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Dear Bob

OUR OBSERVATIONS ON WAIKATO RIVER AUTHORITY'S FRESHWATER RESTORATION OPERATIONS

As part of our work on water management, we carried out a performance audit examining how effectively the Ministry for the Environment (the Ministry) has managed Crown freshwater clean-up funds. We also looked at the operational approach of the Waikato River Authority (the Authority) to restoring and protecting the Waikato and Waipā Rivers for additional insight into how different entities manage Crown funds.¹

After consultation with the Authority, we prepared a management letter outlining our observations on the Authority's approach to freshwater clean-up and the associated challenges. Our more detailed observations on the Authority's operational approach are attached as an appendix.

The Authority's approach to restoring and protecting the Waikato and Waipā Rivers

The Authority's *Vision and Strategy for the Waikato River* (the Vision and Strategy) enables it to take a holistic view of the Waikato and Waipā Rivers and provide a helpful roadmap for making funding decisions. The Authority considers its approach to be consistent with the purpose of its enabling legislation after the Treaty settlements between Waikato and Waipā River iwi and the Crown. This provides a solid foundation to promote long-term freshwater quality.

We consider that the Authority's *Waikato and Waipā Restoration Strategy*, published in 2018, builds on the Vision and Strategy and, with the annual contestable funding approach, helps to promote integrated and co-ordinated project selection.

There are other aspects of the Authority's approach that we believe other freshwater clean-up funders would find value in learning about. We encourage the Authority to share these practices and its broader experiences when approached by other funders. These include managing applications online, the Authority's 2016 Report Card, which incorporates mātauranga Māori cultural values and science, and the Authority's range of engagement and communication initiatives.

The Authority's establishment of a long-term river restoration investment fund shows a prudent and forward-thinking approach to stewardship and demonstrates how good strategic planning can support greater effectiveness and long-term sustainability. The fund provides some assurance that the long-term strategy for the Waikato and Waipā Rivers will enable the region's freshwater restoration activity

¹ Although the Authority receives its funding from the Crown, the source of those funds are from Treaty of Waitangi (Treaty) settlements between the Crown and iwi of the Waikato and Waipā Rivers.

to continue beyond the current 30-year term when Crown funding ceases. This will benefit current and future generations.

The Authority's challenges

Freshwater restoration is challenging. The Authority, the Ministry, and other organisations face similar challenges in evaluating the effectiveness of restoration projects and realising their long-term outcomes beyond the funding periods.

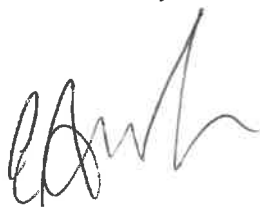
We note that the Authority's arrangements for evaluating project effectiveness continue to improve and we encourage it to continue. We were told that the Authority carries out project visits before payment of the final project funding and that all projects that receive more than \$1 million of funding are independently audited after completion. As of writing this letter, we understand that an audit of the Trust's first \$1 million project, which was completed in June 2018, will be carried out in 2018/19 and that the Authority has already met with the accountants.

Another challenge is keeping up to date with best practice in freshwater management, which is evolving. The Authority and other organisations need to remain aware of current developments in freshwater management best practice and upskill accordingly. There is also the challenge for all organisations involved in freshwater management nationally to work together in a more co-ordinated, proactive, and consistent way.

We acknowledge that the Authority understands these challenges, including the importance of long-term outcomes and the need to shift the focus of monitoring and reporting from short-term outputs to effectively evaluate long-term project effectiveness. We encourage the Authority to continue working towards this to reduce risks to the long-term effectiveness of the funding it provides.

Thanks to the Authority's staff for their co-operation. I hope that our observations are useful for the Authority's ongoing work to restore and protect the Waikato and Waipā Rivers.

Yours sincerely



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Greg Schollum
Deputy Controller and Auditor-General

Appendix: Our detailed observations

1. The Waikato River Authority's decision-making process for utilising its funds, including co-funding opportunities

The *Waikato River Clean-up Trust: Funding Strategy* clearly outlines the Authority's funding priorities for each year. We reviewed the 2017 and 2018 funding strategy documents and found that they encourage new applications for projects that are complementary to existing projects nearby or that build on existing initiatives. The documents direct fund applicants to existing projects. Clear and specific guidance is given on what is acceptable for projects (for example, if a project requests a component of planting, the documents state that it must also have permanent stock-proof fencing erected and include minimum fencing standards). Information requirements and priorities provide good guidance and direct fund applicants to the online application template and information videos.

This demonstrates the Authority's focus on ensuring that there is project alignment with the Vision and Strategy as well as a commitment to enable fund applicants to be successful and establish an efficient and transparent funding application process.

1.1 *Linking the Authority's annual funding rounds with the Vision and Strategy*

A strong Vision and Strategy allows the Authority to be clear about what it can and cannot support and provides a foundation to ensure that funding decisions are prioritised to ensure results. The Authority's application process has questions that are clearly linked to the Vision and Strategy. The process also provides a high degree of clarity and transparency for fund applicants, which continues in the selection and monitoring processes.

1.2 *Project applications*

The online portal for the Authority's fund application process is clear and detailed. The result is a transparent process that helps fund applicants successfully apply for funding. The online portal also provides the opportunity for fund applicants to improve their capacity by having informative videos and clear parameters for applications to be successful.

The financial requirements and expectations indicate that the Authority takes a thorough approach to ensuring that enough financial information is provided to minimise project-funding risks. Both cash and in-kind contributions are required at the application stage and clear messaging signals that applications will be more favourably assessed based on their efficiency (that is, higher co-funding or in-kind contributions), practical application, and results.

We consider that moving to an online application process can improve data collection, automated reporting and analysis, and promote an effective audit trail. We see value in this for other freshwater clean-up funders and encourage the Authority to share its experiences.

1.3 *Prioritising funding applications*

We examined documentation relating to the funding assessment panel, including the spreadsheet for the 2017 funding round. In some cases, notes from the panel and iwi trusts are detailed and provide a good overview and audit trail for recommendations from the Board of the Waikato River Clean-up Trust to approve or decline each application. We saw evidence of the Vision and Strategy and consideration of cultural links integrated into annual funding decisions.

The practice of employing different methods of payment, depending on the amount of project funding, provides evidence of a careful approach to risk, with any projects that are more than \$50,000 in value only receiving payment after the Authority receives evidence that project milestones have been completed.

According to the online portal, anecdotal evidence, and the annual funding strategy documents, a small number of projects are selected annually for independent audit. The Authority also selects projects for audit if it has serious project delivery or management concerns. The Authority's monitoring of the progress of projects during their funding period meets our expectations. Managing this process online leads to a greater degree of transparency and consistency for fund applicants, and offers potential for other funders looking to streamline their monitoring and invoicing processes, as well as improve their reporting and analysis capability. We encourage the Authority to share its experiences in these matters with other funders.

2.2 *The information the Authority collects to assess its progress towards achieving its strategic objectives*

The independent scoping study that was completed for the Authority in 2008 included a list of critical success factors for freshwater restoration activity that align with some of the current water governance principles from the Organisation for Economic Co-operation and Development (OECD). These included the importance of identifying defined outcomes, ensuring that expenditure and progress records are kept and audited, and that restoration activities should be monitored, analysed for effectiveness, and results published for communities and stakeholders.

We saw several examples highlighting the Authority's focus on assessing progress against objectives, including a precise record of the amount and number of projects funded. The Authority's annual funding strategies and the Waikato and Waipā Restoration Strategy are integral to the Authority's Vision and Strategy and to ensuring that identified priorities are considered holistically.

The Authority is required by legislation to report its progress at least five-yearly, to the Crown, Waikato-Tainui, and the other river iwi – Ngāti Tūwharetoa, Te Arawa, Raukawa, and Ngāti Maniapoto. The first progress report, which covered the years 2010-15, discusses the implementation, effectiveness, and achievement of the Vision and Strategy and reviews the Authority's achievements during that period.

The relationships and partnerships established by the Authority with iwi, communities, and other important stakeholders, including regional and district councils, provide an important foundation for the Authority to promote further progress towards achieving its Vision and Strategy. This includes the partnership agreement with Waikato Regional Council. This partnership agreement led to the Vision and Strategy's inclusion in the Waikato Regional Policy Statement. The Authority also had input into District Plan reviews and representation on the project steering group for the Healthy Rivers Plan Change.

The Authority uses a range of communication tools, including its website and *Maunga ki Tai*, a quarterly newsletter that is available online and in hard copy. As well as media coverage and attendance at local events, these tools ensure that funded projects and their maximum funded amounts are visible publicly. These communication tools also allow the Authority to share high-profile successes, innovative projects, and challenges. This open approach demonstrates a strong effort to increase public engagement and knowledge of freshwater restoration in the Waikato region.

The Authority's Report Card, prepared in 2016 and gives mātauranga Māori cultural values and science equal importance, focuses on implementing its approach in an inclusive and holistic way. The Report Card highlights the challenge for the Authority to prevent future freshwater degradation and lead improvement, providing a baseline from which to measure improvements.

We see value in these initiatives for other freshwater clean-up funders and encourage the Authority to share its broader experiences with others.

2.3 *Challenges the Authority experiences in determining how effectively funds are being used to achieve its Vision and Strategy*

Freshwater clean-up and restoration is not without its challenges, and these are common to all organisations responsible for managing funding. The complexity of accurately attributing water quality improvement to specific clean-up activities, and significant time lags before results are visible in some cases, makes it difficult to accurately determine how effectively funds are contributing to long-term outcomes.

The Authority's proactive efforts to publicly outline these challenges (using social media such as LinkedIn, international conferences, and more traditional media) is encouraging. The Authority understands the need to improve short-term reporting and change from an output focus to an outcomes focus.

There are risks to the long-term effectiveness of funding posed by the challenges the Authority faces in ensuring, as far as possible, that long-term project benefits are realised. Post-project monitoring is challenging, because it can be difficult to attribute specific water quality improvements to particular projects (particularly if they come after projects initiated by other funders). Also, the Authority does not have sufficient resources to carry out post-project reviews. However, it is considering implementing evaluation processes for a selection of projects five years after completion.

We encourage the Authority to continue working towards establishing a manageable strategy to effectively evaluate project effectiveness and to minimise (as far as is reasonably possible) risks to the long-term effectiveness of the funding it provides.

2.4 *Information the Authority uses to reprioritise and redirect its efforts, when necessary*

We saw from the Authority's 2010-15 progress report that one of its major achievements during this initial period was the improvement in relationships between the five river iwi, regional and territorial authorities, and the Crown. This has been formalised through the Vision and Strategy being given effect through national and regional planning processes. Although they are outside of the role of the Authority, Accords and Joint Management Agencies give river iwi the opportunity to ensure that the Crown is giving effect to the Vision and Strategy. This demonstrates a positive development in the Authority's early years of operation. Continued and regular engagement will contribute to the right information being available to highlight when it is necessary to redirect or reprioritise efforts.

We also encourage the Authority to continue monitoring projects, and can see how the online project reporting and ongoing results from its Report Card will contribute to a holistic picture of what is working and where there might be a need to redirect efforts. An increased focus on evaluating outcomes after a project funding period is completed would help the Authority to better assess progress towards the Vision and Strategy.

3 How the Authority uses information to support the achievement of its Vision and Strategy

The Vision and Strategy clearly represents the Authority's central approach. Its engagement initiatives form an integral component of this. We saw a range of evidence supporting a focus on engagement, including community group co-ordination and facilitation and school curricula and awareness raising, to support social capacity and cohesion. Knowledge-sharing (including mātauranga Māori, economic, social, and biophysical science) also promotes the Authority's holistic approach to freshwater restoration for the Waikato and Waipā Rivers.

We interviewed a range of stakeholders and individual restoration project managers, who all indicated strong engagement and confirmed that positive relationships had been built.

3.1 The information the Authority shares with its audiences

The Authority makes a range of information available publicly. Its website has a comprehensive "Key Documents" page, which has the Vision and Strategy, the *Waikato and Waipā Restoration Strategy*, the annual funding strategy, annual reports, and other important information, including details of restoration projects that have been funded. The page also has an archive of project stories and a news section, which includes links to external media stories and the quarterly *Maunga ki Tai* newsletter. The newsletter is written in an inclusive style and provides updates (including details of challenges as well as successes, and information and timelines for forthcoming funding rounds).

The Authority's face-to-face engagement to raise its profile and increase awareness includes its attendance at national and international conferences and local events.

The Authority appears to communicate openly with its various audiences and makes information, project updates, and news readily available, as well as encouraging feedback and collaboration (for example, through the Waikato River Restoration Forum).

3.2 How the Authority engages effectively with its full range of stakeholders

The Authority's efforts to engage with stakeholders shows it understands the importance of communicating its approach, increasing public awareness, and building its reputation as an approachable and collaborative organisation.

We have seen various examples of the Authority demonstrating practical approaches to increase engagement with stakeholders. These range from more formal efforts, such as inviting the five river iwi, the Ministry for the Environment, and Waikato Regional Council to provide feedback on annual funding plans, to sharing good news stories on the website, and attending international conferences and local events to raise awareness and develop opportunities to update itself on freshwater restoration developments.

During the fund application selection process, due regard for mātauranga Māori is ensured through requesting feedback from iwi on whether projects are based on the mauri of the Waikato and Waipā Rivers and their catchment and further the objectives or priorities of river iwi environmental management plans. The initial scoping study included a detailed description of methods used for gathering mātauranga Māori and integrating traditional environmental knowledge with science and the principles for engagement. Research included having hui with more than 500 local representatives to improve understanding of the region. There were also

further meetings to gather community stakeholder views. These examples demonstrate the Authority's commitment to ensuring iwi collaboration and stakeholder feedback, in an effort to support improved engagement.

We consider that the Waikato River Restoration Forum (comprising of the Authority, industry, iwi, central government, and local government) represents a tangible way to foster more effective collaboration and engagement to restore and protect the Waikato and Waipā Rivers, as well as ensuring that cultural values remain integrated.

The Authority uses capacity building effectively to increase stakeholder engagement. We saw a wide range of initiatives demonstrating this, including funding workshops for iwi to explain the annual funding strategy and noting mātauranga Māori priorities, outlining important dates, covering what should be included in funding applications, and advising fund applicants on what other funding resources might be available to further support their projects.

We consider that these different engagement and communication initiatives provide a range of options worthy of consideration by other freshwater groups and organisations looking to develop engagement and raise awareness and capacity.

3.3 *The information the Authority uses to generate interest in its clean-up activities*

The range of initiatives described in sections 3.1 and 3.2 all seek to promote increased interest and raise awareness of the Authority's work. The *Maunga ki Tai* newsletter and proactive efforts to promote media interest in topical restoration stories help to ensure that the Authority's work generates public interest.

We saw evidence of iwi working alongside regional and territorial authorities and developing positive and healthy working relationships, together with innovative restoration projects, such as the Fairfield project to restore an inner-city gully.

3.4 *Challenges the Authority experiences around engagement and communication*

We asked the Authority to share any challenges related to engagement, particularly with regard to iwi and hapū. The Authority highlighted:

- greater response times experienced from iwi authorities and hapū when seeking feedback, which were partly mitigated by the Authority providing annual work plans to allow appropriate time, given the other demands on iwi and hapū from other partners;
- aiming to increase information sharing to improve the Authority's awareness of iwi views. The Authority is committed to ensuring that conversations between itself, iwi, and the Crown improve and maintain working relationships;
- occasional difficulties with iwi capacity and capability to complete funded projects; and
- iwi and hapū applications sometimes not meeting the co-funding requirements, which makes selection decisions difficult, particularly when iwi and hapū applications are competing with applications from organisations with access to more co-funding.

The challenges outlined by the Authority resonated with our understanding of similar challenges experienced by others. It is encouraging to see the Authority's efforts to mitigate these challenges. We encourage the Authority to share its experiences with other organisations.