

6 October 2022

[REDACTED]

Dear [REDACTED]

**LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT Request: 2022-55**

Thank you for your email of 21 September 2022 to the Carterton District Council requesting the following information:

*“Would it be possible to arrange a meeting with either the Chief Executive or Financial Controller to clarify some financial aspects contained within the pre-election report? It relates to the impact of three waters and charging for water services.”*

On 28 September 2022, you clarified your request as:

*“If the Three Waters reform proceeds CDC is reported to lose \$5.6 million in revenue and \$4.8 million of costs. (Pre-Election Report page 3).*

*I assume these figures represent a current annual cost.*

*Therefore:*

- 1. Is it correct that CDC collects more by way of water charges \$5.6 million than it costs to provide those services \$4.8 million?*
- 2. Is it correct that the \$800,000 annual surplus is used to offset the cost of other CDC services?*
- 3. Is it correct that if the Three Waters Reform proceeds that the \$800,000 surplus revenue which will be transferred to one of the new entities will need to be funded to maintain services by an increase in rates?*
- 4. If the \$800,000 revenue deficit is not to be covered by an increase in rates how will it be funded?*
- 5. In the last 5 years how many times has water revenue exceeded the cost of supply?*
- 6. Has any consideration been given to reducing the water charge to residents to better match the cost of the service provided to essential water revenue?”*

Your request has been considered under the Local Government Official Information and Meeting Act 1987 (the Act).

Our response to your request is in the order number below.

**1. Is it correct that CDC collects more by way of water charges \$5.6 million than it costs to provide those services \$4.8 million?**

No, budgets are based on rating sufficiently to cover direct costs and overheads.

The revenue figure used for in the Pre-Election Report was based on our 2022/23 rates strike. The expenditure figure is based on actuals for the 2021/22 year. With more time we would have presented the information differently.

Council have since prepared interim draft financial statements for the 2021/22 year and can now show the individual Three Waters activities compared to budget. Overall, we budgeted for a small surplus of \$90k. Our rates strike was on the basis of the budget.

The actual results show a surplus of \$2.1m driven by \$1,371,000 of Three Waters Stimulus grants and an underspend in depreciation of \$597k. A summary of this is shown below.

	2021/22 Budget	2021/22 Actual
Water	42,816	1,101,800
Wastewater	34,186	993,816
Stormwater	13,074	(2,368)
<b>Surplus (Deficit)</b>	<b>\$ 90,076</b>	<b>\$ 2,093,249</b>

  

3W Stimulus Grants	1,371,000
Depreciation underspend	597,244

The 2021/22 surplus will be incorporated into our Equity (General Reserves) which will be used to fund the capital required for the Three Waters Stimulus projects and offset future rates, amongst other things.

**2. Is it correct that the \$800,000 annual surplus is used to offset the cost of other CDC services?**

No. The Three Waters Stimulus funding must be spent as capital against specific projects approved within the Grant funding agreement. The remaining surplus or deficits are transferred to General Reserves.

**3. Is it correct that if the Three Waters Reform proceeds that the \$800,000 surplus revenue which will be transferred to one of the new entities will need to be funded to maintain services by an increase in rates?**

No. As per our response to question 1 we anticipate revenue and costs to be broadly equal. We are working through with the Department of Internal Affairs how Councils will manage the sharing of overhead costs that will be split when the Water Service Entities take over on 1<sup>st</sup> July 2024.

**4. If the \$800,000 revenue deficit is not to be covered by an increase in rates how will it be funded?**

As above, we budget for revenue and costs to be broadly equal.

**5. In the last 5 years how many times has water revenue exceeded the cost of supply?**

Due to current staff absence, the response to this request will be provided at a later date.

**6. Has any consideration been given to reducing the water charge to residents to better match the cost of the service provided to essential water revenue?**

As above, we budget for revenue and costs to be broadly equal. The level of Three Waters related charges council sets is intended to cover the direct costs and overheads required for that activity.

Please note, the Council now proactively publishes LGOIMA responses on our website. As such, we may publish this response on our website after five working days. Your name and contact details will be removed.

Thank you again for your email. You have the right to ask an Ombudsman to review this decision. You can do this by writing to [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz) or Office of the Ombudsman, PO Box 10152, Wellington 6143.

Yours sincerely



Geoff Hamilton  
Chief Executive  
Carterton District Council