



Ref: SR2139243

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[REDACTED]
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By email: [REDACTED]

Dear [REDACTED]

**OFFICIAL INFORMATION REQUEST FOR NELSON CITY COUNCIL DATA PROVIDED FOR
DEPARTMENT OF INTERNAL AFFAIRS REQUEST FOR INFORMATION**

I refer to your official information request dated 9 September 2021 addressed to the Mayor, Councillors and Council's Governance Advisors where you stated: *"We require the figures NCC provided to Department of Internal Affairs to properly assess where NCC is situated in this type of analysis. These asset, revenue/expenditure, debt figures were promised, but have not been forthcoming, hence my OIA request."* This was followed by further emails on 10 and 11 September where you requested that 'NCC provide the submission made to Department of Internal Affairs (DIA) Request for Information (RfI) on NCC Three Water assets, debt, revenues and expenditures'.

As you are aware, the DIA has collated the RfI information from all councils into a flat file, which it has made available on its website, after redacting certain commercially sensitive and confidential information. From what we have seen, most councils provide a link on their websites to the DIA flat file. We understand however that this format has not been easy to navigate and therefore have provided with this letter, a copy of Council's RfI which was sent to the DIA.

Please note that Council has withheld the same information that the DIA has withheld (under the Official Information Act 1982), in accordance with the Local Government Official Information and Meetings Act 1987 (LGOIMA) as set out below. The DIA noted that councils have each provided a large amount of technical data about their Three Waters networks and assets, which makes it very challenging for DIA or any council to undertake a further detailed review of all the information provided to identify and extract the information that is confidential and/or commercially sensitive.

As a result, the DIA undertook a more practical and broad approach, withholding all information in tabs AA (Commercial Arrangements and Assets and Liabilities) and F11 (Large Users) and the comments columns in the RfI workbook submissions. Council has taken the same approach under the following LGOIMA grounds, to:

"S7(2)(b) protect information where the making available of the information—

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(ii) would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information; or

s7(2)(c) protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information -

(i) would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

s 7(2)(i) enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities"

The DIA also made an amendment to correct a decimal point placing in RfI item Tab F10, Ref F10.19.

In subsequent emails to the Ombudsman and DIA on 24 and 29 September 2021, copied to Council, you requested the information set out below. As you are aware, this was referred by the DIA to Council and Council agreed to address your queries as part of this response. We have noted your comment that your "*concern remains major discrepancies between values for assets, debts, revenues and expenditures from different sources in NCC, NCC reports, and between NCC RFI figures and DIA modelled figures.*" We address those concerns in the responses to your questions below.

Asset Values:

What figure did NCC provide to DIA for Three Water infrastructure asset values?

The asset values I have from NCC are in the \$600-\$700 million range.

The values reported in the DIA spreadsheet are \$996,985,540 (low) and \$1,993,971,078 (high).

If NCC did not provide these low and high asset values, from where did DIA get the figures?

I would be happy with a total value in the first instance, but would prefer a breakdown of the asset book values of the following:

- *Nelson drinking water system*
- *Nelson stormwater system*
- *Nelson sewage system and treatment plant*
- *Nelson share of the regional sewage system*

Council can confirm that the asset values reported in the DIA spreadsheet (as below) are the figures provided by Council. As required for the RfI, these values are **estimated replacement** values both high and low for all Three Waters infrastructure. The low value was the latest infrastructure valuation received in July 2020 for replacement value as at 30 June 2020 (note this does not account for depreciation). The high value is simply double the low value.

Asset values	Low	High
Nelson City Council	\$996,985,540	\$1,993,971,079

Whereas the Three Waters asset values, which Council has recently made public, have a different definition as below:

	Actual	LTP	LTP
		transfer date	Year 10
	30-Jun-21	30-Jun-24	30-Jun-31
Current asset valuation of the three waters assets *	(\$000)	(\$000)	(\$000)
1. the Nelson drinking water system (Water Supply)	196,684	220,549	284,809
2. the Nelson sewage system and treatment plans (Waste Water)	197,685	227,158	307,106
3. The Nelson stormwater system (Storm Water)	182,884	220,792	291,697
4. 50% share of Nelson Regional Sewerage BU (NRSBU Waste Water)	39,297	47,543	65,225
Total	616,551	716,043	948,837

*These asset values include land which has been revalued at current market value, buildings and equipment which are valued at historical cost less accumulated depreciation and Infrastructure which is revalued at replacement cost less accumulated depreciation.
These are therefore accounting values rather than what it would cost to replace the assets or what they are insured for.

As you can see, the differences in asset values are explained by the fact that the DIA (RfI data) is estimated replacement value of the infrastructure assets, which does not account for depreciation on those assets, whereas the asset values that Council has put on the website include depreciation on the revalued infrastructure assets.

Debt:

What figure did NCC provide for Three Water debt.

The debt figures I have seen from NCC are around \$40 million, with other figures around \$80-\$90 million?

Where did the debt figure of \$39,320,000 as reported in the DIA model spreadsheet come from?

The debt of \$39,320,000 is from the DIA website, which is the figure Council provided in the RfI data (in tab F3 Analysis of Borrowings). This is for Three Waters debt as at 30 June 2020. Council reported total Three Waters debt of \$48,335,000 as at 30 June 2021 which is anticipated to increase to \$81,497,000 by 30 June 2024 according to the Long Term Plan 2021-31. The different financial years account for the different levels of actual and projected debt.

Revenues:

What figure did NCC provide for Three Water revenues? Where did the revenue figure of \$29,085,000 as reported in the DIA model spreadsheet come from?

A total figure of \$29,085,000 for the year ending 30 June 2020 was provided by Council in the RfI in Tab F10. The breakdown is shown below:

- *Drinking water*
 - Water Supply \$12,800,000

- *Stormwater*
 - Stormwater \$4,442,000
- *Sewage (including share of regional sewage)*
 - Wastewater \$10,367,000
- Development contributions \$1,476,000 (note the DIA included Development Contributions in revenue while Council has not as it is capital revenue not operational revenue).

Expenditures:

What figure did NCC provide for Three Water expenditures? Where did the "Operational Expenditure 2020" figure of \$16,547,732 as reported in the DIA model spreadsheet come from?

A total figure of \$16,547,732 for the year ending 30 June 2020 was provided by Council in the RfI in Tabs E1, E2 and E2b. Please note that these expenditure figures are excluding depreciation.

- *Drinking water*
 - Water supply \$8,303,898 (Tab E1, Ref E1.22)
- *Stormwater*
 - Stormwater \$1,974,581 (Tab E2b, Ref E2b.21)
- *Sewage (including share of regional sewage)*
 - Wastewater \$6,269,253 (TabE2, Ref E2.21)

Three Waters budget surplus/deficit:

We have also noted your queries from your email of 15 September 2021 to the DIA and Local Government Ombudsman, which was copied to the Mayor and councillors and your email of 20 September 2021 to the Mayor and councillors, which are set out below together with Council's response:

15 September 2021 email - As well as asset values, Nelson Citizens Alliance is trying to get clarity on whether the NCC Three Waters debt is \$39 million (in the model data) or \$85 million; and whether the surplus returned to rate payers as a rate rebate is \$4.5 million per year or \$12.5 million per year as in the model. This makes a huge difference to how ratepayers view their assets and liabilities. There is no way a model can be considered as accurate when the input is clearly erroneous

20 September 2021 email - Many Councils have identified serious problems with the data inputs to the Three Water modelling and have indicated the results are meaningless for their Councils. We believe similar problems plague the modelling for NCC. For example, do Three Water service

profits return \$4.5 million per year back to the ratepayers (NCC data 2018); or \$12.5 million (in the model). Or is the Official Information Act reply of 15 September 2021 by NCC more accurate: There is a loss of \$9.7 million per year.

Council has already provided a response above on debt levels. With regards to revenue and operating expenditure, there is no "surplus returned to rate payers as a rate rebate". Council's activities are run in such a way that the funding via rates and water charges is budgeted to match the expected expenditure requirement. Where there is a cash surplus or a cash deficit in a year due to unplanned variations, any surplus will be used to repay loans and any deficit will be met through loan funding (this is common for councils).

The surplus figure of \$12.5M you refer to was calculated by subtracting the operational expenditure from revenue as published by the DIA from the NCC RfI data (as per the revenue and expenditure information shown above). These figures have a few unique financial treatments for the purpose of the modelling done by the Water Industry Commission for Scotland (WICS). The revenue data does not include grant income, or other sundry revenue or recoveries, it includes development income but not vested assets. The operating expenditure data excludes depreciation costs, which are significant figures.

The loss figure of \$9.7M which you refer to can be explained as follows – for the financial year ending 30 June 2021, actual income was \$28,367,000 and actual expenditure was \$38,068,00 (this figure does include depreciation) resulting in a difference of \$9,701,000. This operational deficit arose due to the following items:

- \$5M capital grant towards the Waimea Dam project (Originally budgeted for in a different activity)
- \$2.4M additional unbudgeted depreciation due to higher than anticipated asset valuations in June 2020 (non cash).
- \$1.5M for Abandoned Assets which had not been budgeted for (non cash).

You have the right to seek an investigation and review by the Ombudsman of this response. Information about how to make a complaint is available at www.ombudsman.parliament.nz or Freephone 0800 802 602.

If you wish to discuss this decision with us, please feel free to contact Jennie McFarlane, Strategic Adviser Infrastructure (jennie.mcfarlane@ncc.govt.nz).

Yours sincerely



Alec Louverdis
Group Manager Infrastructure