



27 September 2022

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Tēnā koe Micky

Your Official Information Act request, reference OIA 2223-0090

I refer to your email of 22 July 2022 to Hon Nanaia Mahuta, Minister for Local Government, requesting the following information under the Official Information Act 1982 (the Act):

- 1. How Three Waters will be funded*
- 2. Evidence of 'Operational Efficiencies' for each proposed Three Waters entity (detailed 30 year forecast for each entity)*
- 3. Evidence of how the areas you have chosen to include in each entity create 'Operational Efficiencies'*
(particularly how having Entity C split between the two islands would achieve lower costs)
- 4. Actual detailed cost forecasts for each individual city council over 30 years without Three Waters reforms*

On 2 August 2022, your request was transferred to the Department of Internal Affairs (the Department) for response as the information requested was more closely aligned to the functions of the Department. On 30 August 2022, the Department extended the time to respond to your request by 20 working days under section 15A(1)(b) of the Act.

Please find a response to each part of your request below. The information you have requested in parts two to three of your request has been proactively released, or released as part of the parliamentary process, on the Department and Parliament websites. Accordingly, these parts of your request are refused under section 18(d) of the Act, as the information is publicly available. Please find relevant webpage links to information in relation to your request below.

I will now address each question in turn.

1. How Three Waters will be funded

Three Waters services will be funded by the entities charging property owners for their services. The entities will also be borrowing money to fund investment in improved infrastructure.

The Water Service Entities, like councils currently do, will charge consumers for the service delivery of Three Waters Services. To do so, the Water Services Entities will develop funding and pricing plans that set out all charges for three waters services, with the entities having to consult with consumers and communities in developing these plans.

In addition, more customers, a larger revenue catchment, balance sheet separation from their council owners and economic regulation will provide water service providers with stronger balance sheets. This will give them greater capacity to borrow more money to fund more investment where it is needed than councils can under current arrangements.

Increased use of debt financing also spreads the cost of infrastructure investment over a longer period which is fairer for customers than sharply increasing charges in the short term.

Engagement with credit rating agency Standard & Poor's indicates the water services will be able to maintain similar issuer ratings to councils even with increased borrowing.

2. *Evidence of 'Operational Efficiencies' for each proposed Three Waters entity (detailed 30 year forecast for each entity)*
3. *Evidence of how the areas you have chosen to include in each entity create 'Operational Efficiencies'*

The Department has published reports which built on the evidence base informing the case for change for the Three Waters Reform Programme. This included analysis of the economic benefits of reform by the Water Industry Commission of Scotland (WICS) as well as independent reviews of WICS' methodology by Farrierswier and Beca. You can find these reports via the following link;

<https://www.dia.govt.nz/three-waters-reform-programme-national-evidence-base>

Achieving the outcomes sought from the service delivery reforms will require that the scope of the entities allow for the appropriate asset and client base to work efficiently and for prices to be affordable. Decisions on the number of new entities and their boundaries, were key to ensuring the entities are set up for success. International evidence has indicated that each entity will need to serve a connected population of at least 600,000 to 800,000 to achieve the desired level of efficiency. Below this point, entities may find it difficult to fully realise the efficiency benefits that have been shown to be possible in other jurisdictions.

WICS' analysis is clear that the potential efficiencies that are achievable by entities of this size relate more to improved operating and procurement capability than geographic factors which might otherwise be hampered by operations spanning two islands in the case of Entity C. This view is endorsed by Farrierswier.

You may also find it helpful to see the decisions made by cabinet as a result of the evidence referred to above – as well as engagement with local government and Iwi. Cabinet papers outlining decisions around the Three Waters Reform Programme and the Water Services Entities Bill can be found on the Department's website at the following link:

<https://www.dia.govt.nz/three-waters-reform-programme-cabinet-decisions-and-reform-proposals>

4. *Actual detailed cost forecasts for each individual city council over 30 years without Three Waters reforms*

For detailed cost forecasts for each individual council over 30 years without Three Waters reforms you should refer to their Long-Term Plans.

For comparison WICS' estimates of costs for each council to meet appropriate standards and provide for population growth can be accessed at the following link:

<https://www.dia.govt.nz/Three-Waters-Reform-Individual-council-models-and-slidepacks>

In addition, the Three Waters Reform Programme has created a 'local dashboard' to show the potential impacts of the Three Waters Reform on local authorities and households across New Zealand. It is based on submissions by local authorities to a Request for Information (RFI) undertaken from October 2020 to February 2021. This data is reflective of time period at which the data was provided. It is accessible at this link:

<https://www.dia.govt.nz/Three-Waters-Reform-Rfi#local-dashboard>

By selecting a particular council in the drop-down menu in the top right-hand corner of slide five of the dashboard, you are able to see the average cost per household both with and without reform as well as other key information.

For more information you can access the Three Waters Reform Programme Case for change and Summary of proposals at this link:

[https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme-2022/\\$file/Three-waters-reform-case-for-change-and-summary-of-proposals-15-June-2022.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme-2022/$file/Three-waters-reform-case-for-change-and-summary-of-proposals-15-June-2022.pdf)

You have the right, under section 28(3) of the Act, to seek an investigation and review of this decision by the Office of the Ombudsman. The postal address of the Office of the Ombudsman is PO Box 10152, Wellington. Alternatively, you can phone 0800 802 602 or email info@ombudsman.parliament.nz.

Nāku noa, nā



Rashad Saeedi
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Three Waters Reform Programme