

**Office of the Minister for the Environment
Office of the Minister of Agriculture**

Chair

Cabinet

Fresh Start for Fresh Water – High Level Government Response to the Land and Water Forum Report

Proposal

1. The paper provides a high level Government response to the Land and Water Forum's (LAWF's) Fresh Start for Fresh Water report for your agreement; and makes recommendations with respect to stakeholder engagement, particularly the ongoing role of the LAWF, in the next tranches of the water management reform work programme.

Executive summary

2. In May 2011, Cabinet agreed to a forward work programme for Fresh Start for Fresh Water [Cab Min (11) 18/9 refers] and invited us to report back by 15 July 2011 with:
 - a high-level government response to recommendations in the Land and Water Forum's (LAWF) report
 - recommendations on the future role of the LAWF, and processes for ongoing engagement with other key parties including local government, iwi/Māori, non-governmental organisations and industry, and
 - options for commissioning further work on water services management.

High level government response

3. We propose that the high level government response takes the form of a thematic section-by-section response. A response of this nature enables the government to articulate the package in its own words, and clarify the range of options to be considered in the forward work programme, by identifying those aspects that fit clearly with its objectives.

Role of the LAWF in forward work programme

4. We believe that the LAWF has played a valuable role in getting policy to its current state of development and see merit in a continuing role for it in the forward work programme between now and late 2012 along the lines discussed below.

5. We recommend that the LAWF be authorised and funded to continue work on a set of broad policy issues that still need reconciling between key stakeholders; while officials provide oversight, coordination, and management of the overall reform package, and advice to Ministers. Once Cabinet has made policy decisions, officials will lead the design of instruments and consult with the LAWF and other stakeholders as required.

Urban water services management

6. The LAWF report recommended that the way urban water services infrastructure is managed and organised by local government should be investigated, including consideration of the potential benefits of rationalisation.
7. We propose that our report back to Cabinet in May 2012 on Fresh Start for Fresh Water reassess the situation with regard to urban water services management, in the light of progress in the Smarter Government Stronger Communities review.

Request to extend Cabinet report back timings

8. Should it be agreed, as this paper proposes, that LAWF continue to be involved in the next two tranches of the Fresh Start for Fresh Water work programme, LAWF has requested that the two decision points/Cabinet reports backs be extended from February 2012 to May 2012 and from October 2012 to November 2012 respectively. This is in order to allow LAWF sufficient time to ensure it can reach consensus.

Background

9. In May 2011, Cabinet agreed to a forward work programme for Fresh Start for Fresh Water [Cab Min (11) 18/9 refers] and invited us to report back by 15 July 2011 on:
 - a high-level government response to recommendations in the Land and Water Forum's (LAWF) report
 - recommendations on the future role of the LAWF, and processes for ongoing engagement with other key parties including local government, iwi/Māori, non-governmental organisations and industry, and
 - options for commissioning further work on water services management.

High-level government response to recommendations in the Land and Water Forum's (LAWF) report

10. The LAWF report contained 53 recommendations, grouped within seven sections/topics.
11. We have prepared a thematic section-by-section approach response for Cabinet's approval. This enables the government to articulate the package in its own words, and clarify the range of options to be considered in the

forward work programme, by identifying those aspects that fit clearly with its objectives.

12. The thematic response appears in full in Appendix 1 of this Cabinet paper, with a summary of the key points of that response appearing in paragraphs 13 to 19 below.

Response to date

13. Much has been done in line with the LAWF report's recommendations since the Government received the final version of the report in April 2011. The Government has:
 - Gazetted a National Policy Statement for Freshwater Management (NPS) to set a consistent, nationwide regulatory framework for setting water quantity and quality limits to govern the allocation and use of freshwater.
 - Established the Irrigation Acceleration Fund of \$35 million over five years starting 1 July 2011, to support the development of appropriate irrigation infrastructure proposals to the 'investment-ready' prospectus stage.
 - Established the Fresh Start for Fresh Water Clean Up Fund to assist councils with historic pollution problems with reprioritised funding of \$15 million over two years, starting 1 July 2011.
 - Publicly signalled a programme of further work on setting and managing to limits on water quality and quantity, including decision-making arrangements, with two reports due to Cabinet in 2012.
 - LAWF, along with other stakeholders are being consulted on the implementation of the two funds mentioned above.

Set limits for quality and quantity

14. The Government agrees that limit-setting is a key step in improving water management. Because limits need to reflect the values of the community of interest, in most circumstances they should be set at the regional scale, catchment by catchment. Both these principles are included in the recently released National Policy Statement for Freshwater Management (NPS).
15. Decisions about catchment limits need to be nested within a framework of clear national and regional direction, and structures that enable participation by stakeholders and iwi/Māori. The Cabinet report back in May 2012 will encompass this and other aspects of limit-setting.

Achieving targets

16. It is not enough simply to set limits; improved methods are required to enable Councils to manage to them. A range of instruments are needed including voluntary and other non-regulatory methods, economic instruments and regulation. We recognise the role that good management

practice, audited self-management (including adaptive management) and riparian management can play in managing to limits. The Cabinet report back in November 2012 will encompass options for managing to limits.

Improve Allocation

17. The Government agrees with the LAWF that efficient allocation and transfer systems can help maximise the value of water to the economy, when managed within limits. The LAWF provided a range of options which need further consideration, with a final set of options to be provided in the report to Cabinet in November 2012.

Rural water infrastructure

18. The Government agrees that rural water infrastructure can be developed in ways that provide a range of social, economic, cultural and environmental benefits; and that collaborative approaches could facilitate such development. The criteria for the Irrigation Acceleration Fund reflect the need to provide for this range of benefits. It will help fund regional strategic planning for infrastructure, and collaborative community engagement in the development of infrastructure proposals, building on the work of the Community Irrigation Fund in the past. It will also support the potential for irrigated agriculture to contribute to economic growth by helping irrigation infrastructure proposals to be "investment ready".

Changes to Governance

19. The Government acknowledges that decision-making arrangements need to recognise the relationship between iwi and the Crown.
20. A number of the LAWF recommendations on governance are predicated on a new Land and Water Commission being established with a wide range of functions. However, more work is needed on which functions should be implemented, and which need to be performed by a semi-autonomous body or bodies.
21. The Government is not making a commitment at this point to the development of a National Land and Water Strategy. The further work to be done by LAWF on decision-making and governance is expected to canvass the potential content of a Strategy and the practical uses to which it might be put.
22. The Government is committed to monitoring improvements in fresh water management as a result of the National Policy Statement and reviewing its effectiveness within five years as the complete package of reforms is rolled out.

Science and Knowledge

23. The Government agrees with the LAWF that freshwater science and knowledge (including Mātauranga Māori) are integral to good freshwater and land use management. In May 2011, Cabinet approved work to develop measures to support implementation of the NPS, including the

development of databases, catchment modeling and other scientific tools to ensure decision-making processes at a regional level are supported.

Implications of LAWF proposals

24. We would expect there to be a number of changes in the management of freshwater and land use practice resulting from policy changes in the areas outlined above. There are many potential “win-wins” – benefits to both the economy and the environment. There will be some initial costs, particularly in over allocated catchments, but these will be offset by significant benefits over the longer term. Likely impacts include:

- Changes towards more collaborative processes, focused more on agreed objectives, will aim to improve decision making on freshwater and land use management. This type of approach will also be expected to ensure a better reflection of all values and uses in the decision-making process, potentially maximising the benefits of water use across a wider range of values.

There will be some up-front costs to regional councils and stakeholders to using a more collaborative approach. However, this is expected to be offset by greater certainty for investors, as well as reduced costs associated with the planning process, including through reducing litigation. Improved governance structures will also provide more effectively for iwi involvement in the decision-making process

- Developing effective ways of implementing the NPS and other policies for setting and managing to limits is expected to provide incentives for improved efficiency and innovation, maximising the benefits gained from water use. It will also improve investment certainty and security of supply.
- Efficiency gains and innovation will allow further growth. Costs can be reduced through making early decisions, preventing many catchments from becoming over allocated, and allowing gradual implementation.

In over-allocated catchments there will be costs to some individual users as activities may need to be reduced to ensure they are within flow and quality limits. In catchments that are close to full allocation, limits may restrict the amount of new development. However, users that are able to make efficiency gains will either be able to increase productivity or minimise costs.

Future role of the LAWF

25. The LAWF process to date has involved a wide range of interested parties, and allowed understanding and trust to be developed between stakeholders, sharing of knowledge and development of cross stakeholder buy-in. While the up-front costs were higher for all parties, it allowed consensus to be reached on a number of issues, some of which constituted

a breakthrough from previously held positions, e.g. the need for limits on resource use.

26. Given the need for continuing the momentum gained through the LAWF process and to develop stakeholder buy-in, we consider it is necessary to continue LAWF's involvement in the next phase of policy development. We recommend that the LAWF be authorised and funded to continue work on a set of policy issues that still need reconciling between key stakeholders in four key areas - the setting of limits, decision-making structures for limit-setting, managing to limits (including land use) and allocation - as follows:
 - what is needed to effectively implement the limit-setting approach to water management (currently reflected in the NPS), including consideration of what central government needs to do versus what local government need to do, the role and responsibilities of water users, and nature and scope of limit-setting tools.
 - what efficient and improved decision-making structures for limit-setting might look like, including provision for stakeholder involvement, specific provisions for iwi/Māori participation in limit-setting processes and decisions at catchment, regional, and national levels and how those limit-setting processes interact with broader resource management processes.
 - methods and strategies of achieving limits and targets through managing the effects of land use on water.
 - how to manage within limits by developing more effective methods and strategies for allocating water, trading and/or transfer systems.
27. To ensure timeframes are met and the scope of each work area is specified, clear terms of reference will be negotiated with the LAWF. This will also ensure that responsibilities and accountabilities are clear. The Chair of LAWF will report regularly to Ministers on progress as he did during the preparation of the first report.
28. LAWF will be asked to deliver advice on specified areas, as part of a more clearly defined government work programme. As with the earlier phase of LAWF, officials will need to remain responsible for coordination and management of the overall reform programme, and continue to advise Ministers on the development of the overall reform package (including advice on the findings from LAWF-led work areas). There will also need to be closer integration between the officials' and LAWF processes than in the work to date, and officials will continue to participate in the LAWF process as active observers. Once Government has made high level decisions, officials will design policy and regulatory instruments in consultation with the LAWF and other stakeholders.
29. The recent Review of Expenditure on Policy Advice identified a need to use different, less government-centric and more networked, approaches to developing policy on significant issues. The role proposed here for the LAWF, with stakeholders generating more detailed policy advice after

having delivered a high-level consensus, is consistent with the findings of that Review, but it is still relatively experimental in the New Zealand context. New Zealand has more experience in using expert panels for national policy, and in using collaboration at the local level.

30. The LAWF's policy leadership role in this process will continue until it has delivered recommendations to the Minister for the Environment and the Minister of Agriculture on the issues that will be covered in the Cabinet paper reporting on Tranche 3 of the Fresh Start for Fresh Water programme (managing to limits), which is scheduled for Cabinet consideration in November 2012.

Ongoing engagement with other key parties

Iwi

31. The Iwi Leaders' and Iwi Advisors' Groups provide advice to Ministers and officials as per the Communication and Information Exchange Protocol between the Iwi Leaders' Group and Crown [EGI Min (09) 15/4 refers]. This participation will continue and officials are currently discussing with the Iwi Advisor's Group how they would prefer to be involved in the next stage of work. Engagement with iwi/Māori outside Iwi Leaders' and Iwi Advisors' Groups processes will occur in accordance with the outline for wider stakeholder engagement as noted below.

Local government

32. To date, engagement with local government on water reform has taken place through two paths:
 - involvement of some regional council staff and elected members as active observers to the LAWF
 - engagement between central government and regional councils through the Chief Executives Environment Forum
33. For the next phase of work, LAWF is exploring how it might engage more effectively with regional councils through more senior local government participation in LAWF processes.
34. The Ministry for the Environment and the Ministry for Agriculture and Forestry will work with Local Government New Zealand and the Chief Executives Environment Forum to determine what, if any, other ways are necessary to ensure that the views of local government are reflected in policy design and implementation processes. This process will recognise that the primary conversation on water reform is through LAWF. Engagement with Local Government will need to be carefully managed to avoid undermining the LAWF process.

Wider stakeholder engagement

35. The Land and Water Forum and Iwi Leaders Group will be the primary sources of external engagement and advice to government in the next phase of work. In some circumstances, however, officials may also

undertake targeted discussions with selected stakeholders to assist in the development of advice on the overall reform package. Any such engagement will be carefully managed to avoid undermining the LAWF process.

36. In particular, officials will need to engage directly with stakeholder groups on those aspects of the package already agreed by Cabinet and in the process of being implemented, e.g. implementation of the Irrigation Acceleration Fund. No public consultation is proposed before the May 2012 report back to Cabinet.

Urban water services management

37. One set of recommendations in the LAWF report focus on the way water services infrastructure for urban water is managed and organised, including potential rationalisation, and the delivery, metering and pricing of water. The LAWF's recommendations for improvement in this area have been contentious with local government and some other stakeholders, notwithstanding the LAWF's finding that further investigation of the issues and options was needed.
38. The organisation of water services infrastructure overlaps with broader issues being considered by Government of the structure, functions and funding of local government, including their ability to fund the investment needed to upgrade or replace aging infrastructure. Councils with low rating bases may find it more difficult to fund water services infrastructure.
39. The Smarter Government Stronger Communities programme of work on local government reform may consider these issues at a high level [CAB Min (11) 4/5 refers]. We propose that the Fresh Start for Fresh Water report back in May 2012 reassess the situation with regard to water services management, when the scope of local government reform should be clearer. The LAWF may have further advice to provide by May 2012 about how the issues raised in their report could be progressed, and by whom.

Timelines for Fresh Start for Fresh Water decisions

40. Should it be agreed, as this paper proposes, that LAWF continue to work on aspects of broad policy issues in the next two tranches of the Fresh Start for Fresh Water work programme, LAWF has requested that the two reports back be extended from February 2012 to May 2012 and from October 2012 to November 2012 respectively. This is in order to allow LAWF sufficient time to ensure it can reach consensus. The risk to momentum posed by this extension is largely manageable so long as there is no further slippage in 2012.

Consultation

41. The following agencies have been consulted on this paper and their views have been taken into account: Te Puni Kōkiri, Ministry of Economic Development, The Treasury, Department of Conservation, Department of Internal Affairs, The Office of Treaty Settlements, and Department of Prime Minister and Cabinet.
42. The Chair and Trustees of the LAWF were also offered the opportunity to comment and support this paper's recommendations. Their comment is reproduced below:

"We are grateful to have been consulted on this paper. When we took our Report round the country at Government's request, we were struck by the breadth of support for its direction. We saw strong and widespread expectations of change in water management which we think the membership of the Forum reflects. Given the mandate and the scope to do so we think we can channel them into positive recommendations. In the light of our experience, and with the collaboration of Government and local government, we expect that we will be able to make more detailed recommendations which will benefit both the economy and the environment, and enable us to maximise the benefits that abundant water - one of our greatest national advantages - has for us all. We support the recommendations.

Financial implications

43. There are additional short-term costs to be met in funding the Land and Water Forum process. These costs will be met from existing Vote: Environment and Vote: Agriculture baselines.

Human rights

44. There are no human rights implications or inconsistencies with the Human Rights Act 1993 arising from the proposals in this paper.

Legislative implications

45. There are no legislative implications arising from the proposals in this paper at this time.

Regulatory impact analysis

46. A regulatory impact analysis for the overall reform proposal is not required at this time.

Publicity

47. Given much of the proposed high level response was already signalled as part of the May 2011 launch of the National Policy Statement for Freshwater Management, we do not plan to have a formal physical release of the Government's high level response to the LAWF report.
48. We intend to release a short press release with a version of Appendix 1 attached to it, to signal that the Government is moving forward on water policy. In addition we recommend that this Cabinet paper, including the government response, be published on the Ministry for the Environment's website and a copy of it sent to all members of the LAWF.

Recommendations

49. The Minister for the Environment and Minister of Agriculture recommend that the Committee:
 1. **note** that, on 9 May 2011, Cabinet:
 - 1.1. invited the Minister for the Environment and Minister of Agriculture to report back by 15 July 2011 with:
 - 1.1.1. a high-level government response to recommendations in the Land and Water Forum's (LAWF) report
 - 1.1.2. recommendations on the future role of the LAWF, and processes for ongoing engagement with other key parties including local government, iwi/Māori, non-governmental organisations and industry, and
 - 1.1.3. options for commissioning further work on water services management
 - 1.2. agreed to a forward work programme for Fresh Start for Fresh Water, with further reports back scheduled for:
 - 1.2.1. February 2012 for Tranche 2: methods, tools and governance arrangements for setting limits for water quality and quantity
 - 1.2.2. October 2012 for Tranche 3: managing to limits, including allocation methods and additional tools to manage the effects of land use on water [Cab Min (11) 18/9 refers]

High level Government response to Land and Water Forum

2. **agree** to the proposed thematic response to the Land and Water Forum report as detailed in Appendix 1 of this paper.

Future role of the LAWF and stakeholder engagement

3. **agree** that the LAWF be authorised and funded to continue work on a set of broad policy issues that still need reconciling between key stakeholders: the setting of limits, governance and decision-making processes, managing to limits (including land use) and allocation.

4. **agree** to change the report-back dates in paragraph 1.2 to May 2012 for Tranche 2 and November 2012 for Tranche 3, in order to allow LAWF sufficient time to reach consensus.
5. **agree** that the Minister for the Environment and the Minister of Agriculture may approve the terms of reference for the next phase of the LAWF process
6. **note** officials will :
 - 6.1. continue to participate in the LAWF process as active observers
 - 6.2. remain responsible for coordination and management of the government's overall reform programme, and continue to advise Ministers on policy options for the overall reform package
 - 6.3. lead the design of policy and regulatory instruments and consult with LAWF and other stakeholders as required, once high-level policy decisions have been made by Cabinet
7. **note** that iwi participation will continue through the Iwi Leaders and Iwi Advisors groups.
8. **note** that, in some circumstances, officials may undertake targeted engagement with selected stakeholders, but that any such engagement will be carefully managed to avoid undermining the LAWF process

Urban water services management

9. **agree** that the report back scheduled for May 2012 reassess the situation with regard to water services management in the light of progress in the Smarter Government Stronger Communities review of local government

Publicity

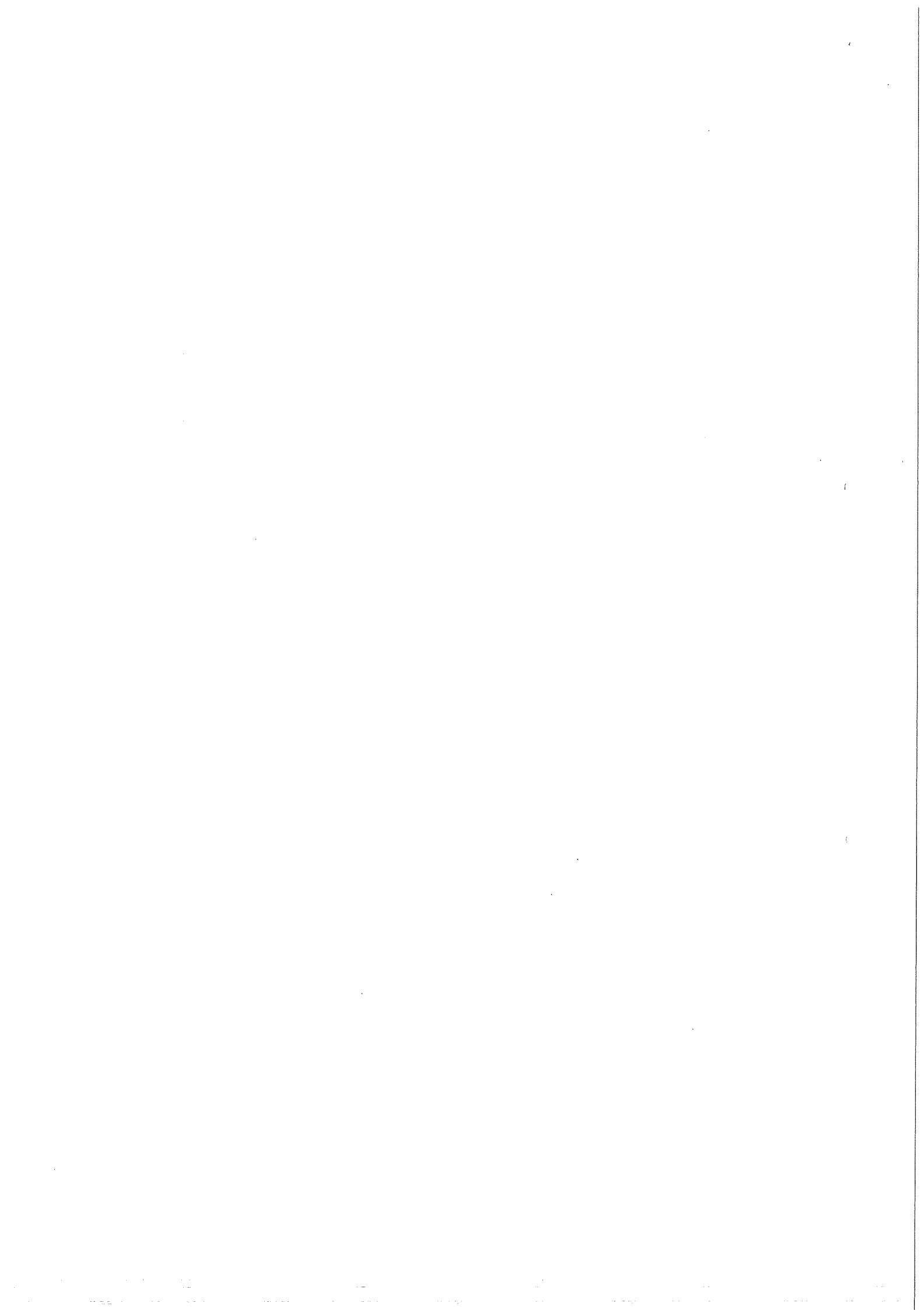
10. **agree** to the publication of this Cabinet paper on the Ministry for the Environment's website


Hon Dr Nick Smith
Minister for the Environment

8 / 8 / 11


Hon David Carter
Minister of Agriculture

8 / 8 / 2011



Appendix 1

Thematic High Level Response to the LAWF report

The Government received the final LAWF report (*Report of the Land and Water Forum: A Fresh Start for Freshwater*) in April 2011.

Since that time the Government has:

- Gazetted a National Policy Statement for Freshwater Management (NPS) to set a consistent, nationwide regulatory framework for setting water quantity and quality limits to govern the allocation and use of freshwater. The NPS took effect from 1 July 2011.
- Established the Irrigation Acceleration Fund of \$35 million over five years from 1 July 2011, to support the development of appropriate irrigation infrastructure proposals to the 'investment-ready' prospectus stage which could unlock the economic growth potential of our primary sectors through the development of more efficient and effective water infrastructure, such as storage and distribution. The Government will also consider in a future Budget investing up to \$400 million of equity in water infrastructure schemes.
- Established the Fresh Start for Fresh Water Clean Up Fund to assist councils with historic pollution problems with reprioritised funding of \$15 million over two years, from 1 July 2011.
- Publicly signalled a programme of further work on the implementation of setting limits on water quality and quantity, including decision-making arrangements, with options due to Cabinet in February 2012 ("Tranche 2" of the Fresh Start for Fresh Water work programme)
- Similarly, signalled further work on managing to limits (more efficient allocation mechanisms and tools for managing land use) will be considered by Cabinet by late 2012 ("Tranche 3").

Whilst final decisions will not be made until this work is completed, we wish to give interested parties additional indication of the Government's thinking around water reform, which has been informed by the LAWF report. This response does not deal fully with many of the recommendations in the report, as further work is needed on them before decisions are made by the Government.

Set limits for quality and quantity

The Government agrees that limit-setting is a key step in improving water management, and limits should be set at regional level, catchment by catchment. Both these principles are included in the recently released National Policy Statement for Freshwater Management (NPS).

Limits should be set at the regional level, given that level is best positioned to make decisions about local values and needs, and can reflect the biophysical conditions but regional decisions cannot be made in isolation from the larger national context. They need to be nested within a framework of clear national and regional direction, including direction on processes such as limit-setting. The NPS sets out national values and requires regional councils to set limits, but further guidance on the limit-setting process will be required. Further work is to be done on the areas in which national environment standards would support the Government's broader resource management reform objectives.

We agree that setting limits requires decision-making structures and processes that enable stakeholder and iwi/Māori participation. Collaborative approaches are a promising option for such participation, and options for recognising and encouraging high quality well run collaborative processes need exploration. In addition, monitoring and reporting on limit-setting processes and outcomes are important for communities, and regional and central government.

The report back in May 2012 will encompass these and other aspects of limit-setting, including:

- Further work to support the NPS including tools for well-informed decision-making on limits
- Options for further national direction, including through instruments such as National Environmental Standards and non-statutory guidance
- Options for decision-making structures and processes, monitoring for limit-setting; and means for incorporating limits into regional plans.

Achieving targets

It is not enough simply to set limits; improved methods are required to enable Councils to manage to them. The Government agrees with the LAWF that a range of instruments are needed including voluntary and other non-regulatory methods, economic instruments and regulation. We recognise the role that good management practice, audited self-management (including adaptive management) and riparian management can play in managing to limits. Options for managing to limits will be reported back to Cabinet in November 2012, although the government's expectation is that measures that do not require Cabinet decisions could continue to be progressed before that time.

Improve Allocation

The Government agrees with the LAWF that efficient allocation and transfer systems can help maximise the value of water to the economy, when managed within limits. The LAWF provided a range of options which will be further explored with iwi/Māori; the LAWF, the local government sector and other stakeholders in Tranche 3 of the work programme, due to report to Cabinet in November 2012. In addition, this tranche of work will consider options for allocation and transfer systems for managing to water *quality* limits in suitable catchments.

Rural water infrastructure

The Government agrees that rural water infrastructure can be developed in ways that provide a range of social, economic, cultural and environmental benefits; and collaborative approaches could facilitate such development. The criteria for the Irrigation Acceleration Fund reflect the need to provide for this range of benefits. It will continue to fund regional strategic planning for infrastructure, and community engagement from early in the development of funded infrastructure proposals, as did the Community Irrigation Fund in the past. It will also support the potential for irrigated agriculture to contribute to economic growth by helping irrigation infrastructure proposals to be "investment ready".

Governance/decision-making

The Government acknowledges that decision-making arrangements need to recognise the relationship between iwi and the Crown.

The LAWF recommendations on /decision-making are predicated on a new Land and Water Commission being established. The Government considers such considerations need to be cognisant of one of the objectives of the government's public sector change programme; ensuring that government administration is as efficient, streamlined and well organised as it can be, including reducing the clutter of agencies and crown entities. However, more work is needed on which functions the LAWF propose for the Commission should be implemented, as well as the desirability or otherwise for any of them being performed by a semi autonomous body or bodies.

The Government is committed to monitoring improvements in fresh water management as a result of the National Policy Statement and reviewing its effectiveness within five years as the complete package of reforms is rolled out. The Ministry for the Environment has already begun baseline monitoring of NPS implementation.

Other monitoring, reporting and review functions will be considered in Tranche 2 and Tranche 3 of Fresh Start for Fresh Water forward work programme.

National Policy Statement

The National Policy Statement for Freshwater Management (NPS) was gazetted on 12 May 2011 and took effect on 1 July 2011. It sets a consistent, nationwide regulatory framework for setting water quantity and quality limits to govern the allocation and use of freshwater. The Ministry for the Environment will issue guidance on the NPS later this year. The LAWF recommendations on the NPS will be considered further as part of the work on limit-setting that will be reported back to Cabinet in May 2012.

Science and Knowledge

We agree with the LAWF that freshwater science and knowledge (including Mātauranga Māori) are integral to good freshwater and land use management. In May, Cabinet approved work to develop measures to support implementation of the NPS, including the development of databases, catchment modeling and other scientific tools to ensure decision-making processes at a regional level are supported. Training, funding and support are also needed for those involved in setting limits, to enable best use of the information and tools available; options for developing this are to be reported to Cabinet in May 2012. A Water Research Strategy is in place which recognises that water management decisions at the national, regional, catchment and land-use scales should be based on sound knowledge of the resource, including social, cultural, environmental and economic values, and accounting for uncertainty and risk.

Urban Water Services Management

One set of recommendations in the LAWF report focus on the way water services infrastructure for urban water is managed and organised, including potential rationalisation, and the delivery, metering and pricing of water. The LAWF's recommendations for improvement in this area have been contentious with local government and other key stakeholders, notwithstanding the LAWF's finding that further investigation of the issues and options was needed.

The organisation of water services infrastructure overlaps with broader issues being considered by Government, of the structure, functions and funding of local government, including their ability to fund the investment needed to upgrade or replace aging infrastructure. Councils with low rating bases may find it more difficult to fund water services infrastructure.

The Smarter Government Stronger Communities programme of work on local government reform may consider these issues at a high level [CAB Min (11) 4/5 refers]. We propose that the Fresh Start for Fresh Water report back in May 2012 reassess the need and scope for detailed work on water services management, when the scope of local government reform should be clearer.

Drainage

The LAWF report recommended the government should review legislation relating to drainage (particularly the pre-RMA legislation) to ensure that it is consistent with the need to protect wetlands and biodiversity, and the recommendations contained in its report.

Options for any further work on this recommendation will be considered as part of a broader report-back on Phase 2 of the resource management reforms in March 2012.

Floods

The LAWF report recommended the government should investigate the role of greater national direction in flood management, and whether additional extension services are required.

There is already a draft national policy statement for flood management which will now be tested for its fitness for purpose compared with other options, as part of a broader report-back on Phase 2 of the resource management reforms in March. 2012

