

Responsibilities for water service contributions are shifting. How does it affect you?

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The new Act enables water organisations to require development contributions to recover the capital costs of meeting new or increased demand on water services infrastructure. Similarly to the development contributions regime under the Local Government Act 2002 (LGA02), any charges must align with the principles set out in the Act and be consistent with either the territorial authority's existing DC policy or a policy adopted by the water organisation itself.

The Act also introduces a new calculation methodology under section 126, replacing the previous approach under the LGA02. This includes a maximum charge cap, aiming to ensure fairness and proportionality. While the mechanics differ slightly, the underlying principle remains the same: contributions should reflect the actual impact of development on infrastructure.

Importantly, the Act prevents "double-dipping." Section 116 makes it clear that a water organisation cannot charge a development contribution if it or the territorial authority has already charged and received one for the same purpose and work. However, an additional contribution can be required if the scale or intensity of the development increases after the original charge.

The new Act provides (section 113(3)) that the development contributions policy in force at the time an application for a resource consent, building consent, or service connection is submitted is the policy that governs the required contribution. In other words, the Act applies prospectively: only applications lodged after the Act

commences are subject to its provisions.

Section 85A allows a water organisation to adopt, as its initial DC policy, the relevant parts of one or more territorial authorities' DC policies in place immediately before the transfer of water services.

Transitional provisions also require territorial authorities to transfer unspent development contributions to the new water organisation and allow water organisations to base contributions on councils' previous capital expenditure.

The new regime is only temporary. The Government plans to replace it with a development levy system, which is expected to be introduced as part of the "Going for Housing Growth" programme in November 2025 and through the Parliamentary process by mid-2026.

Under the new system, levies will be calculated based on expected growth and aggregate costs for each urban area rather than on a project-by-project basis. Separate levies will still apply for each service, including drinking water, wastewater, stormwater, transport, reserves, and community infrastructure. Councils and, presumably, water organisations will also have discretion to impose an additional high-cost asset levy where needed.

For further information or tailored advice regarding these changes, please contact a member of our Local Government and Resource Management team.