

The future of water services delivery

The Water Sector's Persistent Challenges

The water sector's challenges are well known, long-standing, and increasingly interconnected.

Historic underinvestment and access to capital

Many of New Zealand's water networks suffer from decades of insufficient investment. Ageing pipes, leaks, and inefficient systems are widespread. Councils struggle to finance necessary upgrades as revenue sources are limited (rate hikes face public resistance, and water metering is not commonplace). There is a tension between affordability and ensuring safe, high-quality drinking water as a public good. Without sustainable funding models, service delivery remains at risk.

Public health and environmental considerations

Water quality issues have serious public health consequences. Ageing infrastructure has increased the risk of unsafe drinking water, while wastewater overflows further threaten public health. The Havelock North contamination, along with frequent boil water notices in regions like Central Otago, South Wairarapa, and the Far North, highlight how widespread these issues are. Fluoridation of water also remains a topic of public debate, often making headlines. The environmental effects of stormwater and wastewater discharges are coming under increasing scrutiny. Addressing these risks requires strong governance and investment in monitoring.

Climate resilience

Climate change is increasing pressure on water systems. Rising sea levels threaten infrastructure in coastal areas. Extreme weather events are more frequent and severe. Stormwater networks are often overwhelmed, leading to flooding in residential areas and raw sewage discharges. Conversely, droughts reduce water availability, putting stress on supply systems and irrigation networks. These issues require resilience planning and investment in infrastructure adaptation.

Stakeholder voice

Managing stakeholders is complex. Water governance involves central government, local councils, and regulatory bodies. Councils—and eventually, water organisations—must balance financial constraints with public expectations. It is important that both consumers and tangata whenua are engaged in decision-making. Iwi and hapū have legitimate interests in water governance under Te Tiriti o Waitangi. Effective stakeholder engagement is essential for sound decision-making and long-term water management.

Structural uncertainty

The water sector has found itself the centre of protracted debate over how it should be structured. The Government has a bill currently at a select committee, under which local authorities will set their own path according to five different big-picture options. What delivery model best serves each local area may yet take some time to evolve, and there may be a need for bespoke arrangements to reflect the different positions and interests of partnering councils (e.g., some will have more debt headroom and/or a lower ratepayer base relative to others). But what is for sure is that water services across the country are in for a period of upheaval and re-invention.

A new framework for water services

The water sector is undergoing significant reform under the Local Water Done Well programme. This initiative is reshaping how water services are governed and delivered across New Zealand.

Legislative framework

Local Water Done Well is being implemented in three stages, each with its own piece of legislation.

1. Repeal of previous water services legislation (*completed*)
2. Establish framework and preliminary arrangements for the new water services system (*completed*)
3. Establish enduring settings (*currently before parliament*).

The Local Government (Water Services) Bill is the key piece of legislation establishing enduring governance and operational settings for water service delivery. It had its first reading on 17 December 2024 and was referred to the Finance and Expenditure Committee. Public submissions closed on 23 February 2025.

Service delivery models

Councils will need to decide how to structure their water services in the future. The Local Government (Water Services) Bill outlines five possible models:

- **Option 1:** Internal council business unit
- **Option 2:** Council-owned water organisation
- **Option 3:** Multi-council owned water organisation
- **Option 4:** Mixed ownership/consumer trust model
- **Option 5:** Consumer trust ownership.

By 3 September 2025, councils must submit Water Service Delivery Plans (WSDPs). These one-off, transitional plans—required under the Local Government (Water Services Preliminary Arrangements) Act 2024—will outline future service arrangements and commit councils to an implementation approach. After choosing a broad direction of travel from the options above, there will be further design, structuring, funding and governance choices to work through, and (where relevant) more detailed negotiations to be had between partnering councils.

With legislation still in progress and key decisions ahead, councils, regulators, and communities need to plan for the transition while maintaining a focus on long-term water service sustainability.



Questions decision-makers should be asking

Given the challenges ahead, decision-makers should be thinking hard about how they navigate the evolving regulatory landscape. We set out a number of questions we think decision-makers should be asking below, as a starting point.

Implementation / operation considerations in setting up a new entity

1. Which service delivery model is the most appropriate, and can it demonstrate 'financial sustainability' by 2028? (This may require consideration of longer term options as well – e.g., some entity models will be easier to merge together than others).
2. Which services / assets are being transferred to the new entity? (All three 'waters', or will the council(s) retain responsibility for stormwater but contract with the new entity to provide management services?)
3. Which council functions and powers will be transferred to the new entity, and which will be kept in-house?
4. Which employees will be transferred to the new entity? Will some employees work across both the entity and council?
5. How will the relevant assets / services be valued, and what are the implications of transferring ownership of specific assets and contractual arrangements?
6. How will the water entity's operations be funded?
 - 1) How will councils navigate a transition if moving to a user-pays system?
 - 2) Will water services be charged for separately or kept as part of rates, and will the same approach apply to each of the three 'waters'? What will be the basis for levying water charges?
 - 3) Will charges be uniform across different council areas (or network catchments), and will funds be ring-fenced to prevent cross-subsidization? If initially different, will charges be harmonized over time?
 - 4) What extent of borrowing will be needed in addition to charges/rates? Will any borrowing be secured and/or guarantees provided?
7. What systems and processes are required to ensure appropriate consultation with tangata whenua, the community and other stakeholders?

Governance and compliance considerations

1. For an internal business model – does the council have the necessary expertise in-house? Who will be held to account for compliance / delivery?
2. For a council-owned water organisation or a consumer trust – who will make up the board / trustees? Does the council have people in mind for these roles who have the required skills / expertise?
3. Where a council is looking to work together with another council – what will governance look like – will this be split 50/50 or some other split based on size / assets? Will the share in the entity change over time? What documentation is required to record this relationship?
4. General considerations – Will councils be comfortable ceding control to the board / trustees? How will the board / trustees balance their obligations against the need (in some cases) to borrow large sums of money?

Key contacts

Have questions? We're here to help.



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