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Tēnā koe Leeanne,

FOLLOWING UP ON PERFORMANCE AUDIT ON MANAGING FRESHWATER QUALITY: CHALLENGES AND OPPORTUNITIES

Thank you for your letter on 5 April 2023 regarding the 2019 report *Managing freshwater quality: Challenges and opportunities* (report). As you mentioned, this follow-up work helps to give Parliament and the public confidence that improvements are being made by public organisations, and I am pleased to assist in this space.

The results of the performance audit were welcomed by the Ministry for the Environment (Ministry), and at the time of release were broadly consistent with the views of the Parliamentary Commissioner for the Environment (PCE) on challenges faced by the wider environmental monitoring and reporting system.

This letter addresses the Office of the Auditor General's (OAG) first recommendation in the report:

- The Ministry for the Environment and Statistics New Zealand lead work with regional councils and relevant land and freshwater management agencies to support better informed and co-ordinated management of freshwater by preparing a consistent approach to monitoring, analysis, and reporting of freshwater quality state and trend information.

My response below outlines how the Ministry's current work programmes on environmental reporting, national environmental monitoring standards, Essential Freshwater, and the Resource Management Reform have been informed by your report and aim to address the inconsistencies of freshwater monitoring, analysis, and reporting.

How has the Ministry used the results of the performance audit and what impact have the OAGs findings had?

The findings of the audit were useful to understand the experiences and challenges faced by the regional sector in monitoring, analysis and reporting on their freshwater bodies. In particular:

- underlying drivers for monitoring network design at a regional level and the associated implications of that for national reporting.
- highlighting of technical challenges in utilising shared analytical methodologies at both a regional and national level.

What action(s) has the Ministry taken to address the recommendation?

Monitoring and Reporting

Since the release of the audit report and the Parliamentary Commissioner for the Environment's 2019 report '*Focusing Aotearoa New Zealand's Environmental Reporting System*', the Ministry along with Stats NZ has been focused on the fundamental reforms required to address the underlying issues challenging New Zealand's environmental monitoring and reporting system.

Repealing and replacing the Environmental Reporting Act 2015

Whilst the Environmental Reporting Act 2015 ('the Act') was a significant step forward for the system at the time, in 2019 the PCE recommended a series of reforms to improve system coherence, the purpose and focus of national reporting, and to clarify institutional roles and responsibilities. The Ministry along with Stats NZ have been focused on repealing and replacing the Act, aligned with the recommendations of the PCE, since the release of the PCEs 2019 report. The Ministry is currently working with the Parliamentary Council Office to prepare a Bill introducing to the House this term of government.

There are three elements to the current Bill of relevance to recommendation one in the audit report:

- The establishment of 'core' indicators for monitoring the state and trend of Aotearoa New Zealand's environment.
- A legislated responsibility for the Secretary for the Environment to decide on the scientific standards and methods to be used in monitoring core indicators and powers to arrange for organisations to collect data in accordance with scientific standards and methods in relation to core indicators.
- A legislated responsibility for the Government Statistician under the Data and Statistics Act 2022 to set standards in relation to the collection and management of data about core indicators.

Environmental Monitoring and Reporting System Initiative

The Ministry, in partnership with our system partners, is embarking on a significant project to reform the foundations of New Zealand's environmental monitoring and reporting system.

This initiative is fundamental to reforming the environmental monitoring and reporting system, introducing both the required organisational arrangements and instruments to improve system coherence. The initiative is currently in its early stages and will be established in partnership with central government agencies, iwi Māori and the regional sector.

Initial scoping is that this initiative will:

- determine the core environmental indicators,
- develop a blueprint design of a fit-for-purpose national monitoring network, and
- establish data architecture for better management of, and access to environmental data for analysis and reporting.

The final work programme will be determined by process of engagement with our system partners.

Environmental Reporting Programme

At an operational level the Ministry and Stats NZ ('the programme') regularly work with regional councils, LAWA, Te Uru Kahika and the research sector to ensure coherence in monitoring, analysis, and reporting. Without covering every instance in this response, a selection of relevant examples has been provided.

The programme is currently reviewing the analytical approach to the existing Groundwater Quality Indicator. This project involved an independent review of the analytical methodology by GNS and has been undertaken in consultation with LAWA and Te Uru Kahika to ensure consistency in approach between both regional and national reporting.

The programme is currently developing a multi-year environmental indicator production plan, reflective of the PCE's recommendation to make environmental data available when it is ready for public use rather than in time for a relevant domain report. While this practice has been in place for several years now, the multi-year plan will assist in communicating national level data requirements with regional stakeholders and allowing them to plan more effectively for upcoming data provision needs.

National Environmental Monitoring Standards

The Ministry and Stats NZ continue to support the National Environmental Monitoring Standards (NEMS) initiative and work programme. The NEMS initiative is led and supported by Te Uru Kahika's Environmental Data special interest group to assist in ensuring consistency in the application of work practices specific to environmental monitoring and data acquisition throughout New Zealand.

The NEMS work programme is developed through consultation with the Ministry, ensuring alignment of NEMS development and review to the priority policy and reporting requirements.

NEMS prescribe technical standards, methods and other requirements associated with the continuous monitoring of a number of environmental parameters. It is recommended that these standards are adopted throughout New Zealand and that all data collected is also processed and quality coded appropriately¹.

The shortcoming of the NEMS initiative is the voluntary nature for implementation or compliance by regional councils. While NEMS can develop monitoring and subsequent data processing standards, there will remain limited capacity for national aggregation of monitoring data.

Environment and Climate Research Strategy

Several challenges experienced by the regional sector (and at a national level) in relation to the monitoring and reporting on the state of freshwater state are underpinned by a lack of effective prioritisation and funding of environmental research (i.e. research of a long-term nature required for developing trends).

These issues and associated recommendations were extensively covered by the PCE in his 2020 report '[A review of the funding and prioritisation of environmental research in New Zealand](#)'. Since the release of this report, the Ministry has been working in partnership with Department of Conservation, Ministry of Primary Industries and Ministry for Business, Innovation and Employment to develop an Environment and Climate Research Strategy (ECRS) as a pathfinder for the Te Ara Paerangi Future Pathways programme.

¹ <https://www.nems.org.nz/about-nems/>



The ECRS working group and expert subgroups also include regional council representatives. The strategy will direct environmental research funding towards priority research outcomes to achieve national objectives. The ECRS has recently been released for targeted stakeholder consultation and is expected to be provided to Cabinet for final approval by 31 July.

Essential Freshwater Reporting Strategy and Framework, and Progress Report

Ministry officials have developed an Essential Freshwater Progress Report that focuses on actions taken towards implementing the Essential Freshwater Package. The report is intended as a stepping-stone while we further embed implementation. We consider that the reporting framework will evolve over the years, as implementation progresses and as councils are more able to provide more information on freshwater outcomes.

We are developing:

- short-term indicators to track progress and monitor performance for the implementation of the Essential Freshwater package workstreams
- long-term indicators to track progress and determine whether the objectives of the Essential Freshwater package have been met or are in the process of being met.

The Ministry is creating an Essential Freshwater (EFW) Reporting Strategy which will identify the key elements in scope, contributing players, data sources, deliverables and responsibilities, as well as the intervention indicators required to effectively report on the package.

Essential Freshwater has five key interventions:

- National Policy Statement for Freshwater Management 2020 (NPS-FM), including Te Mana o te Wai. The NPS-FM is direction from government to councils about expectations of their next plan relating to freshwater. Notification of these plans must happen by 2024 (*In operation*)
- Freshwater planning process (FPP). The first freshwater plans due to be considered in 2023. The Government has established a new planning process that includes setting up the office of the Chief Freshwater Commissioner and appointing the Chief Freshwater Commissioner and other freshwater commissioners (*Underway*)
- National Environmental Standards for Freshwater (NES-F). The NES-F are rules mainly aimed at halting decline. If these rules are more restrictive, they take priority over any rules in council plans that exist now.
- Freshwater farm plans (FW-FP) regime. The FW-FP system is a mechanism available to councils to achieve the aspirations in their 2024 plans, including communities' manifestations of Te Mana o te Wai through better management of diffuse pollution (nutrients, sediment and pathogens from farming) (*On track for coming into operation in 2023, with progressive rollout through to 2025*)
- Funding. \$456 million has been allocated to support system participants to do their roles, with ongoing management and monitoring until 2025.



Te Uru Kahika Progress Report on Regional Planning Implementation of the NPS-FM

Te Uru Kahika provides the Ministry with 6-monthly reports on progress that regional councils have made towards implementing the National Policy Statement for Freshwater Management 2020. Regional councils provide updates in two areas: working with tangata whenua and communities, and progress towards plan drafting.

The first area involves establishing approaches to Te Mana o te Wai with tangata whenua: working with communities to identify a vision, values and outcomes for each Freshwater Management Unit; identifying attribute (baseline and target) states, and options; and discussing options with tangata whenua and communities. The second area involves reporting the direction of decisions made by councils: plan drafting; pre-notification consultation and plan notification.

The reports are useful for identifying where councils are up to in the implementation process and plan development. This information helped to inform discussions with each council when Ministry officials met with them between September and November 2022. These discussions and the report have identified implementation challenges from the regional council perspective, and the Ministry is working with them to find solutions.

Freshwater accounting system

To work towards a more efficient, responsible and transparent freshwater resource use and management, we are designing a future-focused freshwater accounting system that better utilises modelled evidence. The accounting system will provide greater clarity to decision makers on the amount of freshwater resources currently allocated. This work will ultimately help enhance the way we monitor freshwater resources, and enable more comprehensive reporting.

Policy Initiatives

Resource Management Reform

The proposed [Natural and Built Environments Act \(NBE\)](#) will require the establishment of a National Planning Framework (NPF), this framework will provide a stronger more active role in the system for central government on how we use, protect and manage our natural and built resources. Of relevance to this issue, the NPF will set natural environmental [limits](#) relating to air, soil, indigenous biodiversity, fresh water, estuaries, and coastal waters. Limits will initially be set at the current level of ecological integrity to prevent further degradation. The NBE will also require targets associated with these limits to be set either by the Minister or at the regional level through regional planning committees. Targets are intended to support driving improvements and restoration beyond limits.

The Ministry is currently working through transferring existing national direction into the NPF and determining which existing and new limits will be include in the first version. The Ministry will need to conduct further science and policy work to establish a comprehensive set of limits and targets across the natural environment in future versions of the NPF, including any mandatory monitoring requirements to ensure national consistency.

The NBE also includes requirements for Regional Planning Committees to set allocation methods in their NBE plans for freshwater takes and diversions, and discharges to freshwater. Allocation methods will need to have regard to allocation principles of sustainability, equity and efficiency. This will help improve the way we manage freshwater resources within environmental limits.



Conclusion

Thank you for the opportunity to reflect on the progress made since the release of the *Managing freshwater quality: Challenges and opportunities* report. Your report recommended the need for improving the consistency of how we monitor, analyse and report on the state of our freshwater. The examples here demonstrate the many ways the Ministry is engaging with this recommendation to ensure progress is made.

Kia ora rawa atu,

A handwritten signature in black ink, appearing to read 'James Palmer'.

James Palmer
Secretary for the Environment