)%
December 2019	116.0	0.17%
September 2019	115.8	0.17%
June 2019	115.6	0.52%
March 2019	115.0	0.00%
December 2018	115.0	0.88%
September 2018	114.0	1.33%
June 2018	112.5	1.08%
March 2018	111.3	0.54%
December 2017	110.7	1.00%
12 quarters rolling average		0.42%
Averaged 3 year (12 quarters rolling average *4)		1.66%
Base data sourced from the Australian Bureau of Statistics PPI: Index 6427.0 Table 17 Index 3101 Road and bridge construction, Queensland		

Table 3.4: PPI by financial quarter

Project contingency: Contingency rates for LGIP are defined in the MGR. The project timing option has been adopted for this LGIP (see Table 3.5).

Phase	Project timing		Project phase	Adopted
Project delivery	0-5 years	7.5%	3-10%	7.5%
Project development	5-10 years	15%	10-20%	15%
Project scoping	10-20 years	20%	15-25%	20%
Project identification	20 years +	25%	20-30%	Not used, beyond LGIP

Table 3.5: Project contingency rates

Project owner’s cost: The MGR provides a range of percentages that can be used for roads (13-23%), water (13-22%) and sewerage (13-21%) not exceeding the maximum stated. Council has adopted 21% over all networks following a review of previous projects.

4 Costing

4.1 Existing assets and land costs

The methodology for calculating the value of the existing assets is described in the extrinsic material reports for each of the networks: Transport (roads), active transport, stormwater, public parks, and land for community facilities.

Land valuations for existing land has used either:

- Land values held on Council’s FAR, where land values were independently determined by AssetVal Pty Ltd (December 2019).
- Land values provided by JLL (see *Moreton Bay Council Local Government Infrastructure Plan suburb-based land valuation report*). The JLL report determined the value of land using a comparison of direct sales method for each suburb and land use category using two valuation years (December 2016 and December 2018). The 2018 figure was used for this LGIP. The report also gives the value as either an unconstrained or constrained value (land impacted by but not limited to flooding, landslip, storm tide, environmental and bushfire hazard overlays etc).

4.2 Future assets and land costs

The methodology for calculating the value of future assets is described in the extrinsic material reports for each network. Each network owner supplied the baseline cost of the works component, excluding contingency and project owner’s costs, and land cost for the new projects. These were inserted into the model along with a valuation year and the expected five year range for the work to be completed. Where no land value was supplied through the planning process, the land value was calculated from the 2018 values from the above JLL report.

The model then applied a contingency value based on the project’s delivery timing and project owner’s cost of 21% to the works component only. The model then escalates the costs for both works and land from the valuation year to the base year - this total is the establishment cost.

5 Demand forecast

Demand for each network has been sourced from the relevant network extrinsic material reports. Council has examined the schedule of future trunk infrastructure in the final five years of the LGIP’s 15-year period and determined there is no requirement to include any terminal value adjustments.

5.1 Transport (roads)

Table 5.1 shows the forecasted demand for roads.

Service catchment	Existing and forecasted demand (DVT)					
	2016	2021	2026	2031	2036	Ultimate
Rural North	44,106	46,156	52,677	57,410	66,154	191,291
Urban North	329,504	353,845	401,208	437,529	482,796	589,918
Rural South	79,739	82,073	84,592	86,700	88,595	92,260
Urban South	497,490	522,992	563,729	596,070	631,190	720,293
Urban East	152,431	158,178	172,173	184,788	200,192	246,561
Total	1,103,270	1,163,244	1,274,379	1,362,497	1,468,927	1,840,323

Table 5.1: Transport (road) demand forecast

5.2 Transport (active)

Table 5.2 shows the forecasted demand for active transport.

Service catchment	Existing and forecasted demand (DVT)					
	2016	2021	2026	2031	2036	Ultimate
Woodford	1,447	1,035	1,195	1,354	1,638	1,719
Petrie Kallangur	9,796	10,600	12,407	13,034	14,982	18,477
Bribie Ningi	9,445	5,880	6,046	5,436	6,047	6,507
Redcliffe Kippa Ring	21,987	16,864	18,321	18,198	21,989	27,649
Dayboro	1,407	1,234	1,339	1,484	1,478	4,837
Samford Valley	1,569	1,286	1,394	1,440	1,405	1,688
Burpengary	5,327	5,839	6,579	7,741	8,082	10,285
Caboolture West	403	278	670	1,781	2,344	9,189
Caboolture	10,458	9,320	10,428	11,185	13,216	14,173
Morayfield	10,942	9,024	10,432	11,051	11,676	13,972
Deception Bay	6,890	6,161	6,401	6,135	6,518	7,027
North Lakes Mango Hill	9,626	10,379	11,745	13,783	13,948	14,767
The Hills	6,922	6,264	6,622	6,529	6,622	7,215
Narangba	3,025	3,382	4,007	4,330	4,568	5,528
Strathpine Brendale	17,985	14,872	16,187	16,676	18,104	22,452
Total	117,229	102,418	113,773	120,157	132,617	165,485

Table 5.2: Transport (active) demand forecast

5.3 Stormwater

Table 5.3 shows the forecasted demand for stormwater.

Service catchment	Existing and forecasted demand (Imp Ha)					
	2016	2021	2026	2031	2036	Ultimate
Bribie Island	1,756	1,782	1,809	1,822	1,825	1,834
Brisbane Coastal	617	625	635	642	648	658
Burpengary Creek	1,663	1,769	1,852	1,924	1,975	2,209
Caboolture River	4,493	4,739	4,982	5,231	5,421	7,081
Hays Inlet	3,045	3,296	3,421	3,553	3,619	3,799
Lower Pine River	4,624	4,760	4,852	4,950	5,059	5,213
Pumicestone Passage	2,817	2,850	2,898	2,941	2,979	3,109
Redcliffe	994	1,033	1,079	1,103	1,119	1,167
Sideling Creek	566	575	586	593	603	643
Stanley River	894	913	938	961	993	1,037
Upper Pine River	2,831	2,851	2,862	2,872	2,874	2,887
Total	24,299	25,193	25,914	26,589	27,113	29,636

Table 5.3: Stormwater demand forecast

5.4 Public parks and land for community facilities

Table 5.4 shows the forecasted demand for public parks.

Service catchment	Existing and forecasted demand (Population)					
	2016	2021	2026	2031	2036	Ultimate
Caboolture	78,260	91,299	103,801	119,360	130,634	240,119
Coastal/Bribie Island	35,532	38,652	42,440	43,987	44,821	46,739
North Lakes/Redcliffe/MBRL corridor	195,632	221,009	242,401	265,124	284,212	349,508
Rural	34,128	35,532	37,880	39,818	42,314	47,106
Strathpine	95,672	98,906	103,214	106,480	112,926	131,492
Total	439,224	485,398	529,736	574,770	614,908	814,966

Table 5.4: Public parks demand forecast

Table 5.5 shows the forecasted demand for land for community facilities.

Service catchment	Existing and forecasted demand (Population)					
	2016	2021	2026	2031	2036	Ultimate
Community facilities	439,224	485,398	529,736	574,770	614,908	814,966

Table 5.5: Land for community facilities

6 Financial sustainability

Council must be able to fund the trunk infrastructure identified in its LGIP from a combination of sources including infrastructure charges, borrowings and rates revenue. The state government acknowledges that the LGIP will require funding from other revenue sources.

The SoW was assessed as part of the future budget process through the long-term financial forecast (LTFF) model. The results of the modelling demonstrated that Council can deliver the LGIP along with its other programs and remain within the Queensland Treasury Corporation (QTC) guidelines for local government financial sustainability.

The above assessment assumes that the total cost of infrastructure identified as trunk in Council's capital works database is of equivalent value to the cost of the future trunk projects that form the LGIP. LTFF modelling is based on the total capital works contained in the database. This LGIP is considered to be affordable for Council.

Appendix A - SoW extract - summary cashflow projection

Item	Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Anticipated cost (Cap X in \$000)	Water	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Sewerage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Stormwater	\$0	\$0	\$0	\$51,963	\$0	\$0	\$0	\$0	\$88,921	\$0	\$0	\$0	\$0	\$92,696	\$0	\$0
	Transport	\$0	\$42,625	\$52,874	\$67,191	\$60,486	\$51,876	\$32,444	\$13,282	\$49,117	\$0	\$179,059	\$0	\$0	\$22,246	\$0	\$252,563
	Parks and community	\$0	\$2,576	\$0	\$48,401	\$4,403	\$16,335	\$6,179	\$4,771	\$59,208	\$2,204	\$4,030	\$4,495	\$3,845	\$61,391	\$1,167	\$12,580
	Total cost	\$0	\$45,201	\$52,874	\$167,555	\$64,889	\$68,211	\$38,623	\$18,053	\$197,246	\$2,204	\$183,089	\$4,495	\$3,845	\$176,333	\$1,167	\$265,144
Anticipated charges revenue (\$000)	Residential charges		\$61,461	\$62,484	\$63,524	\$64,581	\$65,656	\$66,816	\$67,928	\$69,059	\$70,209	\$71,377	\$65,778	\$66,873	\$67,986	\$69,118	\$70,268
	Comm/ind charges		\$7,692	\$7,820	\$7,950	\$8,082	\$8,217	\$7,941	\$8,073	\$8,208	\$8,344	\$8,483	\$7,902	\$8,034	\$8,168	\$8,304	\$8,442
	Total revenue	\$0	\$69,153	\$70,304	\$71,474	\$72,664	\$73,873	\$74,757	\$76,002	\$77,267	\$78,553	\$79,861	\$73,681	\$74,907	\$76,154	\$77,422	\$78,710
Annual CF (\$000)		\$0	\$23,952	\$17,429	-\$96,081	\$7,775	\$5,662	\$36,135	\$57,949	-\$119,979	\$76,349	-\$103,228	\$69,185	\$71,062	-\$100,179	\$76,255	-\$186,433
Cumulative CF (\$000)		\$0	\$23,952	\$41,381	-\$54,700	-\$46,925	-\$41,263	-\$5,128	\$52,820	-\$67,159	\$9,190	-\$94,038	-\$24,853	\$46,210	-\$53,969	\$22,286	-\$164,148
NPV cost		\$858,956															
NPV revenue		\$773,759															
NPV annual cashflow		-\$85,197															

The above years relate to financial years and represent the year ended 30 June.

Appendix B - SoW extract - summary cost schedule

B.1 Transport summary cost schedule

Transport								
Catchment		Demand vehicle trips per day (VTD)			Cost of trunk infrastructure			Cost per unit demand (VTD)
	Name	Existing (A)	NPV future (B)	TOTAL (A)+(B)	Existing (C)	NPV future (D)	TOTAL (C)+(D)	
1	Rural North	44,106	19,129	63,235	\$10,213,566	\$2,714,686	\$12,928,252	\$204
2	Urban North	329,504	140,295	469,799	\$720,738,880	\$256,569,084	\$977,307,964	\$2,080
3	Rural South	79,739	8,202	87,941	\$24,572,161	\$1,497,484	\$26,069,645	\$296
4	Urban South	497,490	124,378	621,868	\$1,038,171,827	\$220,634,054	\$1,258,805,880	\$2,024
5	Urban East	152,431	44,187	196,618	\$137,871,445	\$13,088,275	\$150,959,720	\$768
6	Woodford	1,447	154	1,601	\$1,529,228	\$3,381,580	\$4,910,808	\$3,067
7	Petrie Kallangur	9,796	4,192	13,988	\$46,096,184	\$6,620,779	\$52,716,963	\$3,769
8	Bribie Ningi	9,445	-2,631	6,814	\$17,721,918	\$192,067	\$17,913,986	\$2,629
9	Redcliffe Kippa Ring	21,987	-1,373	20,614	\$36,783,431	\$6,322,746	\$43,106,177	\$2,091
10	Dayboro	1,407	22	1,429	\$625,176	\$2,174,365	\$2,799,541	\$1,960
11	Samford Valley	1,569	-132	1,437	\$2,310,748	\$7,828	\$2,318,576	\$1,613
12	Burpengary	5,327	2,298	7,625	\$17,207,189	\$7,215,484	\$24,422,673	\$3,203
13	Caboolture West	403	1,737	2,140	\$69,773	\$16,830	\$86,603	\$40
14	Caboolture	10,458	2,132	12,590	\$30,633,466	\$5,308,255	\$35,941,721	\$2,855
15	Morayfield	10,942	653	11,595	\$13,798,946	\$4,345,870	\$18,144,816	\$1,565
16	Deception Bay	6,890	-202	6,688	\$7,339,253	\$2,743,677	\$10,082,930	\$1,508
17	North Lakes Mango Hill	9,626	3,324	12,950	\$36,410,683	\$1,497,788	\$37,908,471	\$2,927
18	The Hills	6,922	-248	6,674	\$19,580,513	\$5,071,689	\$24,652,202	\$3,694
19	Narangba	3,025	1,366	4,391	\$11,048,730	\$1,576,501	\$12,625,231	\$2,876
20	Strathpine Brendale	17,985	-255	17,730	\$33,456,622	\$6,761,056	\$40,217,679	\$2,268

B.2 Stormwater summary cost schedule

Stormwater								
Catchment		Demand impervious hectare (Imp ha)			Cost of trunk infrastructure			Cost per unit demand (Imp ha)
	Name	Existing (A)	NPV future (B)	TOTAL (A)+(B)	Existing (C)	NPV future (D)	TOTAL (C)+(D)	
1	Bribie Island	1,756	53	1,809	\$11,305,882	\$1,526,916	\$12,832,798	\$7,093
2	Brisbane Coastal	617	26	643	\$26,804,804	\$2,566,279	\$29,371,083	\$45,675
3	Burpengary Creek	1,663	260	1,923	\$50,237,474	\$42,898,796	\$93,136,270	\$48,426
4	Caboolture River	4,493	783	5,276	\$111,146,276	\$40,252,556	\$151,398,832	\$28,694
5	Hays Inlet	3,045	467	3,512	\$101,503,329	\$5,720,326	\$107,223,654	\$30,532
6	Lower Pine River	4,624	375	4,999	\$144,519,327	\$30,182,091	\$174,701,417	\$34,945
7	Pumicestone Passage	2,817	139	2,956	\$16,767,141	\$4,113,675	\$20,880,816	\$7,064
8	Redcliffe	994	101	1,095	\$39,445,777	\$20,219,461	\$59,665,238	\$54,481
9	Sideling Creek	566	31	596	\$3,138,186	\$1,149,328	\$4,287,514	\$7,188
10	Stanley River	894	82	976	\$6,251,089	\$2,801,021	\$9,052,111	\$9,273
11	Upper Pine River	2,831	33	2,864	\$10,647,838	\$2,626,465	\$13,274,303	\$4,635

B.3 Public parks and land for community facilities summary cost schedule

Parks, open spaces, and land for community facilities								
Catchment		Demand per person (pp)			Cost of trunk infrastructure			Cost per unit demand (pp)
	Name	Existing (A)	NPV future (B)	TOTAL (A)+(B)	Existing (C)	NPV future (D)	TOTAL (C)+(D)	
1	Caboolture DC	78,260	48,096	126,356	\$75,632,286	\$40,002,744	\$115,635,030	\$915
2	Coastal/Bribie Island	35,532	7,995	43,527	\$57,253,173	\$8,733,852	\$65,987,025	\$1,516
3	North Lakes/Redcliffe/MBRL Corridor	195,632	82,218	277,850	\$224,553,457	\$60,432,678	\$284,986,135	\$1,026
4	Rural	34,128	7,488	41,616	\$19,674,215	\$17,786,682	\$37,460,896	\$900
5	Strathpine DC	95,672	14,937	110,609	\$131,563,537	\$24,450,465	\$156,014,002	\$1,410
6	Community Facilities	439,224	164,043	603,266	\$102,515,168	\$5,392,746	\$107,907,914	\$179

Appendix C - Changes to schedule of works model

The following change was made to the state government recommended Schedule of Works Model (V11FEB2016):

The WACC2 calculation on the general input sheet cell G30, the formula was changed by moving a bracket to obtain the correct calculation:

Original formula $= (G25 * G28) + (G19 + (G27 * G26) * (1 - G25))$ a change was made to the last bracket to correct $= (G25 * G28) + (G19 + (G27 * G26)) * (1 - G25)$ this change ensures that the equity ratio (1-G35) is applied to both the risk free rate (G19) and the risk premium (G27*G26) not just the risk premium.