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Next steps for fresh water

Local Government New Zealand's submission to the Ministry for the Environment

22 April 2016

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We are. LGNZ.

LGNZ is the national organisation of local authorities in New Zealand and all 78 councils are members. We represent the national interests of councils and lead best practice in the local government sector. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities throughout New Zealand. Our purpose is to deliver our sector's Vision: "Local democracy powering community and national success."

This final submission was endorsed under delegated authority by Lawrence Yule, President, Local Government New Zealand and Stephen Woodhead, Chair Regional Sector of Local Government New Zealand.

Introduction

Thank you for this opportunity to submit on the consultation document *Next steps for fresh water*. This submission has been prepared on behalf of New Zealand's local authorities and the different roles and responsibilities of regional councils and territorial local authorities are acknowledged.

In terms of the regulatory framework, regional councils and their predecessors have been charged with managing and allocating freshwater on a regional scale for the last 50 years. During that time the emphasis has changed from the direct regulation of discharges and takes to and from regional water bodies to an increasing consideration that the surrounding catchment use must also be managed to achieve community and iwi expectations for water.

It is important to recognise the work that is already underway to give effect to the National Policy Statement for Freshwater Management (NPSFM) to ensure it is supported and built on. This consultation is not landing on a "clean slate."

Point source discharges have either been eliminated or substantially cleaned up and councils are finding that new tools are needed to implement the government's existing and proposed regime for freshwater. It is reasoned that a wider range of targeted policy instruments will overcome the problems of trying to fit everything within a regulatory framework, speed up decision making and action on the ground, and allow water to be allocated to its highest value when needed and when available. We are pleased to be involved in a process to continually improve the management of fresh water in New Zealand.

The focus on implementing the NPSFM has been about setting the regulatory regime right, and understanding the contribution of the various sectors which impact water quality. The framework is premised on decisions being made locally that sets a timeframe which is affordable for communities.

Priority issues

LGNZ would like to highlight two pressing issues that need more attention that they have been given in this discussion document or in the current reform package: the first is the role of infrastructure in the improvement of water quality; the other is the need for far greater plan agility.

Funding for infrastructure

An important point we wish to make is that expectations have been set very high about what the regulatory framework alone can deliver in respect of improved outcomes for water quality. Significant infrastructure investment is also critical to achieving the long-term objective of improving water quality.

It has been brought to our attention that the consents for many wastewater schemes will be due for renewal in 2026. This date coincides with the introduction of Ministry of Health Funding for wastewater

and water schemes. This funding is no longer available. Given the requirements to improve water quality, the funding constraints on councils and the cost of complex consenting processes, we are heading for a perfect storm in general and, more specifically, in the lead up to 2026.

The significance of this issue is reflected in this remit, passed unanimously by members, from LGNZ's 2015 conference:

Subsidy for water and wastewater schemes

1. That LGNZ urgently engages with Government to have the water and wastewater subsidy schemes re-introduced.
2. That the funding available be at least \$20 million per annum for water supply schemes and at least \$20 million per annum for wastewater schemes.

LGNZ has been engaging for some time with officials (primarily Treasury officials), the Deputy Prime Minister and other Ministers on the need to understand the scale of the investment needed and whether and how best to progress a co-investment approach between central and local government on three waters infrastructure that can achieve the water quality standards the Government desires.

It is estimated that 92% of New Zealand's domestic waste water is reticulated to treatment plants and 8% on-site (septic tanks). The issue of the on-site disposal is not well understood and therefore the costs of dealing with these are unknown.

LGNZ wants to pursue a more collaborative approach between central and local government on meeting these challenges.

Plan agility

Plans are irrelevant if they are not timely. Our planning processes can't keep up with the reality of changes in community expectations, new technologies and environmental changes. If we can't get plans and plan changes through the system to meet a fast changing world then these plan making processes themselves become counterproductive and part of the problem, at times producing adverse outcomes. The basic framework for setting and changing the policy and rule framework has been in place since the inception of the RMA. The challenges being faced now and the need to respond quickly are fundamentally different than there were in 1989. A council that spends 10 million dollars on a substantial change to a plan will be unwilling to repeat such a costly process.

Improving national direction

Maintain or improve overall water quality

Proposal 1.1

Amend Objective A2 of the National Policy Statement for Freshwater Management so that it applies within a freshwater management unit, rather than across a region.

LGNZ supports this proposal. Clarification is sought of the definition because the description of a freshwater management unit in the discussion document differs to the definition in the NPSFM. Amending this objective may mean there is less flexibility for infrastructure providers and others who create discharges across a region and for regulators who manage them. The need to "join the dots" between asset management and the regulatory space becomes more pressing if this approach is confirmed (removing any ambiguity about "unders and overs" across a region).

Proposal 1.2

Clarify that councils have flexibility to maintain water quality by ensuring water quality stays within an attribute band, where it is specified in the National Objectives Framework, or demonstrating that the values chosen for a freshwater management unit are not worse off, where an attribute band is not specified in the National Objectives Framework.

LGNZ has received feedback on this proposal from regional councils. We seek that movements within an attribute band should be tracked and managed. This will allow water quality improvements and deterioration over time to be identified and addressed or understood.

The point is made in the consultation document that there is little direction for councils on how to maintain overall water quality and how to manage challenges including managing trade-offs, limit setting and potential litigation. It is unclear how the retention of the “unders and overs” approach relates to recent case law and also to obligations under the RMA. LGNZ considers that providing clear guidance on these questions should be a priority.

It is also unclear ‘when’ water quality is required to be maintained or improved from.

Recommendations:

1. Amend Objective A2 to require local authorities to monitor and report on the overall water quality measures of an FMU within an attribute band and on any trends within the band.
2. Develop clear guidance on how to meet the requirements of Objective A2, including clarification of ‘when’ water quality is required to be maintained or improved from.

Macroinvertebrate Community Index as a measure of water quality

Proposal 1.3

Require the use of Macroinvertebrate Community Index as a measure of water quality in the National Policy Statement for Freshwater Management by making it a mandatory method of monitoring ecosystem health

LGNZ supports the use of MCI for monitoring ecosystem health but notes the need for some discretion in its application for the following reasons:

- There can be physical constraints to undertaking sampling for MCI purposes.
- There is potential for variation in MCI within an FMU (both natural and human induced variation).
- The methodology may not be suitable for valid comparisons across types of water bodies (i.e., no methodology for non-wadable water bodies).

The purpose of using MCI needs to be clear. There is one statement in the consultation document that MCI is to be used as a measure of ecosystem health, and one that it is to be used as a measure of water quality.

Proposal 1.4

Work with the Land and Water Forum on the potential benefits of a macroinvertebrate measure for potential inclusion into the National Objectives Framework as an attribute.

LGNZ supports work of the potential inclusion of MCI in the National Objectives Framework as an attribute. One option that should be considered is the inclusion of r MCI as an attribute with flexibility for councils to set appropriate parameters for maintaining or improving, rather than as a set of national bottom lines.

Regional councils should be part of any working group charged with progressing this.

Recommendations:

1. Support the use of MCI as a monitoring tool,
2. Include regional councils in the working group charged with progressing the inclusion of MCI in the National Objectives Framework

Significant infrastructure and water quality

Proposal 1.5

Provide further direction on providing evidence when councils or infrastructure owners request that the Government include specific significant infrastructure in Appendix 3 of the National Policy Statement for Freshwater Management

The consultation document refers to information being gathered as part of the limit setting under the NPSFM and that regional councils or owners of significant infrastructure are enabled to seek exceptions based on evidence gathered during the limit-setting process where a need has been identified.

LGNZ supports clarification of the issues involved in exceptions and local government should be part of the discussions to develop any such direction; it remains unclear as to what could be considered “significant infrastructure.” Decisions on exceptions should be made by Central Government – this will support consistent decisions.

LGNZ expects that exceptions for significant infrastructure will apply to large municipal water supply dams. As the submission of Auckland council notes, municipal water supply is critical for community health and wellbeing; adequate municipal water supply is required for drinking and sanitation.

Dams are a vital part of a council’s municipal water supply infrastructure and permanently affect the streams/rivers where they are located.

The direction provided should not undermine community aims for local and regional management of freshwater and waterbodies and must also allow for a thorough analysis of alternative ways of managing the infrastructure and consultation to allow for an exception to be included in the appendix.

Recommendations:

1. Amend Proposal 1.5 to provide for local government to be involved in developing direction for the exclusion of significant infrastructure.
2. Amend Proposal 1.5 to enable regional councils or owners of significant infrastructure to seek exceptions based on evidence gathered during the limit-setting process where a need has been identified
3. Recognise the extent of community health and wellbeing in the information requirements.

Coastal lakes and lagoons

Proposal 1.6

Amend the attribute tables in Appendix 2 of the National Policy Statement for Freshwater Management so that attributes clearly apply to intermittently closing and opening lakes and lagoons, with the same band thresholds and national bottom lines as lakes.

The point has been made that a review is needed of the waterbodies identified as ICOLs in the discussion document to ensure they meet the criteria to be classified as ICOLs. Further, some regional councils have

waterbodies in their regions that could meet the criteria for ICOLs.

Extensive modelling and community processes have been undertaken for the three ICOLs in Canterbury: Waihora, Wainono Lagoon and Wairewa. For Waihora even with substantial reduction in farm discharges, a \$120million restoration package, and aquifer recharge Waihora will not reach the bottom line for lakes within the foreseeable future (100 years). This information should be used to set realistic thresholds for ICOLs.

Because of the nature of ICOLs, the regional councils which have ICOLs in their regions seek bespoke band thresholds and bottom lines for ICOLs.

Proposal 1.7

Provide direction to councils on how to request that, after meeting evidential thresholds, a freshwater management unit be allowed to use a transitional objective under Appendix 4 of the National Policy Statement for Freshwater Management

LGNZ supports this proposal but seeks that the review date is specific to the water body, not blanket for the whole Appendix. This would address the fact that some water bodies may require a transitional objective for the foreseeable future while others may only require this for a short period of time.

Clarification is needed about how the NPSFM and compulsory values and attributes under the NOF are to be applied to urban waterways – in particular the ecosystem health value. Often, historic development has resulted in insufficient land area around waterways to adequately provide for good ecological health.

It is unclear whether councils might apply for urban waterbodies to be included in Appendix 4. In many parts of the country in our urban areas, there are discharges from combined stormwater and wastewater systems. These systems were often constructed 100 years ago and were designed to overflow in periods of heavy rainfall. The costs of upgrading and replacing this infrastructure across a city and nationally is very significant and takes time.

In relation to achieving the specific value for ecosystem health, interventions will be required that are too costly or impractical in their resulting impact on existing urban development – particularly if new attributes are added to the NOF for this value for which urban waterways may fall below a bottom line.

Recommendations:

1. Review and publish the criteria for ICOLs to ensure that all the waterbodies identified in the consultation document meet the criteria to be classified as such and whether other waterbodies are ICOLs.
2. Amend proposal 1.6 to set bespoke bands and thresholds for ICOLs.
3. Clarify whether urban water bodies are eligible to be included in Appendix 4 and, if not, how they will be dealt with in the event that:
 - interventions are too costly/impractical to achieve ecosystem health
 - they fall below a national bottom line
4. The freshwater fund should be linked to ICOLs to recognise the significant investment needed to meet quality standards.

Stock exclusion from water bodies

Proposal 1.8

Create a national regulation that requires exclusion of dairy cattle (on milking platforms) from water bodies by 1 July 2017, and other stock types at later dates.

LGNZ supports in principle the establishment of a national regulation for stock exclusion and the proviso that the regulation will not override more stringent local authority rules.

Councils have identified matters that need careful consideration as they are built into a Regulation:

- the definition of the water bodies that exclusions will apply to – including details of the 1 metre width criterion
- application to lakes, spring heads, and karst sinkholes
- application to wetlands vs wetted areas (not considered wetlands)
- the sequence of timeframes for different categories of stock to be covered by the proposed regulation
- when/whether temporary fencing and natural barriers might be appropriate to exclude stock and a process that enables farmers to apply for an exemption
- does the classification of water bodies according to the steepness of the land apply as an average of the whole property or landscape, or only in the immediate area alongside the river or stream?
- the effects of stocking levels for all categories of stock and topographies
- the rationale (and evidence) for excluding some stock from the regulations
- the effects of non-point-source contamination – for example field drains running into the water bodies the stock are fenced off from

Recommendation:

1. Establish a collaborative working group including representatives of local government to develop a national regulation for stock exclusion from water bodies, using the work of LAWF as a base.

A better water management system

Technical efficiency and good management practice standards

Proposal 2.1

Require councils to apply technical efficiency standards in catchments that are at, or approaching, full allocation of water.

Proposal 2.2

Where councils have elected to allocate discharge allowances, require them to apply good management practice standards in catchments that are at, or approaching, full allocation of contaminants

Proposal 2.3

Require councils to apply these standards at defined times, for example, at initial limit setting, on consent expiry, and/or on application to permanently transfer consents for water or discharge allowances

LGNZ supports the development of technical efficiency standards for water allocation and good management practice standards. These proposals recognise councils' existing arrangements. There is potential to share the experience in developing these tools to help prevent duplication of effort.

Submissions from councils will identify a number of matters that need to be worked through for this set of proposals and to progress this, a working group should be established. Matters/questions to be considered

include:

- Standards for water allocation and discharges will vary depending on catchment specific factors such as climatic regimes, soil types...
- The scale that standards should be able to be applied,
- The ability to focus efforts on addressing those contaminants that are an issue in a particular waterbody; for some water bodies it will be nitrogen and phosphorus, for others sediment or E.coli.
- Local specificity is needed in relation to timeframes for consents and discharges and triggers for review of efficiency of water usage and effectiveness of GMP standards
- The rationale for requiring efficiency and GMP only in catchments that are at or approaching full allocation
- The application of GMP to urban areas is investigated

Recommendation:

1. Establish a working group to progress to proposals 2.1 – 2.3, addressing the matters above.

Transferring consents to more efficient, higher valued uses

Proposal 2.4

Investigate a package of measures to better enable transfers between users so allocated water and discharge allowances can move to higher valued uses, such as:

- *standardising consent specifications to better enable transfer, such as separating ‘take and use’ components of a consent*
- *making information available, including public registers of consented and used water and discharge allowances*
- *model plan provisions specifying where and in what circumstances transfers are permitted enabling water user groups and nutrient user groups to provide for low cost transfers*

LGNZ supports a proposal that would better enable transfer of water. Provisions that permit certain transfers are now included in some regional plans e.g. Waikato Regional Plan addresses water transfers and includes provisions that permits certain transfers. Model plan provisions specifying where and in what circumstances transfers are permitted could also be helpful. There is current debate around the exact meaning of “use” in the context of s 14 RMA and this is reflected in different interpretations.

Further discussion is needed of the definition of “higher value use”, and the ability to provide for a wider range of non-monetary values and benefits. Clarification is needed as to where the assessment and decision would be made as to what constitutes a higher value use. It is unclear how municipal and industrial use would fit within this system.

Consideration could be given to enable transfers between surface and ground water where they are part of the same, single resource. Where the single nature of the resource is reflected in a plans’ allocation provisions, transfer should be enabled.

Making information on consented and used water and discharges publicly available is supported. Creation of a fit-for-purpose online tool for recording transfer of water as a means of enabling efficient transfer of water would provide a publicly available register of transfers and avoid each council having to create its

own system.

Recommendations:

1. Establish a collaborative working group to develop measures to enable transfers of allocated water and discharge allowances to higher valued uses including to:
 - enable transfers between surface and groundwater
 - consider options for a fit-for-purpose online tool to support and enable transfers
 - determine the full range of higher valued uses (including non-monetary values and benefits)
 - determine where the responsibility would lie for decisions to what is deemed a “higher value use” and criteria for these decisions
2. Clarify the term “use” in the context of section 14 RMA
3. Consider developing model plan provisions for transfers.

Addressing over-allocation and over-use at least cost

Proposal 2.5

Develop guidance on different methods of addressing over-allocation of water quality and/or quantity, if technical efficiency standards and good management practice standards are insufficient

LGNZ supports guidance being developed, building on work done to date. A summary of the existing tools (rules, policy and other instruments and methods) already used by regional and unitary councils can inform the toolbox for councils.

Substantial work is already complete on irrigation efficiency and on Good Management Practice for farming.

Where a catchment is over- allocated, councils need claw-back provisions. These are highly charged discussions and regional councils have frequently sort more robust tools for addressing over-allocation. One tool is the use of common expiry dates; it is currently it is not possible to review consents across an FMU because due to the discount regulations. ,

Recommendations:

1. Enable claw back provisions where a catchment is over-allocated
2. Amend the Discount Regulations to enable common expiry dates to be set for consents across an FMU.

Increase the ability of councils to recover costs from water users for monitoring, enforcement, research and management

Proposal 2.6

Increase the ability of councils to recover costs from water users for monitoring, enforcement, research and management

LGNZ supports this proposal. Some regional councils already make extensive use of cost recovery in aspects of water management including monitoring, enforcement and general processing and administration of resource consents. Some councils have suggested that further work is needed in this area and consideration should be given to recovering costs for all aspects of water and related coastal and land management from water users (including those who discharge contaminants to waterbodies) within

catchments.

There may be an argument that existing tools are not being fully utilised by councils to recover costs and this should be explored however the ability to charge for monitoring of permitted activities needs full consideration. Without this, an incentive is created for a consent regime.

Related to this is the proposal in the Resource Legislation Amendment Bill to remove the ability of councils to charge financial contributions on resource consents under section 108 of the RMA. Financial contributions provisions of Councils' plans help resolve many submissions on consent applications and assist a council and business to reaching mutually agreeable solutions with submitters. For example, financial contributions are applied to medium/large consents for abstraction and used for riparian planting and fencing above and below the take. This is linked to improved water quality outcomes.

The financial contributions mechanism in many cases is the only way of addressing environmental effects and it is quite possible that the removal of the ability to charge financial contributions will lead to expensive and time consuming hearings being required for activities

Recommendation:

1. Establish a working group to explore options for recovering costs associated with science, monitoring, management and enforcement including whether existing tools are being fully utilised.
2. Give serious consideration to permitted activity monitoring.
3. Amend the current Resource Legislation Amendment Bill to retain financial contributions in the RMA.

Iwi rights and interests in fresh water

Te Mana o te Wai in freshwater management

Proposal 3.1

Include a purpose statement in the National Policy Statement for Freshwater Management which provides context about the meaning of Te Mana o te Wai and its status as the underpinning platform for community discussions on freshwater values, objectives and limits.

Proposal 3.2

Require regional councils to reflect Te Mana o te Wai in their implementation of all relevant policies in the National Policy Statement for Freshwater Management

LGNZ supports these proposals, that the NPSFM 1) includes a purpose statement clarifying the meaning of Te Mana o te Wai and 2) require councils to reflect Te Mana o te Wai in their implementation of relevant policies in the NPSFM.

Iwi and hapū relationships with, and values for, water bodies

Proposal 3.3

Councils must, at the outset of their freshwater planning process, engage with iwi and hapū to ensure all iwi and hapū relationships with water bodies in the region are identified in regional planning documents

Proposal 3.4

Councils must, when identifying values and setting objectives for particular freshwater management units, engage with any iwi and hapū that have relationships with water bodies in the freshwater management unit

LGNZ supports proposals 3.3 and 3.4 and notes that many councils already engage with iwi and hapū at the outset of freshwater planning processes and when identifying values and setting objectives for FMUs. This is often supported by MoUs and other agreements between local authorities and iwi.

The intent behind these proposals is already inherent in the NPSFM framework and councils can and do request the information from iwi. Careful thought is needed about how to treat sensitive historical, cultural and spiritual relationships/ information. Silent files are typically used for sensitive information, where it is not appropriate to identify in public planning documents.

Recommendation:

1. Provide, in Proposal 3.4, the ability to allow for culturally appropriate measures to be agreed for water bodies and sites of highly sensitive historical, cultural, cultural or spiritual significance.

Enabling iwi and councils to agree how to work together

Proposal 3.5

The Government will amend the Resource Management Act to establish provisions for a new rohe (region or catchment)-based agreement between iwi and councils for natural resource management – a ‘mana whakahono a rohe’ agreement. The mana whakahono a rohe will:

- *be initiated by iwi through notice to the councils*
- *be available to all iwi but will not override or replace existing arrangements for natural resource management in Treaty of Waitangi settlements nor preclude agreement of different arrangements under a Treaty settlement*
- *provide for multiple iwi involvement where appropriate and agreed*
- *set out how iwi and council(s) will work together in relation to plan-making, consenting, appointment of committees, monitoring and enforcement, bylaws, regulations and other council statutory responsibilities include review and dispute resolution processes*

LGNZ supports this proposal in principle. Clarification is needed as to how this will sit with existing local arrangements between councils and iwi, particularly those put in place through Treaty Settlements. This proposal goes further than the current amendments proposed under the Resource Legislation Amendment Bill and more detail is needed to fully understand the proposal, including whether this is proposed to replace or sit alongside the proposed Iwi Participation Arrangements. LGNZ supported the proposed amendments to the RMA for Iwi Participation Arrangements and our submission noted the following, also relevant when considering the alternative:

- Clarity is needed, and discussions with LGNZ regarding how this will be resourced by central government.
- Clarification is required on how the proposed new iwi participation arrangements would fit alongside existing partnership agreements between councils and iwi. Councils would be extremely concerned if the new requirements resulted in established relationships being constrained or compromised, but we understand this is not the intention.
- LGNZ supports the proposal (proposed new clause 4A, Schedule 1 RMA) that councils must provide the relevant iwi authority with a copy of a draft proposed policy statement or plan before it is notified, and must have particular regard to any advice received on that draft from the iwi authority.

- It is unclear what the mechanism will be to cover off 58L (3) “a local authority need not extend an invitation to an iwi authority if it has already agreed to an iwi participation arrangement with that iwi authority.”
- Clause 58L (3) is not clear with respect to the duration of an iwi participation arrangement.
- New section 58L needs to be clearer that, in the event an iwi authority determines not to enter an IPA, the preparation of a proposed policy statement or plan continues in accordance with Schedule 1.

LGNZ has work underway which builds on a stocktake recently conducted by Te Puni Kōkiri and the Ministry for the Environment. This is a desktop exercise which has recorded all the arrangements in place between iwi and local authorities. It includes arrangements as a result of Treaty Settlements, Joint Management Agreements, Joint Committees, Advisory Committees and Memoranda of Understanding. LGNZ has recently commissioned work to take the information in the stocktake to present the models in place across New Zealand. LGNZ and the Iwi Chairs Forum will progress this work to explore the benefits of various arrangements from the points of view of iwi and councils.

Recommendation:

1. Provide detail of the proposed *mana whakahono a rohe* agreements and work with local government and iwi before the proposal is finalised for introduction into legislation.
2. At the same time, consider capacity issues of iwi and councils to implement this policy and consider how best to support the parties to develop these arrangements and implement them.

Water conservation orders

Proposal 3.6

The Government will amend the Resource Management Act to:

- *require water conservation order (WCO) applications to provide evidence of consultation with relevant iwi and have one person nominated by the relevant iwi represented on the Special Tribunal convened to hear the application*
- *require the Special Tribunal for a WCO (and, where relevant, the Environment Court) to consider the needs of iwi/tāngata whenua*
- *require WCO applications to consider any planning processes already underway*
- *allow the Minister for the Environment to delay an application if there will be a conflict with a regional planning process*
- *allow councils to recommend to the Minister for the Environment that a WCO be created over an outstanding water body that has been identified through regional planning, and allow the Minister to consider recommendations under a streamlined procedure*

LGNZ supports a comprehensive review (detailed policy and legislation) of Water Conservation Orders to determine how a Water Conservation Order process can take into account a planning process, especially where a collaborative process may be under way and one or more parties apply for a WCO.

Criteria are needed to identify “outstanding water bodies.”

Recommendation:

1. Undertake a comprehensive review (detailed policy and legislation) of Water Conservation Orders.
2. Initiate a process, involving local government to develop clear criteria to identify “outstanding

water bodies”

Implementation support

Proposal 3.7

The Ministry for the Environment will facilitate and resource programmes to support councils and iwi/hapū to engage effectively in freshwater planning and decision-making, including collaborative planning

LGNZ strongly supports this proposal.

Clean, safe drinking water for marae and papakāinga

Proposal 3.8

The Government will consider if additional funding is required to develop or improve water infrastructure at marae and papakāinga.

LGNZ supports this proposal. The Government should consider extending funding to other small communities, not just marae and papakāinga, given that funding provided through the Ministry of Health's Capital Assistance Programme is about to finish.

Recommendation:

1. Consider extending funding to other small communities.

Private and public investment in fresh water

Freshwater Improvement Fund

Proposal 4.1

The Government proposes that eligible projects will need to meet the following criteria:

- *only projects that support users to move to managing within quality and quantity limits will be considered*
- *projects will need to demonstrate that they produce environmental benefits*
- *projects will be considered if the overall public and private benefits are clearly demonstrated to be greater than the public and private costs*
- *irrigation projects will be eligible for funding only commensurate with any environmental benefits that would not be achieved by the funding available from other sources*
- *any legal entity will be eligible for funding*
- *changes in resource use or other business practices, or installed infrastructure, will all need to be sustainable beyond the length of the project without ongoing Government funding*
- *extension programmes will only be funded where there are clearly public benefits and the barriers to success are about adaption and roll out at scale. These projects must continue to meet the initial objectives after the extension funding has stopped*
- *if comparable projects achieve similar economic and environmental objectives cost-efficiently, preference will be given to projects that achieve co-benefits, such as improvements in ecosystem health, conservation and climate change*

- *government funding should reflect the public benefits of each project and be limited to a maximum of 50 per cent of the cost of any project. Other sources of government funding will not count towards the co-funding requirement. Priority will be given to projects with funding sourced from either business or philanthropic funds, in addition to funding sources from local government*
- *the minimum government contribution for projects will be \$250,000. There will be no maximum contribution*

LGNZ supports the proposal to create a Freshwater Improvement Fund; this is a potentially useful mechanism to address legacy issues of poor water quality. More direct investment from the Government is needed and the size of this fund should be increased. The criteria are supported but we have concerns that small scale projects will not be eligible for funding; the criteria should include relatively small scale projects with local significance.

A number of matters have been identified that need to be worked through associated with the Fund:

- how will the Fund be administered?
- the proposal that 'any legal entity' would be eligible and whether this include private companies and commercial organisations
- clarification of the requirement that 'the overall public and private benefits are clearly demonstrated to be greater than the public and private costs'
- clarification of the kinds of environmental benefits envisaged from irrigation projects
- whether land purchase options are included under the proposed projects
- how the proposed funding would align with other funding schemes including the Ministry of Primary Industries' Irrigation Acceleration Fund

Recommendation:

1. Consider the matters identified above as the detail of the Fund is progressed.
2. Increase the size of the Fund
3. Amend the criteria so small-scale projects can be eligible for funding