

Water Services Delivery Plans – Frequently Asked Questions

This FAQ document has been developed to support local authorities to develop Water Services Delivery Plans (Plans) 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.

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Plan development process

1. Why are Water Services Delivery Plans (Plans) needed?

Plans are a requirement under the Act. Through the development of Plans, councils will provide an assessment of their water infrastructure, how much they need to invest, and how they plan to finance and deliver it through their preferred water service delivery model.

Plans are a way for councils to demonstrate their commitment to deliver water services that meet regulatory requirements, support growth and urban development, and that are financially sustainable.

2. Do all councils have to develop a Plan?

Yes, all territorial authorities must prepare a Plan. This includes all district and city councils, and unitary authorities, and excludes regional councils.¹

Plans can be developed by individual councils, or joint with other councils if they propose to deliver water services through a joint arrangement.

3. What information do Plans need to cover?

Plans will cover information across three key areas: financial and asset information, investment required, and service delivery arrangements. They must cover information about all water services (drinking water, wastewater and stormwater).

Section 13 of the Act outlines what information is required to be included in Plans. Section 14 of the Act outlines what additional information is required for joint Plans.

The Department has provided a Plan template and a financial projections template to help councils ensure their Plans comply with the information requirements under the Act.

¹ Note Wellington Regional Council, which has a role in bulk water supply in the Wellington region, may be involved in a joint arrangement with other councils and a party to a joint Plan.

4. When do Plans need to be submitted?

Councils have 12 months from the date of the enactment of the Act to prepare and submit their Plans. Plans must be submitted to the Secretary for Local Government by 3 September 2025, unless an extension is granted.

5. Under what grounds will extensions be granted?

A council or group of councils working towards a joint Plan can apply to the Minister of Local Government for an extension to the submission deadline for a Plan.

Reasons the Minister may grant an extension include:

- To enable a council to consult its communities in relation to a joint Plan
- To conclude a negotiation required to form or join a joint arrangement as proposed under a joint Plan
- To enable a council to submit an individual Plan where this cannot be completed by the submission date due to attempting unsuccessfully to form or join a joint arrangement.

Further information about extensions is available in the *Guidance for preparing Water Services Delivery Plans*.

6. How does my council apply for an extension?

Applications for extensions can be sent directly to the Minister or the Department via email at wsdp@dia.govt.nz.

Extension applications can be made until 3 August 2025 (one month before Plans are due to be submitted) and must be submitted in the form specified by section 19 of the Act.

Further information about applying for an extension is available in the *Guidance for preparing Water Services Delivery Plans*.

7. What support is available to help my council produce a Plan?

The Department is available to support councils in the development of their Plans. This includes holding virtual information sessions with councils to provide information and guidance, and providing technical support, such as with Council led financial analysis.

If councils or groups of councils need further support, they can ask the Minister of Local Government to appoint a Crown Facilitator or Crown Water Services Specialist (at the council's expense) by making a request in writing.

Further information is available in the *Guidance for preparing Water Services Delivery Plans*.

8. What if my council is unable to produce an acceptable Plan?

The Secretary for Local Government can only accept a Plan if it complies with the Act. If a submitted Plan does not comply with the Act, the Secretary must either require a council or group of councils to amend the Plan and resubmit it by a specified date or notify the council(s) that the Plan has not been accepted and the reason for that decision.

Where a Plan is returned for resubmission, the council(s) must comply with the requirement to amend and resubmit the Plan by the date specified.

Where a Plan is not submitted in accordance with the Act, or a resubmitted Plan does not meet the requirements of the Act, the Minister of Local Government may appoint a Crown Water Services Specialist (at the council's expense).

A Crown Water Services Specialist can prepare a Plan for the council(s), direct the council(s) to adopt a specified Plan (which may be a Plan that the Crown Water Services Specialist has prepared), or direct the council(s) to submit a specified Plan to the Secretary.

9. Does my council have to use the Plan templates to develop my Plan?

The Department has developed a Plan template and financial projections template to help councils ensure their Plans meet the requirements under the Act.

While use of the templates is not a requirement, we encourage councils use them to prepare their Plans to ensure they cover the core elements of Plans required under the Act and apply the relevant information and measures to assess the financial sustainability of water services.

10. What does the implementation plan for my Plan need to cover?

Plans must include an implementation plan that sets out how the council will deliver the new model or arrangements for delivering water services that is proposed in their plan.

Implementation plans need to include the process for delivering the proposed model or arrangements, a commitment to give effect to the proposed model or arrangements once the Plan is accepted, and the timeframes and milestones for delivering the proposed model or arrangements.

Further information about implementation plans is available in the *Guidance for preparing Water Services Delivery Plans*.

11. Are decisions on a Plan 'locked-in' or can these be revisited if required?

Councils can submit an amended Plan within 24 months of the Act coming into force, under limited circumstances, such as 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.

Further information about amending a Plan is available in the *Guidance for preparing Water Services Delivery Plans*.

12. How will new wastewater standards affect councils' development of Plans?

The Plans need to be prepared based on assessment of councils current or future regulatory compliance. The assessment of future regulatory requirements is limited to foreseeable requirements, particularly those that will impact on investment requirements.

This could include existing consents that may have been in place for many years, where it is expected when they are renewed that further require investment to enable water infrastructure to be upgraded to meet the regulatory requirements.

We encourage councils to get in touch with the Department and the Water Services Authority – Taumata Arowai if they have questions about this and would like to discuss their specific circumstances.

13. Is there any funding available to councils to help them complete their Plans?

Due to the current fiscal environment, the Government will not be providing any new funding to support the development of Plans.

Councils should use any remaining Council Transition Support funding for this work, or any unspent Better Off funding. If a council wishes to redirect unspent Better Off funding towards the preparation of their Plan, please contact the Department to action this.

The Department is available to provide technical support to councils where required. This includes the provision of guidance and templates. We encourage councils to get in touch with us at the earliest opportunity if they are having challenges completing their Plans.

14. The guidance notes there will be three-monthly council/Department updates to monitor progress. What will these updates involve?

These three-monthly updates are intended to ensure that Department is in regular contact with councils, to 'check in' with them to see how they're progressing with their Plans. This is not a formal reporting requirement.

Our expectation is that all councils will nominate a Plan 'lead' who the Department can contact by phone or email for progress updates. Unless otherwise advised the Department will assume the Plan lead will be the council's chief executive.

15. How do you recommend councils' approach developing an individual or a joint Plan – do you suggest populating the template on an individual basis first?

Yes, as a first step we recommend each council work through the Plan template to understand their own position on financial sustainability. This can then inform further discussions about joint arrangements and can form part of joint Plans.

If councils are intending to develop a joint Plan, we recommend they contact the Department to discuss their approach to developing joint or aggregated asset and financial information data, such as financial projections to ensure that the joint plan will comply with the requirements of the Act.

16. If councils focus on developing an individual Plan in the first instance (within the timeframe) is there then scope/time to develop a joint Plan?

The Department recommends each council work through the Plan template to understand their own position on financial sustainability in the first instance, ideally within the first three months, to help inform next steps and discussions about joint arrangements.

We also recommend that councils consider whether they may need to apply for an extension early-on, particularly if they plan to enter a joint arrangement with other councils and prepare and submit a joint Plan.

17. For councils that are doing an LTP during this period, should this match our Plan? How does this work if the Plan takes more time to be approved?

The expectation is that LTPs are the 'base' document in the first instance. Councils should be relying on the financial projections in their LTPs to produce their Plans. We recommend that councils that have deferred the LTPs should contact the Department to discuss opportunities to align the two documents.

18. How long does the Department expect councils will need to prepare and populate their Plans?

The timeframe for preparing Plans will vary based on councils' individual circumstances, including the size and scale of a council's water services, and the degree of separation of existing water services from other council business. These factors will ultimately determine the time required to prepare and make decisions on the relevant information to develop a Plan.

The majority of information required for the Plans is expected to come from councils' existing documents, such as long-term plans, financial accounts and asset management plan. They have been designed in this way – aligned with information councils already collect – to minimise work required by councils. In addition, the guidance and templates provided by the Department provide a common methodology that councils can apply to meet the legislative requirements.

Plan consultation requirements

19. Does my council need to consult on the draft Plan?

Councils are not required to consult on their draft or final Plan, however they are required to consult on their anticipated or proposed arrangements/model for delivering water services. This includes when:

- Retaining their existing arrangements or model for delivering water services
- Establishing, joining or amending CCOs or joint local government arrangements for delivering water services.

Consultation must be completed before Plans are submitted to the Department.

The consultation must be undertaken in accordance with the consultation and decision-making requirements set out in section 61-64 of the Act (the 'alternative requirements' to the requirements set out in the Local Government Act 2002) and other relevant requirements in the Local Government Act 2002 (except as provided in the alternative requirements).

Councils that choose not to use those provisions will need to comply with relevant consultation requirements in the Local Government Act 2002.

While councils are not required to consult on their Water Services Delivery Plan more generally, they may choose to do so. The consultation must be undertaken in accordance with the alternative requirements set out in Part 3 of the Act.

Further information about consultation requirements is available in the *Guidance for preparing Water Services Delivery Plans*.

20. Will my council need to reconsult on our LTP?

If councils are required to amend their LTP to give effect to delivery model or a joint arrangement, councils may need to consult on those amendments to the LTP.

Councils are not required to consult on an LTP amendment if:

- The council has already consulted its community in relation to the proposal;

- The council is satisfied that its community has a good understanding of the implications of the proposal; and
- The council is satisfied that it understands its community's views on the proposal.

Councils may use the alternative requirements set out in Part 3 of the Act to consult on an amendment to their LTP (if required), or the relevant consultation requirements in the Local Government Act 2002.

Further information about consultation requirements is available in the *Guidance for preparing Water Services Delivery Plans*.

21. If a council is looking to maintain their 'status quo' arrangements for water services delivery, do the consultation requirements still apply?

Yes, even if a council is intending to retain its current arrangements, they will still need to consult on their proposed model for delivery water services.

Further information about consultation requirements is available in the *Guidance for preparing Water Services Delivery Plans*.

22. What information do councils need to make publicly available, as part of their consultation documentation?

Section 64 sets out the information requirements for consultation. This includes providing information about:

- The proposed model or arrangements for delivering water services
- An analysis of at least two options (including the proposed arrangements/model)
- Potential impacts of proceeding or not proceeding with the proposal, including on rates, debt, levels of service, and any charges for water services
- The implications for communities, if the proposal involves establishing, joining, or amending a joint water services CCO or a joint local government arrangement.

23. Are councils required to consult on the status quo as well as their proposed arrangements/model for delivering water services?

No, councils are only required to consult on their anticipated or proposed arrangements/model for delivering water services.

However in their consultation documentation, councils must identify and assess the advantages and disadvantages of at least two options (including their proposed arrangements/model). They are not required to consult on this information.

24. What are the audit requirements associated with consultation on new models?

There are no audit requirements in relation to consultation undertaken in accordance with the Part 3 of the Local Government (Water Services Preliminary Arrangements) Act 2024. If councils choose to consult using the provisions under the Local Government Act 2002, they will need to comply with the relevant audit requirements under that Act.

25. Is there any review required to verify the information that councils make available, as part of their consultation documentation? (For example, the advantages and disadvantages of delivery models, and the potential impacts of proceeding or not proceeding with the proposal.)

This information will need to form part of a Plan (and be made publicly available, as part of consultation documentation). Council chief executives will be required to certify that information in the Plan is true and accurate, and complies with the Act.

26. Will councils' Plans, and their associated consultation processes, be audited?

The Plan template asks councils to describe the consultation process. When Plans are submitted the Department will be reviewing them on behalf of the Secretary for Local Government. The Department may seek expert advice on aspects of a Plan, but this is not a formal audit process.

Financial sustainability and financial considerations

27. What does financially sustainable water services mean?

Financial sustainability means water services revenue is sufficient to meet the costs of delivering water services. The costs of delivering water services include meeting all regulatory standards, and long-term investment in water services.

How councils' approach achieving financial sustainability can be different depending on local circumstances and require councils to consider the balance between three key factors.

These factors are:

- Revenue sufficiency – is there sufficient revenue to cover the costs (including servicing debt) of water services delivery?
- Investment sufficiency – is the projected level of investment sufficient to meet levels of service, regulatory requirements and provide for growth?
- Financing sufficiency – are funding and finance arrangements sufficient to meet investment requirements?

Further information about financial sustainability is available in the *Guidance for preparing Water Services Delivery Plans*.

28. Is there flexibility on the timeline to achieve financial sustainability by 2028?

The Act requires that councils provide an explanation of what the council proposes to do to ensure that the delivery of water services will be financially sustainable by 2028.

Where a council is proposing to deliver water services itself (not as part of a joint arrangement) the council's implementation plan must also set out the action the council will take to ensure its delivery of water services will be financially sustainable by 30 June 2028.

If a Plan is not able to demonstrate that financial sustainability will be achieved by 30 June 2028, the Secretary could refer the Plan back to the council for amendment and consider appointing a Crown Water Services Specialist to work with the council.

Councils that are concerned about their ability to produce a Plan that achieves financial sustainability by 2028 should contact the Department so we can provide support and assistance to ensure they have considered all options to reach financial sustainability by 30 June 2028.

29. How is financial sustainability balanced against affordability? Does the financial sustainability assessment include assessment of affordability?

Local Water Done Well enables water services to be delivered in a financially sustainable manner, while ensuring water charges are affordable for consumers.

The structural and financing options available under Local Water Done Well will enable councils to evaluate the impact of different service delivery models on the affordability of water charges for consumers.

When considering the three factors involved in achieving financial sustainability (revenue sufficiency, investment sufficiency and financing sufficiency), councils should keep affordability of water charges front-of-mind. The affordability of water charges will be a function of revenue requirements, which in turn will be determined by the projected operating costs of service and the proposed levels of investment and service.

The way these factors interact, and the choices councils' make around delivery models and financing to deliver benefits for consumers, should be determined at a local level.

30. What guidance is available for councils who may not find a partner with others, or be able to prepare a financially sustainable Plan on their own?

We recommend that councils that are concerned about their ability to produce a financially sustainable Plan contact the Department at the earliest opportunity.

The Department is committed to working with councils to support them to identify and consider all of the options available to develop a financially sustainable Plan.

Councils can also request that a Crown Facilitator be appointed (at their own expense) to assist with the identification and development of solutions that address financial sustainability or affordability issues. This includes working across a group of councils to facilitate or negotiate a joint Plan if those councils would benefit from someone external to help 'broker' and coordinate this during the Plan development process.

31. Can development contributions be charged by water CCOs? How do councils apply ringfencing when it comes to development contributions?

Fundamentally, ringfencing is at a high level and means that revenue for an activity is to be used for that activity. The provisions for development contributions in the Local Government Act are already quite prescriptive in that they are a mechanism for funding for work required for growth.

The intention is that water CCOs will continue to be able to charge for growth via councils' current development contributions policies and for Plans to be consistent with these policies, with the key difference being that water is separated out and ringfenced. The intention is for Local Water Done Well to be aligned with any upcoming policy changes to growth charging (for example via work by the Ministry of Housing and Urban Development on Going for Housing Growth).

When it comes to what level of revenue should be ringfenced, the Local Government Act already provides for development contributions revenue to be 'ringfenced' according to the activity. However, the extent of the breakdown of the council's record keeping will depend on the breakdown and structure of its growth charges.

If the charges are only at the activity level, then that is appropriate. If the council's development contributions policy is more granular, for example, area based and/or project based then it will need to keep records at a level that complies with that granularity. However, note this relates to councils' record keeping, rather than financial accounting.

32. If an in-house business unit for water is established, 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?

If in-house water services are to be pursued, the councils' maximum ability to borrow for water and non-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, as is the case currently.

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 where an in-house delivery model is proposed, 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.
- Ensure 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).

Broader Local Water Done Well questions

33. What will the streamlined transfer arrangements look like?

The Local Government Water Services Bill will set out provisions that enable the efficient and effective transfer of ownership, powers, assets, liabilities, and staff to new delivery models.

This legislation is currently under development and is expected to be introduced by December 2024.

The Department will prepare guidance material to support implementation of Local Water Done Well, following the enactment of the Bill. This is expected to be in mid-2025.

34. Will the legislation enable water CCOs to take over stormwater assets where these are currently owned by the regional council, and the CCO is owned by the district council?

No. Any transfer of assets to a water CCO would need to be determined by the shareholders of the CCO, and the individual councils that own those assets. A CCO with territorial authorities as shareholders could not transfer stormwater assets that are currently owned by a regional council to a water CCO, unless the regional council agrees to that transfer.