

Local Water Done Well – Frequently Asked Questions

This FAQ document supports councils with meeting requirements under the Local Government (Water Services Preliminary Arrangements) Act (the Act). These FAQs are not legal advice. We recommend councils obtain their own independent legal advice.

Updated February 2026. The previous version containing information about developing water services delivery plans has been archived and is available on request.

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Water services delivery plan implementation

Are accepted water services delivery plans ‘locked-in’ or can they be revisited if required?

Councils can submit an amended plan within 24 months of the Act coming into force where the proposed amendments to the plan are significant and necessary due to exceptional circumstances, or the proposed amendments are to the model or arrangements for delivering water services.

What information has been updated since plans were submitted?

The Department has updated a suite of guidance and templates for the establishment, set-up and governance of water organisations here <https://www.dia.govt.nz/Water-Services-Information-and-guidance-for-councils>

What does the Department’s quarterly reporting involve?

Councils are required to provide quarterly monitoring reports from 30 April 2026 to 30 June 2028. The Department has developed guidance about how to complete quarterly reports using a template.

[Read guidance for preparing quarterly reports](#) (PDF, 169KB)

[Download the quarterly reporting template for Water Services Organisations](#) (DOCX, 71KB)

[Download the quarterly reporting template for In-house Business Units](#) (DOCX, 70KB)

Financial considerations

If my council is establishing an in-house business unit for water services, can the water business unit borrow revenue from the council balance sheet to fund debt if water debt to revenue does not allow this in the short term?

The council's maximum ability to borrow for water will be set by the council's borrowing limits from LGFA. This means that all council business (in cumulative) would need to stay within borrowing covenants.

In-house water services could be leveraged above this level based on water services revenue, subject to the council staying with its borrowing covenants at the all-council business level, and water services revenues being set to reflect the full 'cost' of water services delivery, including interest charges.

For example, a council with a borrowing limit of 280% could theoretically lever water above that level (for example, to 400%) if that was needed to deliver needed water services investment, subject to the total council debt to revenue remaining below the 280% limit.

The Department recommends that the council develop (if it has not already) a set of internal financial policies that:

- Set out what an appropriate upper leverage limit for water services is, based on the investment requirement and relative leverage levels of non-water activities, which does not put the council at risk of breaching its covenants at an all-of council level.
- Ensures that there is sufficient cash flow generated from water revenues to cover interest costs and eventual repayment of water debt (i.e. ensuring that water revenues are set appropriately to avoid situations where non-water revenues are used to service of pay down water debt).
- Enables water services related transactions and balances to be identified separately from non-water activities in councils' general ledger and accounting systems to enable compliance with ringfencing, water services reporting requirements and future information disclosure requirements (once in force).

Will councils in joint arrangements be required to harmonise water charges or cross-subsidise services across regions?

Price harmonisation and cross-subsidisation is not a requirement of Local Water Done Well. Concerns about potential cross-subsidisation of neighbouring councils' infrastructure, and harmonisation of pricing for consumers, should not be a barrier to joint arrangements.

Councils entering multi-council arrangements will have a lot of flexibility in deciding among themselves if, when, and to what extent prices are harmonised across districts, services, or groups of consumers. They may choose to begin price harmonisations immediately, on an accelerated path, or allow prices to align naturally over time as infrastructure needs are addressed, considering the specific infrastructure and service needs of different groups and areas.

[Find out more about pricing and debt considerations for multi-council owned water council-controlled organisations.](#)

Under the proposed economic regulation regime, the Commerce Commission may require councils to disclose information about the prices that they charge different types of water and wastewater customers. The Commission will be able to consider whether prices are efficient – for example, whether they appropriately signal the cost of service and support efficient demand management. Generally, setting prices at a level that reflects local network costs is more efficient than harmonising prices across a water organisation.

Accountability reporting

S221(3) of the Act says councils can only include water services information in an LTP if it does not relate to individual groups of activities. Is the intent that information about the water services would be included in the water services strategy?

Councils will need to complete a whole of council picture from the financial statements, and so all items for the entire entity should be included in the following statements:

- Statement of Comprehensive Income,
- Statement of Cashflows and the Balance sheet, plus
- the Whole of Council Funding Impact statement.

Not doing so may lead to audit issues, as the reporting entity for the Annual Plan, Annual Report and LTP is the council entity.

If the water service provider is a CCO, then these items would not be included in the Core Council reports, instead they would be included in the Consolidated Financial Statements. The individual funding impact statements for water supply, sewage disposal and stormwater would not be included in these documents. However, the specific reporting requirements can be included in a separate part of the Annual Report.

Where water services are provided in-house, councils will need to complete full financial policies for the entire core entity.

If whole of council financial statements can incorporate the values for water services into the total aggregates – did the Department intend that the rates, debt, expenditure tracks that go in a strategy reflect the whole of council statements or be non-water services only?

As both the LTP and the Water Services Strategy include financial information relevant to council decision-making, the two strategies will need to be coherent and internally consistent. For councils that continue to provide water services in-house, borrowing constraints apply to the council as a whole, and lenders will assess debt capacity at the whole-of-entity level.

This means that, for planning purposes, councils should ensure that their Financial Strategy appropriately reflects the financial position of the entire organisation, while also distinguishing the specific financial requirements of water services within the Water Services Strategy.

Further sector input, particularly from yourselves will help to clarify how councils intend to align these two documents in practice.

The Act allows councils to include information about individual water services in an infrastructure strategy if that information is part of, or is desirable to support, an integrated approach to infrastructure planning in the district. Where can I get guidance on how to approach this?

The Department would be happy to answer questions – email wmdp@dia.govt.nz in the first instance.

Council bylaws requirements under the Act

There is a multi-stage process that begins with a review of bylaws within 2 years (i.e. by 27 August 2027). How will that be assessed?

The Act does not specify criteria for assessment of ‘consistency with the Act’.

The Department interprets this means meeting the general intentions of clarity/transparency and increased consistency/standardisation to reduce compliance costs. There are also more detailed requirements for certain aspects, for example, any bylaws for connections must follow the three-step process.

Following the review noted above, a bylaw could be amended, revoked or replaced. However, the work is required to be done within 5 years (i.e. by 27 August 2030). This potentially leaves existing bylaws in place for quite some time while being ‘inconsistent’ with the Act. Does this create any concern about consistency?

Consistency and clarity are a clear intention of the changes, but there is also a clear intent to allow councils alongside their water organisations flexibility to determine their own priorities, given the scale of changes required and the commitment to allow local prioritisation.

For example, when establishing a shared water organisation, the councils might choose to prioritise the establishment phase ahead of the bylaws review to enable a comprehensive joint review.

For multi-council CCOs, the review described above must be done jointly. This could be a significant piece of work for large entities, and will need careful planning and coordination. What support or assistance can DIA provide to councils that might struggle to manage this work with limited resources?

The Department suggests that the coordination required to undertake a joint review is likely to be made easier for a multi-council CCO because resources can be shared.

It is also relevant that although the review must be jointly undertaken, the resulting bylaws don’t necessarily have to be identical where there is good reason for the difference, see for example s 259.

How will the different types of water organisations affect the way councils approach developing/reviewing bylaws?

The Department acknowledges this appears complex because of the number of options allowed for – however, when plans are underway, with the agreed organisational arrangements in place, the choices will be simpler as the relevant option will depend on the arrangements.

Are councils required to use a two-step process for reviewing bylaws under the Act? For instance, could a council draft a new bylaw that is consistent with the Act (meeting the requirement of the first step) and then take that out for consultation, rather than review bylaws and develop a plan for how it will amend/replace them?

The two-step process is intended to provide for flexibility and sequencing so that resources are not over-burdened. Both steps can be carried out at once if that works best, given the development of a new bylaw is likely to be proceeding from an assessment (formal or otherwise) that existing arrangements need improvement – in effect, that assessment can be the review.

The Act does not specify how a review needs to be conducted – simply documenting the need for a new bylaw could meet the intent of the requirement.

Are the consultation requirements the same as the Local Government Act?

Yes, with the addition of a requirement to undertake a joint review with other councils in the case of multi-council arrangements (s 263(7)).

If a council is close to adopting water bylaws (e.g. within the coming weeks) does that mean the council should pause the work and do the consistency check required as the first step of the review under the Act, or can the council move to the 2027 deadline?

The consistency check must be done by 2027, and any new bylaws must be done under new Act, but councils have until the 2027 deadline to complete the check, and until 2030 to complete any changes.

As above, current bylaws remain in effect, and Local Government Act section 158 and 159 review requirements no longer apply (see section 263 (8)). If a council has well advanced plans for new bylaws the new requirements could be met by undertaking a consistency check and making any changes.

Do councils need to have a bylaw for water service connections, or could this be covered in a policy instead?

This could be a policy. If a council decides to establish a bylaw, then the specified three-step process must be used.

Would terms and conditions for connection/acceptance now be owned by the water organisation or continue to be produced by the council? These are often made to complement bylaws and are based on NZ Standards documents.

This would be a matter for a council (or multiple councils in joint arrangements) to decide what would be delegated to a water organisation. The establishment documents and transfer agreement(s) would need to specify what is delegated.

How much of the review outlined in section 351 of the Act will be done by individual councils, and how much will be done as a collection for council going into a CCO?

Other resources

What other resources are available for councils?

All councils have access to the information assets created by the former Water Services National Transition Unit (NTU). The nature of the information available is oriented around the operating elements of a water organisation, including information on:

- Operating model design
- Constitution development process
- Asset Management
- Finance
- Transfer arrangements
- Technology and process
- Implementation plans

To get access to the NTU information portal, email waterservices@dia.govt.nz