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Tēnā koe Leeanne

### **PROGRESS ON RECOMMENDATIONS MADE IN THE 2019 REPORT, PERFORMANCE AUDIT OF CROWN INVESTMENT IN FRESHWATER CLEAN-UP**

Thank you for your letter on 13 May 2021 seeking comments from the Ministry for the Environment (the Ministry) on our work in response to the recommendations made in the Office of the Auditor General's (OAG) 2019 Report, Performance Audit of Crown Investment in Freshwater Clean-up (the Report). I also welcome the approach OAG is taking to follow up on audits to better inform Parliament and the public of what central government agencies have achieved and where we have made improvements in response to audit recommendations.

Before sharing how we are addressing each recommendation, it is first worth highlighting two recent events which have defined our freshwater investment programme since the Report was tabled.

The first event relates to the package of Essential Freshwater reforms (the Reforms) introduced by the Government which provides the policy framework to lead and drive widespread change in behaviour. This includes the National Policy Statement for Freshwater 2020 (NPS-FM 2020), National Environmental Standards - Freshwater, Stock Exclusion Regulations and the developing Freshwater Farm Plan policy.

The second event is that of COVID-19, and the Government's significant investment into the Jobs for Nature (J4N) Programme as a response. In June 2020, the Sustainable Land Use (SLU) Ministers<sup>1</sup> established the \$1.3 billion J4N fund as an environmentally focussed COVID-19 recovery package. The funding is intended to run for four years and has been dispersed across several government agencies and initiatives, including: biosecurity, conservation, biodiversity, fencing and riparian management, tree planting, fencing and riparian management, at risk catchments, and freshwater improvements.

Within this funding package, \$433 million is within Vote Environment, for which the Ministry is responsible, for the purpose of addressing contamination of New Zealand's waterways, which is in effect, all funding available to the Ministry for freshwater clean-up projects.

Cabinet agreed that the following shared core objectives would underpin the J4N spending:

1. Creation of about 11,000 – 13,000 jobs at pace and with regional spread,
2. Enduring benefits for healthy waterways, biodiversity, climate change and cultural values,

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<sup>1</sup> Sustainable Land Use Ministers include: Minister for the Environment, Minister of Local Government, Minister of Agriculture, Minister of Biosecurity, Minister for Economic and Regional Development, Minister of Forestry, Minister for Climate Change, Minister of Conservation, and Minister for Land Information.

3. Supporting sustainable land use and the implementation of regulatory requirements, including for freshwater, biodiversity, and climate change.

The J4N objectives, alongside the Reforms packages have transitioned the Ministry from an agency that has traditionally managed small amounts of freshwater investment relative to the scale of freshwater management challenges in New Zealand, to being the lead agency in an effort to drive an accelerated, co-ordinated, all-of-government approach to address freshwater challenges, supported by significantly more Crown investment.

The Reforms and J4N objectives help guide the Ministry's investment decision-making and delivery of funding, and as we outline below, have provided the Ministry the opportunity to action changes in response to recommendations made by OAG.

### **Progress on Performance Audit of Crown Investment in Freshwater Clean-up Recommendations**

1. *improves collaboration and co-ordination with other organisations involved in freshwater clean-up to increase information sharing and ensure that freshwater clean-up projects are complementary and integrated;*

As part of our approach to ensure joined-up collaboration and co-ordination of J4N funding, a new decision-making and support structure has now been established and approved by Cabinet. This structure comprises three key levels:

- i. SLU Ministers having strategic oversight and decision-making over the J4N Programme, setting principles, priorities, and overall phasing,
  - ii. J4N Reference Group supports SLU Ministers in having oversight and assurance of the programme. The Reference Group prioritises input from external partners with insight into what is needed to deliver a diverse, regionally spread programme. The Reference Group comprises a mix of central government and non-central government members, encompassing a broad range of perspectives (including from Māori landowners, regional councils, recovery experience, and NGOs), with an independent chair,
  - iii. J4N Secretariat supports the J4N Reference Group and provides coordination, monitoring, and reporting across the programme and also functions as a shared central government point of contact for programme-level engagement.
2. *promotes greater public visibility and understanding of freshwater clean-up efforts and shares lessons from freshwater clean-up projects nationally;*

Over the last 18 months, the Ministry has developed a communications strategy to promote and recognise freshwater restoration efforts from across New Zealand while also redesigning our online content to better showcase our projects. This has included for example, the development of video case studies profiling successful freshwater clean-up projects, pitching these to media and sharing the content across our social media channels.

Highlights include (as at 1 June 2021):

- Pūnui River Care project video which was picked up by Te Karere and Stuff. This video reached over 36,500 people and received close to 700 engagements (likes, comments or shares),
- Whangamaire Constructed Wetlands project video which received a double page spread in the Waikato Times and an article on Stuff including as a feature story in the climate section on the homepage. This video reached over 12,000 people and received 400 engagements,

- Wairarapa Moana wetlands project video was picked up by Waatea News, Wairarapa Times Age and Landscape Architecture Aotearoa. This video and campaign reached over 70,000 people and received almost 5000 engagements,
- The Bay Conservation Cadets programme video was picked up Te Puke Times, Bay of Plenty Times and Sun Live. This video and campaign reached 155,000 people and received over 3,500 engagements.

3. *prioritises current freshwater clean-up projects to develop national freshwater cultural monitoring indicators, including developing actions to improve waterways for swimming;*

The Ministry has both directly and indirectly prioritised our investment to address this recommendation. It's worth providing an update on the regulatory environment, as the recommendation in the Report was in line with NPS-FM 2014 (as amended in 2017) requirements which set swimmability standards. This has since been amended through the adoption of NPS-FM 2020. Key requirements of the NPS-FM 2020 that relate back to this recommendation include that freshwater must be managed in a way that 'gives effect' to Te Mana o te Wai:

- Through involving tangata whenua,
- Working with tangata whenua and communities to set out long-term visions in the regional policy statement,
- Prioritising the health and wellbeing of water bodies, then the essential needs of people, followed by other uses.

An expanded National Objectives Framework, which includes two additional values - threatened species and mahinga kai – means councils must develop plan objectives that describe the environmental outcome sought for all values, and it also directs councils to improve degraded water bodies, and maintain or improve all others using bottom lines defined in the NPS-FM 2020.

In terms of our freshwater investments, all projects funded through the J4N Programme must describe where appropriate, how they are contributing towards meeting NPS-FM 2020 requirements, including the points above.

In addition, approximately \$200 million of funding is currently unallocated within the J4N Programme and is to be specifically targeted to support the implementation of the Reforms, which will in part, support longer-term employment opportunities that address known key capability and capacity gaps in the freshwater management system, this includes funding being directed towards communities and hapū.

We also have an additional \$30 million for a new Te Mana o Te Wai Funding round. The purpose being to support Māori to improve the health of freshwater bodies of importance to them, creating nature-based employment opportunities and building capacity and capability for Māori to participate in and make decisions for freshwater management.

4. *implements processes designed to ensure that the benefits of freshwater clean-up projects are maintained after funding ends;*

A combination of processes support enduring benefits, ranging from practical efforts to ensure projects are discrete and self-sustaining to having the necessary legal arrangements in place such as covenants or purchasing of land or through oversight via local governance structures.

We recognise funding projects can be a one-off endeavour, but investing in people is long-term. Part of our work here is to support projects that empower community through individual funds' criteria,

and this will be complemented by our work to fund longer-term employment opportunities that address known key capability and capacity gaps in the freshwater management system to drive iwi, hapū and community to stay involved in the longer term.

5. *improves the contestable funding application process by:*

- a. *having timelines (or a phased approach) to allow sufficient time to promote high-quality applications and provide guidance and support;*

The Ministry uses a range of mechanisms, including contestable and non-contestable funding pathways in order to meet both the Cabinet's first objective for the J4N funding, creation of employment opportunities at pace, and to also generate a high calibre of applications. Within the funding pathways there are options too, for example the Freshwater Improvement Fund (operating within the J4N Programme) had both a short (6 week) and long (6 month) application window.

The Ministry's Freshwater Investment Teams, Whakamahia te Hapori and Whakamanahia te Wai, also have additional resourcing to provide more individual support through both traditional channels - dedicated phone and email hotlines, and by having in-person regional meetings to support application development.

- a. *having transparent and easy to understand criteria that support a consistent quality of applications; and*

All funding criteria for contestable funds is provided online, with application documentation standardised to ensure information received through the application process can be fairly assessed by an assessment.

As mentioned above, the Ministry now has additional capacity to communicate directly to fund applicants where needed to ensure that any issues or misunderstandings are resolved promptly.

- b. *carrying out rigorous due diligence processes, including for organisations that have previously received funding, to assess all applicants' suitability to manage Crown funds.*

Prior to contracting, an organisational due diligence assessment is conducted to assess the capability of the organisation to meet project and financial management requirements. During project contracting, Ministry analysts work with project entities to meet conditions set by the independent assessment panel and address findings from the external due diligence assessment.

The Ministry will conduct due diligence on all organisations but does use LITE due diligence processes in the instance where risk is low, for example, if the recipient was a regional or district council.

6. *considers implementing an automated data and fund management system that is compatible with other organisations to improve its existing capacity to use and analyse the data it collects about the use of freshwater clean-up funding and contribute to providing a national freshwater picture;*

Formal project work has started to develop a dedicated fund management system which manages J4N investments. Having a fund management system will standardise processes and controls, improve efficiency, and provide greater management visibility of status and progress.

In addition to the fund management system, we have expanded our risk control capability through the establishment of a fund monitoring and reporting unit and new technical tools to support more extensive investment oversight and reporting.

In terms of environmental data and building a national freshwater picture, we now require projects to provide data on J4N metrics quarterly. These metrics cover a range of environmental indicators which allows us to better understand what outputs are being generated from Crown funding.

The Ministry also intends to engage with regional councils and other funded entities on how we can best manage the collection and collation of geospatial data that projects are required to provide. This is the beginning of a long process to develop a data management system that integrates well with:

- Other workstreams related to Ministry and regional council data-related interactions,
- Internal Ministry data systems related to funded projects,
- Environmental monitoring and modelling frameworks,
- A J4N-wide intervention logic and outcomes monitoring and evaluation programme of work.

*7. improves the accuracy of reporting voluntary (in-kind) contributions alongside financial information in order to recognise those contributions and improve the national picture of their importance to freshwater clean-up efforts.*

In-kind contributions from community groups and volunteers have always been considered by the Ministry as vital to the success of freshwater focussed projects and while their contribution has been recorded, it has differed from project to project as it has been voluntary detail to provide.

We now consider in-kind contributions to be a part of the total project costs and therefore needs to be forecast through initial project planning, and reported on as projects are implemented resulting in higher accuracy.

### **Closing statement and next steps**

The Ministry continuously seeks opportunities to improve our internal operational processes as well as ensuring that our investment frameworks are fit-for-purpose. Responding to OAG on the recommendations in the Report provides an avenue to do just that as well as doubling as an occasion for us to reflect back on our transformational journey since the Report was tabled in Parliament 18 months earlier.

We look forward to further conversations on our work in the future.

Nāku noa, nā



**Vicky Robertson**

Chief Executive

Ministry for the Environment | Manatū Mō Te Taiao