



January 2026

LOCAL WATER DONE WELL

Guidance: Planning, reporting, and accountability for council water service providers

This guidance provides information about the planning, reporting, and accountability framework that applies to council water service providers under the Local Government (Water Services) Act 2025 (the Act).

It is part of a package of factsheets and guidance material relating to the Act and the associated Local Government (Water Services) (Repeals and Amendments) Act 2025.

Together, these Acts set out the enduring settings for the new water services system. They are the third tranche of legislation in the Government's three-stage process for implementing Local Water Done Well.

This guidance informs water service providers¹ that are councils about the planning, reporting, and accountability framework that applies to them under the Local Government (Water Services) Act 2025 (the Act), and the key features of this framework. In particular, it explains:

- The planning and reporting cycle that relates to councils' roles and responsibilities as water service providers under the Act.
- The purpose, content, and processes associated with each of the key planning and reporting documents for council water service providers – covering:
 - water services strategies;
 - water services annual budgets;
 - water services annual reports.
- Intersections with related areas of the Local Government Act 2002 (LGA02), including council significance and engagement policies.
- Timeframes and transitional provisions – including the timing of the first water services strategy and water services annual report.

¹ Water service providers is a term used in the Act that includes council providers and water organisations (including water services council-controlled organisations that became water organisations when the new legislation was enacted).

This document applies where a council is a water service provider. A separate guidance document has been prepared to explain the planning, reporting, and accountability requirements that apply when a water organisation is the water service provider, and one or more councils are shareholders in the water organisation.

Responsibilities and accountability framework for council water service providers

Overview

Part 4 of the Act provides a comprehensive new planning and reporting framework for water services. This has been designed for the new water service delivery arrangements provided for in the Act, and to support and enable other aspects of the Act and new water services system. These include the objectives and financial principles that apply to water service providers (including financial 'ring-fencing' requirements), the range of service delivery models outlined below, and the new economic regulation regime for water services in the Commerce Act 1986.

In particular, Part 4 of the Act supports the accountability framework that applies to water service providers – either councils or water organisations. Accountabilities and responsibilities under the Act are as follows:

- Councils are directly accountable to communities, in accordance with the broader local government legislative framework.² Members are elected by these communities.
- Each council is responsible for ensuring water services are provided in its district in accordance with the Act, but may establish and/or become a shareholder in a water organisation and discharge its responsibility by entering into a transfer agreement with a water organisation. Where this occurs, the water organisation becomes the water service provider for the water services that have been transferred.
- Under the Act, councils also have a number of other ways for ensuring water services are provided, including:
 - providing water services directly (for example, through an in-house business unit of the council);
 - a contract with a person or body to provide water services on behalf of the council (see section 22);
 - a joint water service provider arrangement (see section 26).

² This Act is part of a broader suite of local government legislation, including the Local Government Act 2002, Local Government (Rating) Act 2002, Local Electoral Act 2001, and Local Government (Auckland Council) Act 2009.

- In all of these situations (except a transfer to a water organisation), the council is the water service provider under the Act, and is subject to all of the provisions that apply to water service providers.³

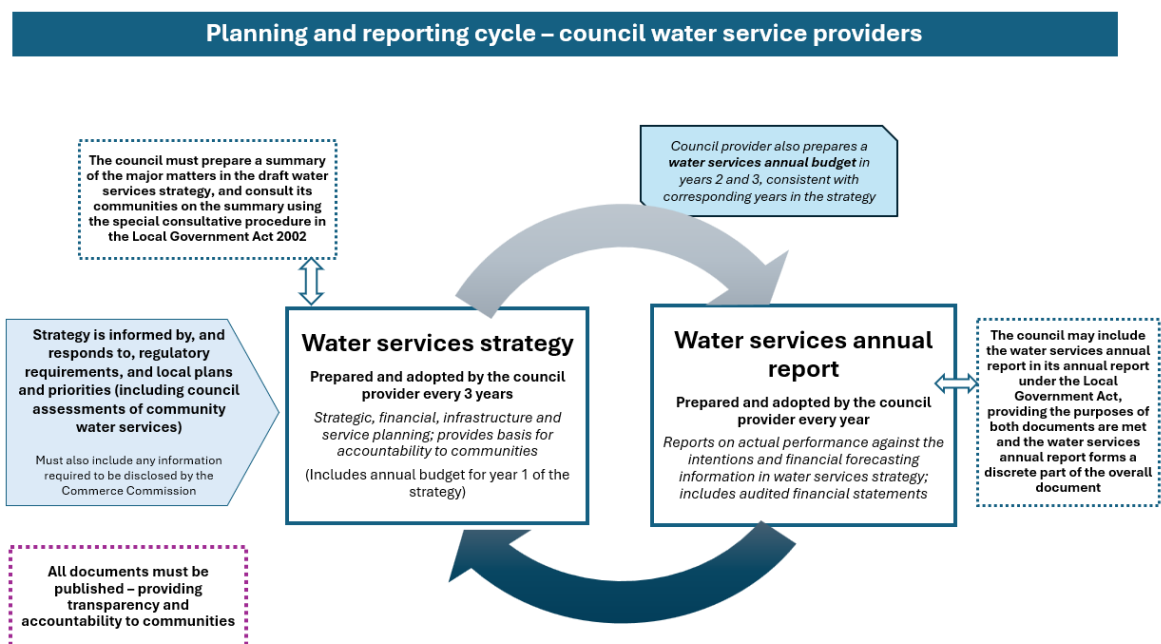
Councils continue to be subject to the general local government legislative framework (as water service providers or as shareholders in separate water organisations). Although the Act includes provisions that apply in addition to, or instead of, some of the usual provisions in the LGA02, this does not affect the basic premise of local government accountability to communities. Decisions are made in accordance with decision-making requirements and processes in the LGA02.

Overview of the planning and reporting cycle for council water service providers

Part 4 of the Act includes requirements for a several planning and reporting documents, for the water services that are the responsibility of a council water service provider. These documents provide a transparent basis for a continuous cycle of planning and performance for water service providers, and support accountability to their communities.

The Part 4 documents apply instead of there being extensive information about water services in council long-term plans, annual plans, infrastructure strategies, and annual reports under Part 6 of the LGA02.

The planning and reporting cycle for water services, and the main documents it comprises, are illustrated in the diagram below.



³As clarified in section 10 of the Act, if a council enters into a contract or joint water service provider arrangement, it continues to be responsible, as the water service provider under this Act, for ensuring the provision of the water services to which the contract or arrangement relates; and must ensure that the other party to the contract or arrangement performs and exercises all regulatory requirements associated with providing the water services to which the contract or arrangement relates.

The publication requirements for each document are set out in section 223 of the Act.

What happens if some – but not all – water services have been transferred to a water organisation?

In some situations, councils may have transferred some responsibilities to a water organisation, but have decided to retain other water services (such as stormwater services), or aspects of a water service (such as a small, rural water supply scheme). This means they continue to be the water service provider with respect to these services.

In most cases, the council⁴ will need to prepare/adopt a water services strategy, water services annual budget, and water services annual report covering the services it has retained. This would apply if a council was providing stormwater services, for example (either directly or through a contract⁵ for services with a water organisation or other third party).

However, these documents are not required if the council is only responsible for a “minor aspect” of a water service. (The other requirements and responsibilities in the Act continue to apply, though.)

Section 219 of the Act clarifies that a council that is responsible for providing only a minor aspect of a water service that is not connected to a water supply network, wastewater network, or stormwater network that is provided by another water service provider:

- need not prepare and adopt a water services strategy, a water services annual budget, or a water services annual report in respect of the minor aspect of the water service; but
- if it does not prepare and adopt all of those documents under Part 4 of this Act, the council must include information relevant to the minor aspect of the water service in its planning and reporting documents prepared under Part 6 of the LGA02, with appropriate modifications to reflect the minor nature of the aspect of the water service that it provides.

Examples of a minor aspect of a water service include wastewater services for a community facility, such as a campground, that is not connected to a wastewater network, and a water supply for a small number of rural homes that are not connected to a water supply network.

⁴ Note that most of the references in the Act are to territorial authorities – but these also apply to regional councils where relevant (see section 43 of the Act for application and exceptions). In this guidance document, we have used the generic term ‘council’ for simplicity, but the Act is more specific.

⁵ Instead of transferring responsibilities for stormwater services to a water organisation, a council may decide to enter into a contract with the organisation with respect to some or all of those services. If there is a contractual arrangement, the water organisation is not the “water service provider” and does not have the associated responsibilities or powers (such as the ability to charge consumers).

Water services strategies

Overview

Water services strategies are the core planning and accountability document for water service providers (councils and water organisations). For councils, they are equivalent to long-term plans and infrastructure strategies, with respect to all matters related to water services.

Council water service providers must prepare a water services strategy, and have a strategy in place at all times. Schedule 1 of the Act contains transitional arrangements for the timing of the first strategies. Further details are included at the end of this document.

A water services strategy:

- must be adopted before the start of the first financial year to which it relates;
- comes into force on the first day of the first financial year to which the strategy relates;
- continues in force until the end of the third consecutive financial year to which it relates; and
- must relate to a period of at least 10 consecutive financial years or such other period as is specified in Part 4 or Schedule 3 of the Act.

Each strategy incorporates several components – strategic, operational, and financial – and presents this information in a single, integrated document. It also covers multiple time horizons, with:

- pricing/charging and budgetary information for a three-year period;
- financial forecasting information over a 10-year period;
- long-range infrastructure and investment information, over at least 30 years.

Effect of adopting a water services strategy

The Act clarifies that the effect of a water services strategy adopted by a water service provider is to provide a formal and public statement of the provider's intentions in relation to the matters covered by the strategy.

However, a resolution to adopt a water strategy does not constitute a decision to act on any specific matter included in the strategy. No person is entitled to require a water service provider to implement the provisions of a strategy.

This approach is similar to the approach taken in the LGA02, regarding the effect of adopting a long-term plan.

Under section 233 of the Act, a water service provider may make a decision that is inconsistent with the contents of its water services strategy.

Inputs to the water services strategy – assessments of community water services

As with council long-term plans, the water services strategies will be informed by the wider regulatory landscape (including a range of other legislation, and national, regional, and district level plans that councils will be familiar with), asset management planning, and local priorities. They will also be informed by a couple of specific requirements in this Act.

Under section 69 of the Act, each council must inform itself about the access that each community in its district has to drinking water services by conducting an assessment of drinking water services.⁶

These assessments must consider the drinking water services⁷ available to communities throughout the council's district, including private drinking water supplies and community-owned or community-operated drinking water supplies – but not including domestic self-suppliers.⁸

In addition, under section 71 of the Act, each council must assess the provision in its district of wastewater services and stormwater services. These assessments would cover the services available to communities throughout the district – but do not include assessing individual properties.

Sections 70 and 71(7) set out the obligations that apply to councils in relation to the completed assessments. These include that a council must consider the findings and implications of the assessments in relation to its water services strategy.⁹

The assessments must be undertaken every three years, and would be completed at least a year before the water services strategy is adopted. The intention is that the findings can inform the strategy – with respect to considerations about the need for new or improved services, for example.

The first assessment of drinking water services must be completed by 1 July 2026 – so should be able to inform the first strategies.¹⁰ The first assessment of wastewater and stormwater services must be completed by 1 July 2029.

⁶ Section 69 includes a comprehensive list of the matters to be covered in each assessment.

⁷ Section 68 of the Act defines drinking water services as “the supply of drinking water to communities to the point of supply of each dwelling house and commercial premises to which drinking water is supplied”. This is different from the definition of water supply services that apply throughout the rest of this Act, and is based on the definition and scope of the assessments of drinking water services that were previously in the LGA02.

⁸ Section 68 clarifies that domestic self-supplier has the same meaning as in section 10 of the Water Services Act 2021.

⁹ If a water organisation is the water service provider, council shareholders must consider the findings from the assessments in relation to the organisation's statement of expectations – which would inform the organisation's water services strategy.

¹⁰ This is consistent with the date that had previously been in the LGA02.

The requirements for these assessments are not new, having previously been included in the LGA02 for many years. The requirements to undertake the assessments apply specifically to territorial authorities, not to water organisations (though they may be undertaken on an authority's behalf by another appropriate organisation). This is because territorial authorities are responsible for, and accountable to, all the communities across their districts – regardless of any role they (or a water organisation) have as a water service provider. Territorial authorities also have a broader duty to improve, promote, and protect public health within their districts under the Health Act 1956, and must consider the assessments in this context.

Process for preparing water services strategies

Water services strategies are prepared in relation to the water services that a council provides:

- directly; or
- through a contract with a third party; or
- through a joint water service provider arrangement; or
- through another type of arrangement under section 10(1)(f) of the Act.

Part 4 of the Act includes requirements relating to the processes for preparing water services strategies. There are different processes for water service providers that are councils and water organisations. These differences reflect the accountability arrangements that apply – with councils being directly accountable to communities, and water organisations being accountable to their shareholders (who are accountable to communities and consumers).

Section 235 of the Act describes the statutory processes to be followed by a council water service provider. These processes are similar to – though not identical to – the long-term plan processes that will be familiar to councils (and most of the surrounding business planning, processes, and inputs are also likely to be very similar).

A council water service provider must:

- prepare a draft water services strategy; and
- prepare a summary of the major matters in the draft strategy; and
- consult its communities on the summary, using the special consultative procedure under the LGA02 (see sections 83, 83AA, and 83A of that Act).

The summary document must:

- identify and explain the important issues and choices facing the council in relation to providing water services, and the consequences of those choices; and
- include information about the likely consequences of implementing the water services strategy on:
 - charges for providing water services;
 - rates collected under the Local Government (Rating) Act 2002;

- the debt of the council;
- the level of service provided by the council; and
- the council's ability to provide for urban development and housing in its district.

When using the special consultative procedure:

- each reference to a statement of proposal must be read as a reference to a draft water services strategy; and
- each reference to a summary of the information must be read as a reference to a summary of the draft strategy.

Consulting in parallel with a long-term plan

The Act recognises that a council water service provider may wish to consult its communities on the summary of the water services strategy at the same time as consulting on its long-term plan under the LGA02, or as part of any other combined or concurrent consultation under section 83A of the LGA02.

While this is permitted, the Act specifies that:

- the summary of the strategy must form a discrete part of the consultation material; and
- the approach to consultation, and any consultation material used, must be consistent with the purpose of the water services strategy in section 232 of the Act.

It is not intended that the summary of the strategy would be integrated into the long-term plan consultation document required under the LGA02, or subject to the requirements that apply to that document (including the detailed content and audit-related requirements that apply to long-term plan consultation documents).

Consultation on structural changes to the provision of water services, as part of the water services strategy

Sections 27 to 33 of the Act cover situations where a council is considering making a structural change to the provision of water services in its district, and the consultation and other obligations that apply.

Section 235 of the Act recognises that a council may wish to include a proposal to change how water services are provided in its district in its water services strategy, and to consult on that proposal as part of consultation on the strategy. If this does occur, section 235(5) specifies that:

- section 32 does not apply; and
- the information required to be made publicly available under section 32(1) must be included in a summary of the water services strategy prepared under subsection 235(1)(a).

Consultation requirements when amending a water services strategy – and links with LGA02 documents and processes

Under section 237 of the Act, a council water service provider may amend its water services strategy at any time.¹¹

If the amendment is significant, the council must consult on a summary of the proposed amendment using the special consultative procedure under the LGA02. The council's significance and engagement policy may help to determine whether an amendment is significant. (Links with these policies is covered in further detail later in this guidance.)

A council must comply with the requirements for consultation set out in section 235 of the Act when proposing to amend a water services strategy – and, for these purposes, all references in section 235 to a draft water services strategy must be read as referring to the draft amendment.

Section 237 also recognises situations where a council may amend its water services strategy, and the amendment is relevant to its long-term plan. In these situations, the council may consequentially amend the long-term plan, but need not:

- use the special consultative procedure when amending the long-term plan (despite section 93(5) of the LGA02);
- comply with sections 93A and 93D of the LGA02 when amending the long-term plan;
- have the amendments to the long-term plan audited under section 94 of the LGA02.

Purpose of the water services strategy

The Act sets out the purpose of a water services strategy.¹² For a water service provider that is a council, the purpose is to:

- state publicly, for the period to which the strategy relates, the water services activities that it intends to carry out to achieve the objectives specified in section 17 of the Act and any other outcomes;
- provide a basis for accountability to the communities in its district for its performance in providing water services.

Part of the purpose is also to present, in one document, information that relates to a water service provider's provision of water services throughout its service area – to provide transparency about, and support decision making in relation to:

- the costs of, and investment associated with, providing water services;
- the provider's proposed charges, levels of service, and performance measures;
- financial forecasting; and
- long-term infrastructure and investment plans.

¹¹ This is similar to the ability to amend a long-term plan at any time, under the LGA02.

¹² Section 232 of the Act.

These provisions reflect a key part of the intent for water services strategies – that there be a single document for a provider’s service area, which brings together all of the above components. However, a strategy may still include different information or proposals in relation to different parts of the service area.

Content of a water services strategy

The content of water services strategies is largely the same for all water service providers, but there are a few additional requirements that apply where the provider is a water organisation.

For council providers, a water services strategy must contain:

- the information specified in Schedule 3 of the Act (see below); and
- any information that they are required to publicly disclose in a water services strategy under subpart 4 of Part 4 of the Commerce Act 1986.

Information included in a water services strategy must be consistent with any applicable requirements or determinations issued by the Commerce Commission under Part 4 of the Commerce Act 1986.

All information that is included in a water services strategy must be prepared in accordance with generally accepted accounting practice, if that information is of a form or nature for which generally accepted accounting practice has developed standards. However, this does not apply:

- if Part 4 of the Commerce Act 1986 makes alternative requirements; or
- to a funding impact statement that is included in the strategy (see clause 5(2)(e) of Schedule 3).¹³

The general intent behind the legislative design of the content requirements of the strategy was for there to be consistency with similar documents required under the LGA02, where relevant and useful in the new water-related context. Many of the requirements are similar to and/or based on provisions in the LGA02, but have been modified to be appropriate for the new legislation and water services system.

One similarity is that a lot of the information in a water services strategy is broken down into groups of water services activities.¹⁴ This provides transparency about, and supports accountability for, each of the groups of activities and the outcomes the council water service provider expects to achieve by providing the group of activities. For council providers, these outcomes would include any community outcomes relevant to providing water services.

¹³ This is consistent with the approach that is also taken to the funding impact statements included in council documents under the LGA02.

¹⁴ See clause 1 of Schedule 3 of the Act.

A "group of water services activities" means all of the water services activities provided by, or on behalf of, a water service provider as part of providing one of the following (as applicable to a provider's specific responsibilities):

- water supply services;
- wastewater services;
- stormwater services.¹⁵

*Strategic matters*¹⁶

For a council water service provider, the water services strategy must include:

- the provider's strategic priorities;
- the objectives, outcomes, and expectations that apply to the provider, including the objectives specified in section 17 of the Act;
- an overview of regulatory requirements;
- an explanation of how the provider intends to achieve or meet the matters referred to above (that is, the strategic priorities, objectives, outcomes and expectations, and regulatory requirements);
- the factors that the provider expects will have a significant impact on the provider, including:
 - any expected changes to the population and to the use of land in its service area, and the expected capital and operating costs required to address the expected changes;
 - any expected investment needed to meet objectives relating to housing growth and urban development;
- any other significant issues affecting the provider's ability to maintain existing levels of service to consumers and to meet additional demands for water services;
- information relating to a territorial authority's resource management planning and land use planning in the service area;
- a description of any stormwater service zones in the provider's service area and any proposals to change them.

The information referred to above must cover the period of **at least 10 consecutive financial years** to which the water services strategy relates (but not broken down individually for each financial year), or such other period as is specified in Schedule 3 or Part 4 of the Act.

In addition, a water services strategy must identify, for a period of **at least 30 consecutive financial years** any expected significant water infrastructure issues for the provider over that period, the principal options for managing any identified issues, and the implications of these options.

¹⁵ Each of these services are defined in section 4 of the Act.

¹⁶ Clause 2 of Schedule 3 of the Act.

Operational matters and performance information

Clause 3 of Schedule 3 of the Act sets out the content requirements for what are referred to as operational matters. This covers two main topics – proposed activities and levels of service information (including performance measures and targets).

This information must be included for each group of water services activities, and for the following time periods:

- in detail for each of the first three financial years covered by the strategy; and
- in outline for each of the subsequent financial years covered by the strategy.

The strategy must include information on the nature and scope of the main water services activities the water service provider proposes to undertake, and any significant work the provider proposes to undertake relating to those activities.

The strategy must also contain a statement of the provider's intended levels of service provision, which must include:

- the performance measures that apply to the group of water services activities, including as applicable:
 - the measures that the provider considers will enable the public to assess the level of service for major aspects of the group of water services activities; and
 - any intended levels of service that the provider is required to publicly disclose in a water services strategy in accordance with a section 52P determination under the Commerce Act 1986; and
 - if no similar requirements have been set under the Commerce Act (above), any performance measures specified in a rule made under section 261B of the LGA02 that are relevant to a group of water services activities; and
- the performance targets for each performance measure (referred to above); and
- any relevant quality standards or performance requirements in a section 52P determination under the Commerce Act 1986; and
- any intended changes to the level of service that the provider provided in the financial year before the first financial year covered by the water services strategy and the reasons for the changes; and
- the reasons for any material change to the cost of water services.

Regarding the information on performance measures, the intent is that this will incorporate any requirements set by the Commerce Commission (through what is referred to as a section 52P determination). However, if the Commission has not set requirements, then relevant measures in the “non-financial performance measures rules” made under the LGA02 would be included in the strategy. Over time, these rules are most likely to continue to be relevant for stormwater services, which are not regulated under the Commerce Act.

Financial matters¹⁷

Forecast financial statements

A water services strategy must include, for each year to which the strategy relates, a complete set of forecast financial statements for the provider that is prepared as if the council were a separate water service provider. This means that the forecast financial statements for a council as a water service provider are separate from the rest of the council's operations.

In addition, the strategy must include, for each group of water services activities, each of the following statements for each financial year to which the water services strategy relates:

- a forecast statement of comprehensive revenue and expenses;
- a forecast statement of cash flow;
- a forecast statement of financial position.

All of the above provisions (as well as similar content requirements for the water services annual report, described later) help to support and demonstrate the application of the financial principles in section 18 of the Act, and the intent that water services would be 'ring-fenced'.

The strategy must also include the forecast financial statements that were prepared for the financial year immediately before the first financial year to which the strategy relates (except in situations where this is the first strategy). The previous year's financial statements must be presented in a way that allows the public to compare those statements with the forecast financial statements covered by the strategy.

Information on funding, revenue, and pricing

A water services strategy must contain the water service provider's intended approach to funding, revenue, and pricing. This must include – for each group of water services activities – detailed information on the following for the first three financial years to which the strategy relates:

- the intended approach to pricing the water services;
- the intended approach to charging consumers; and
- the intended sources of funding and revenue.

This information must be accompanied by:

- the intended schedule of prices and charges; and
- the methodologies that support the provider's prices and charges.

¹⁷ Clause 5 of Schedule 3 of the Act.

The information relating to the intended sources of funding and revenue must include:

- the reasons for selecting each intended source of funding and revenue;
- an indication of the amount or level of funding or revenue expected from each intended source;
- an explanation of the intended funding mechanism for each intended source; and
- the reasons for selecting each intended funding mechanism.

The intended approach to funding, revenue, and pricing must be consistent with any requirements set by the Commerce Commission under Part 4 of the Commerce Act 1986.

Capital and operating expenditure

A water services strategy must include – for each group of water services activities – the amount of capital expenditure and operating expenditure that the provider has budgeted, in each financial year to which the water services strategy relates, for the purposes of:

- improving the level of service;
- meeting additional demand for the group of water services activities; and
- replacing existing assets in the water services infrastructure.

If capital expenditure is budgeted for two or all of the purposes in described above, the expenditure may be treated as if it were budgeted solely in relation to the primary purpose of the expenditure.

Funding impact statements

The strategy must include – for each group of water services activities – a funding impact statement for each financial year to which the strategy relates.

A funding impact statement must be in the prescribed form, and identify:

- the sources of funding to be used by the water service provider;
- the amount of funds expected to be produced from each source; and
- how the funds are to be applied.

The forms for the funding impact statement will be prescribed in regulations. These will be based on similar forms for groups of activities funding impact statements in the Local Government (Financial Reporting and Prudence) Regulations 2014 (which will cease to apply to water services groups of activities once the new regulations are in place).

Water services infrastructure¹⁸

A water services strategy must outline the most likely scenario for managing the water service provider's water services infrastructure assets over a period of at least 30 years and, in that context, must:

- include estimates of the projected capital and operating expenditure associated with managing those assets:
 - in each of the first 10 financial years covered by the strategy; and
 - in each subsequent period of 5 financial years covered by the strategy; and
- identify, for each period described above:
 - any significant decisions about capital expenditure the provider expects it will be required to make;
 - when the provider expects it will be required to make those decisions;
 - for each decision, the principal options the provider expects it will have to consider;
 - the approximate scale or extent of the costs associated with each decision.

Links with council infrastructure strategies under the LGA02

The above content of the water services strategy (as well as information on some of the assumptions described below) is similar to the information and time periods that were previously covered in council infrastructure strategies under the LGA02.

Information on water services infrastructure that is required to be included in a water services strategy cannot be included in council infrastructure strategies (under section 101B of the LGA02). However, a council infrastructure strategy may include general information on water services infrastructure if that information is part of, or desirable to support, an integrated approach to infrastructure planning in the council's district.

Information on forecasting assumptions and risks¹⁹

A water services strategy must, in relation to any forecast financial statements and financial estimates included in the strategy:

- identify all the significant forecasting assumptions and risks underlying the financial estimates, and (without limiting this) identify the following assumptions on which the financial estimates are based:
 - assumptions concerning the life cycle of significant water services infrastructure assets;
 - assumptions concerning sources of funds for the future replacement of significant water services infrastructure assets;

¹⁸ Clause 7 of Schedule 3 of the Act.

¹⁹ Clause 8 of Schedule 3 of the Act.

- in relation to the scenario referred to in clause 7 of Schedule 3, the assumptions about growth or decline in the demand for relevant services, and increases or decreases in relevant levels of service;
- in any case where significant forecasting assumptions involve a high level of uncertainty, identify the nature of that uncertainty, and include an outline of the potential effects of that uncertainty on the financial estimates provided.

Consumer feedback²⁰

A water services strategy must include information about how the water service provider proposes to obtain feedback from consumers in relation to the water services that the water service provider provides to them. The results are then included in the water services annual report (see below).

As the wording of the provision indicates, the intent is that a council provider would have mechanisms and processes for gathering consumer feedback on the services they receive (in addition to complaints data) – and for addressing any significant matters raised in the feedback.

This is about understanding the consumer experience – not engagement with consumers or communities about the proposals in a water services strategy or other matters.

Audit of water services strategies

Under section 239 of the Act, a water service provider:

- **must** request a report from the Auditor-General on the provider's water services strategy if the Secretary for Local Government requires the provider to do so (by written notice);
- **may** request a report from the Auditor-General on the provider's water services strategy if the provider decides, on its volition, to do so.

If a water service provider requests a report from the Auditor-General, it must do so at least 12 months before the date by which the provider must adopt the water services strategy.

A report from the Auditor-General provided under this section:

- must comment on:
 - whether the strategy gives effect to the purpose of a water services strategy (see section 232); and
 - the quality of the information and assumptions underlying the forecast information provided in the strategy; but
- must not comment on the merits of the policy content of the strategy.

²⁰ Clause 4 of Schedule 3 of the Act.

If the Auditor-General provides a report to a water service provider, the provider must include the report in its water services strategy.

Water services annual budget²¹

For the first financial year of a water services strategy, the following documents must be treated as being the water service provider's water services annual budget adopted for that year:

- the forecast financial statements included in the provider's water services strategy under clause 5(1) and (2)(d) of Schedule 3;
- the funding impact statement included in the provider's water services strategy under clause 5(2)(e) and (9) of Schedule 3.

For each financial year that is not the first financial year to which the provider's water services strategy relates, a water service provider must:

- prepare a water services annual budget; and
- adopt that annual budget before the start of the financial year to which the budget relates; and
- publish the annual budget in accordance with section 223 of the Act.

As clarified in section 242 of the Act, water service providers are not required to consult on a water services annual budget.

Contents of water services annual budget

A water services annual budget must, for the relevant financial year, contain:

- the water service provider's proposed budget, including:
 - for a council provider, any rates proposed to be set under the Local Government (Rating) Act 2002;
 - fees and charges;
 - financial statements (as described in clause 5(1) and (2)(d)(i) to (iii) of Schedule 3); and
 - a funding impact statement (as described in clause 5(2)(e) and (9) of Schedule 3);
- any information that the water service provider is required to publicly disclose in the water services annual budget under Part 4 of the Commerce Act 1986; and
- an explanation of any significant variation between the information in the annual budget and the corresponding information in the water services strategy for the financial year.

²¹ This part of this document relates to sections 240 to 242 of the Act.

The annual budget must be consistent with the provider's intended approach to funding, revenue, and pricing for the financial year, as set out in its water services strategy (see clause 5(2)(a) of Schedule 3 of the Act).

Information included in a water services annual budget must be consistent with any applicable requirements or determinations issued by the Commerce Commission under Part 4 of the Commerce Act 1986.

All information that is included in a water services annual budget must be prepared in accordance with generally accepted accounting practice if that information is of a form or nature for which generally accepted accounting practice has developed standards. However, this requirement does not apply:

- if Part 4 of the Commerce Act 1986 makes alternative requirements; or
- to a funding impact statement that is included in the budget (see clause 5(2)(e) and (9) of Schedule 3).

Water services annual report²²

A council water service provider must, in relation to each financial year, prepare and adopt a water services annual report that reports on the council's water services operations during that financial year. As the statutory purpose of the report indicates, this is an important accountability document for the council and its communities.

The council provider must adopt the water services annual report, by resolution, no later than **four months** after the end of the financial year to which it relates.

Section 245(4) of the Act clarifies that a council provider may include its water services annual report in its annual report prepared and adopted under section 98 of the LGA02 if, in doing so:

- the purposes of both annual reports are met; and
- the content relating to providing water services forms a discrete part of the annual report.

Purpose of the water services annual report

The purpose of a council water service provider's water services annual report is:

- to compare the council's intended activities and intended performance levels for providing water services, as set out in its water services strategy for the financial year, with the actual activities and performance levels;
- to provide transparency of the council's activities, performance, and decisions in relation to providing water services; and

²² This section of this document relates to sections 243, 246 and 247, and Schedule 4 of the Act.

- to promote the council's accountability to its communities in relation to the decisions it has made in the financial year that relate to providing water services.

Content of the water services annual report

A water services annual report for a financial year must contain:

- the information specified in Schedule 4 of the Act (see below);
- any information that the water service provider is required to publicly disclose in a water services annual report under subpart 4 of Part 4 of the Commerce Act 1986; and
- a report by the Auditor-General on:
 - the financial statements required by clause 2(1)(b) of Schedule 4;
 - the statement relating to budgeted and actual capital expenditure required by clause 4 of Schedule 4;
 - the funding impact statement required by clause 5 of Schedule 4; and
 - each statement of service required by clause 7 of Schedule 4.

Information included in a water services annual report must be consistent with any applicable requirements or determinations issued by the Commerce Commission under Part 4 of the Commerce Act 1986.

All information that is included in a water services annual report must be prepared in accordance with generally accepted accounting practice, if that information is of a form or nature for which generally accepted accounting practice has developed standards. However, this requirement does not apply:

- if Part 4 of the Commerce Act 1986 makes alternative requirements; or
- to a funding impact statement included in the annual report.

General information²³

A water services annual report must contain information that will enable a person to make an informed assessment of the water service provider's operations and performance, including information that:

- compares the provider's intended activities and intended performance levels, as set out in the provider's water services strategy for the financial year, with the actual activities and performance levels; and
- explains any material differences between the provider's performance and the provider's water services strategy.

²³ Clause 1 of Schedule 4 of the Act.

A water services annual report must, in relation to each group of water services activities of the water service provider:

- identify the water services activities within the group of water services activities;
- identify the outcomes and objectives to which the group of water services activities primarily contributes (as referred to in the provider's water services strategy); and
- report the results of any measurement undertaken during the financial year of progress towards achieving those outcomes and objectives.

Financial statements²⁴

A water services annual report must include the following information for the relevant financial year:

- a complete set of audited financial statements for the provider that is prepared as if the council were a separate water service provider;²⁵
- for each group of water services activities:
 - a statement of comprehensive revenue and expense;
 - a statement of cash flows;
 - a statement of financial position;²⁶ and
- any other prescribed information (which must be in the prescribed form).

This information must be presented in a way that allows a person to compare the financial statements with the forecast financial statements for the financial year covered by the report (which were included in the provider's water services strategy or water services annual budget).

The report must also include the financial statements that were prepared for the financial year immediately preceding the first financial year to which the report relates.

Information on capital expenditure²⁷

A water services annual report must include, for each group of water services activities, an audited statement that compares:

- the capital expenditure budgeted for the provider (as set out in the provider's water services strategy for the financial year); with
- the capital expenditure that the provider actually spent in the financial year.

²⁴ Clause 2 of Schedule 4 of the Act.

²⁵ As noted earlier in this document in relation to the forecast financial statements contained in the water services strategy, this means that the financial statements for a council water service provider are separate from the rest of the council's operations.

²⁶ As a transitional measure, similar statements must be included in council annual reports under the LGA02, for the 2026/27 financial year – to help support the intent for 'ring-fencing' of each water service, and the financial principles in section 18 of the Act. These requirements are explained later in this guidance document.

²⁷ Clause 4 of Schedule 4 of the Act.

The statement must show separately the provider's budgeted expenditure, and the provider's actual expenditure:

- to meet any additional demand for a group of water services activities;
- to improve the level of service in relation to a group of water services activities; and
- to replace any assets that are part of the water services infrastructure.

If capital expenditure is budgeted for two or all of the purposes referred to above, the expenditure may be treated as if it were budgeted solely in relation to the primary purpose of the expenditure.

Funding impact statement²⁸

A water services annual report must include, for each group of water services activities, an audited funding impact statement that:

- identifies the water service provider's funds produced by each source of funding;
- specifies how those funds were applied; and
- compares the information provided above with information included in the water service provider's water services strategy.

The funding impact statement must be in the prescribed form. As noted above in relation to the water services strategy, the forms for funding impact statements will be prescribed in regulations.

Statement of service – information on levels of service²⁹

A water services annual report must include, for each group of water services activities, an audited statement of service that:

- compares the actual level of service provided in relation to each group of water services activities with the intended service level;
- specifies whether any intended changes to the service levels were achieved; and
- if there is a significant difference between the intended service level and the service level that was achieved, specifies the reasons for that difference.

Results of consumer feedback³⁰

A water services annual report must include information relating to:

- the results of any feedback sought from the water service provider's consumers in relation to the water services provided to them, as referred to in the provider's water services strategy (see clause 4 of Schedule 3); and

²⁸ Clause 5 of Schedule 4 of the Act.

²⁹ Clause 7 of Schedule 4 of the Act.

³⁰ Clause 9 of Schedule 4 of the Act.

- how the provider addressed, or proposes to address, any significant matters raised in the feedback.

Insurance of assets³¹

A water services annual report must include the following information in relation to the water service provider:

- the total value of the assets in the water services infrastructure that are owned by the water service provider and that are insured;
- the maximum total amount for which those assets are insured;
- the total value of the assets in the water services infrastructure that are owned by the water service provider, and covered by a financial risk-sharing arrangement;
- the maximum total amount available to the water service provider under those risk-sharing arrangements;
- the total value of the assets in the water services infrastructure that are owned by the water service provider, and self-insured;
- the value of any fund that the water service provider maintains for the purpose of self-insuring those assets.

Statement of compliance³²

A water services annual report must include a statement that all statutory requirements in relation to the water services annual report have been complied with.

The statement of compliance must be signed by the mayor and the chief executive of the council.

Links with council significance and engagement policies³³

Under section 34 of the Act, a council must amend its significance and engagement policy (adopted under section 76AA of the LGA02) to suit the council's role, and any changes to its role, as:

- a water service provider; or
- a shareholder in a water organisation.

There are a number of aspects of the Act that are relevant to council significance and engagement policies. Where a council is a water service provider, its policy will need to be updated to cover these matters.

³¹ Clause 6 of Schedule 4 of the Act.

³² Clause 8 of Schedule 4 of the Act.

³³ Sections 34 to 38 of the Act, and section 76AA of the LGA02.

As noted earlier in this document, the significance and engagement policy may help a council water service provider to determine whether an amendment to its water services strategy is significant and warrants consultation.³⁴

Under section 31 of the Act, a council must use its significance and engagement policy to help determine:

- whether an amendment to a change proposal is significant for the purposes of subsection 31(1)(b)(i);
- the significance of a change proposal for the purposes of subsection 31(3)(b);
- if the council has determined a change proposal to be significant under the policy, matters of engagement that support consultation requirements under this section and section 32; and
- for the purposes of section 28(1), whether:
 - an asset is a strategic water services asset; and
 - a proposed change to the level of service provided is significant.

In addition, a council's significance and engagement policy is relevant to considerations about whether:

- a proposed contract is a significant contract under section 24 of the Act;
- a proposed joint water service provider arrangement is a significant arrangement under section 27 of the Act.

The significance and engagement policy must address all matters necessary for determining whether a proposed contract or joint water service provider arrangement are significant, and how to undertake engagement in a way that is consistent with sections 31 and 32 of the Act.

With regard to contracts, the policy must contain all criteria needed for determining whether a proposed contract is a significant contract, and those criteria must include:

- whether the proposed contract is of high value relative to the revenue that the provider receives from providing the water service to which the contract relates;
- whether the proposed contract will create a public-private partnership;
- all matters that are essential to the provider's ability to meet its obligations under the Act in relation to the water service to which the contract relates;
- any relevant thresholds (for example, the value of the contract).

³⁴ Section 237 of the Act.

Timeframes and transitional arrangements

The provisions in the Act commenced on the day after Royal assent – and all of the obligations and requirements applied to council water service providers from that point (including the objectives and financial principles in sections 17 and 18 of the Act). However, this does not mean the new documents in Part 4 had to be prepared immediately.

As outlined below, transitional provisions in **Schedule 1 of the Act** set out the dates associated with the first water services strategy and water services annual report. These provisions apply to existing water service providers – that is, councils, Watercare, and any other CCOs that automatically became water service providers following enactment. (There are separate provisions in Part 4 for the first documents of any new water organisations established after the Act commences.)

Transitional provisions have also been inserted into **Part 10 of Schedule 1AA of the LGA02** to deal with the interactions with certain LGA02 documents during the interim period. For councils that automatically became water service providers under the new Act, these provisions mean:

- the consequential amendments to sections 93, 95, 101B, and Schedule 10 of the LGA02³⁵ do not apply to until they prepare/adopt their first water services strategy under the Local Government (Water Services) Act;
- council annual reports for the 2026/27 financial year will need to include specified financial statements for water services activities (described further below).

Timing of first water services strategy and annual report

Schedule 1 of the Act includes transitional arrangements that set out the timing of water service providers' first water services strategy and first water services annual report.

The transitional provisions apply to all council water service providers, and any water organisations that existed before the enactment of the Act in August 2025 (Watercare and any other former water services CCOs).

Under the provisions in Schedule 1, each water service provider must prepare and adopt its **first water services strategy** (under Part 4 of the Act) **no later than 30 June 2027** – but there is flexibility to accommodate situations where the provider wants the strategy to commence earlier.

The first strategy must come into force on the earlier of:

- 1 July 2027;
- a date determined by the water service provider when it adopts the strategy.

³⁵ These amendments reflect that most of the information on water services that had previously been included in council long-term plans, annual plans, and infrastructure strategies under the LGA02 are included in the water services strategy instead – and are intended to help manage the intersections between the two pieces of legislation.

Regardless of the commencement date of the first strategy, it must continue in force until 30 June 2030. This puts the timing of all providers' subsequent strategies on the same cycle – and aligns with council long-term planning cycles under the LGA02.

The **first water services annual report** corresponds with the first water services strategy.

If a water service provider's first water services strategy comes into force on or before 31 December 2026, the provider must prepare its first water services annual report for the period:

- starting on the date on which the water services strategy comes into force; and
- ending on 30 June 2027.

If a water service provider's first water services strategy comes into force on or after 1 January 2027, the provider must prepare its first water services annual report for the period:

- starting on the date on which the water services strategy comes into force; and
- ending on 30 June 2028.

Transitional provisions relating to financial statements – information to be included in council annual reports for 2026/27

As noted earlier, transitional requirements for “ringfenced” financial statements on water services apply to council annual reports adopted under section 98 of the LGA02 for the financial year ending on 30 June 2027.

These new requirements are contained in **clause 60 of Schedule 1AA of the LGA02**. They mean that, in addition to the information required by Part 3 of Schedule 10 of the LGA02, the annual report must include:

- a statement of comprehensive revenue and expense;
- a statement of cash flows; and
- a statement of financial position.

These statements must be included separately for each group of water services activities provided by the council, and aggregated for all water services provided by the council.

These transitional requirements apply to all council water service providers for the 2026/27 annual report, except where:

- a council is preparing a water services annual report for the period ending on 30 June 2027 under clause 6(2) of Schedule 1 of the Local Government (Water Services) Act – because the council decided to move to the new planning and reporting framework for water services in that Act ahead of the statutory deadline,³⁶ or
- they are not relevant because a council is not the water service provider for any water services for any part of the 2026/27 financial year. This could occur where a council has established a water organisation and transferred responsibilities for providing water services to that organisation – and the water organisation has a water services strategy and water services annual report for the 2026/27 financial year under Part 4 of the Local Government (Water Services) Act.

Further information

The Local Government (Water Services) Act 2025 and Local Government (Water Services) (Repeals and Amendments) Act 2025 are available at www.legislation.govt.nz.

For further information about Local Water Done Well, including guidance and information for councils, visit www.dia.govt.nz/Water-Services-Policy-and-Legislation

Questions? Contact wmdp@dia.govt.nz

³⁶ Clauses 5 and 6 of Schedule 1 of the Act provide for the timing of the first water services strategy and first water services annual report. The first strategy must be adopted by 30 June 2027 – to come into force on 1 July 2027. However, it may come into force earlier. If it does, the water services annual report (or reports) must cover the earlier periods.