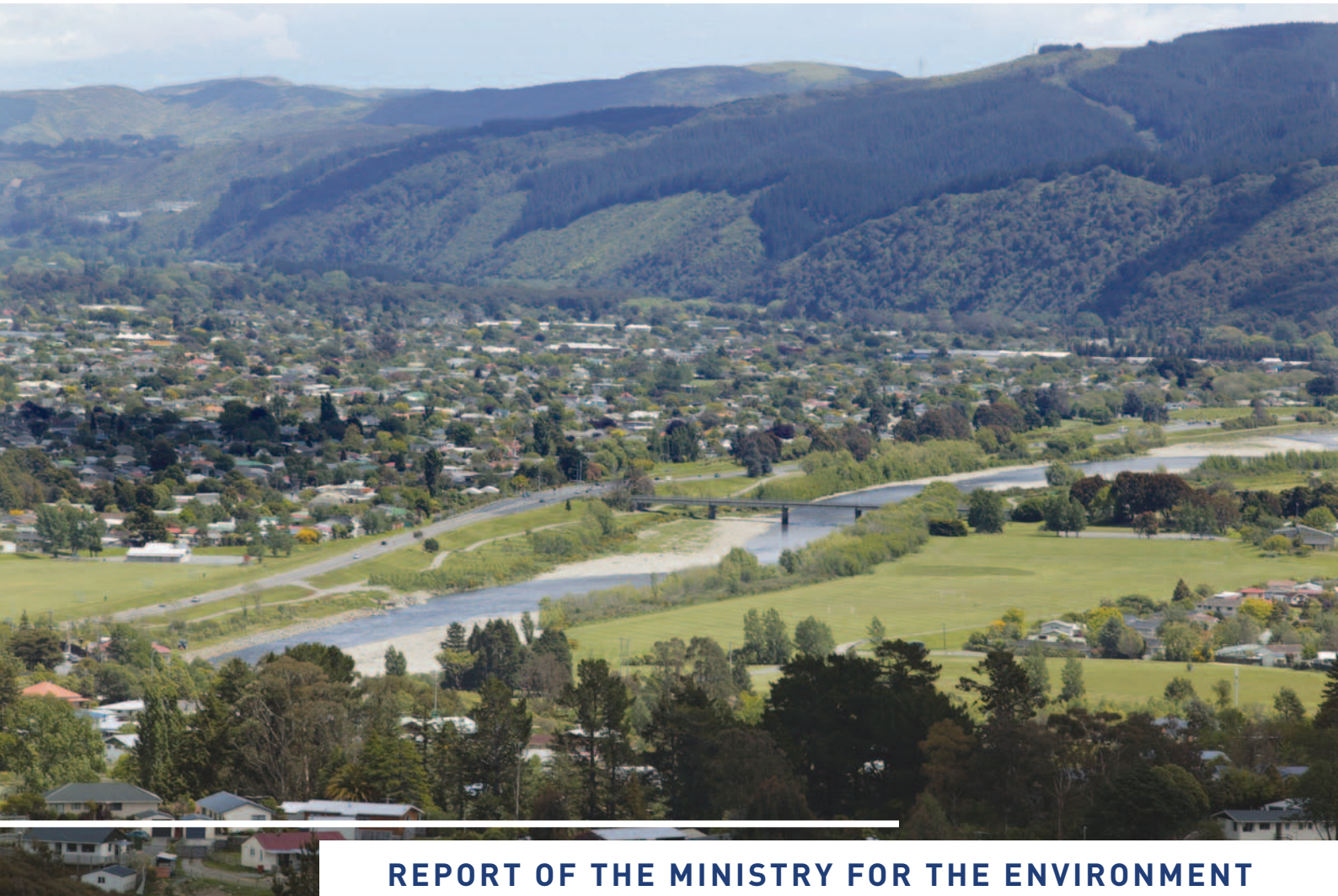




Ministry for the
Environment
Manatū Mō Te Taiao



**REPORT OF THE MINISTRY FOR THE ENVIRONMENT
FOR THE YEAR ENDED 30 JUNE 2010**

Report of the Ministry for the Environment

For the Year Ended 30 June 2010

Presented to the House of Representatives
pursuant to the Public Finance Act 1989

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1 Overview of the 2009/10 Year

Introduction from the Chief Executive

Building a stronger foundation for the future was a feature of the Ministry for the Environment's work in the year ended 30 June 2010.

The Government confirmed several significant changes to New Zealand's environmental management framework. The Ministry is now focused on giving effect to those decisions.

The start of the Emissions Trading Scheme on 1 July 2010 introduced, for the first time in New Zealand, a mechanism to encourage reduction in greenhouse gas emissions. Government agencies put a huge effort into developing the scheme's regulations and systems. This effort will continue until all elements of the scheme are operating as planned.

Another big change was the establishment of an interim Environmental Protection Authority within the Ministry, while the Government considered where best to sit the authority long-term.

The Government's decision has been to set up a new, independent Crown agency by 1 July 2011. This agency will incorporate some functions and powers from the Ministry for the Environment, Ministry of Economic Development and Environmental Risk Management Authority, including administration of the New Zealand Emissions Trading Scheme.

Changes to the environmental management framework have been complemented by changing expectations of the Ministry and its work. The Ministry is now expected to lead thinking on the environment and the economy, and provide strategic advice on complex issues to do with New Zealand's prosperity and success.

The Ministry is responding to this challenge through a focus on organisational development and capability building. This has included the launch of a new strategic direction to guide the Ministry's development and assist with prioritisation.

Following a major review of the Ministry's policy function, the focus is on building analytical capability and putting in place consistent frameworks to underpin a new approach to providing advice.



Dr Paul Reynolds
Chief Executive

Our Role

Mission and vision

Our vision: A prosperous New Zealand where a healthy environment enhances social and economic well-being.

Our mission: Environmental stewardship for a prosperous New Zealand –
Tiakina te taiao kia tōnui a Aotearoa

‘Environmental stewardship’ requires taking the long-term view, so that the capacity of the environment to generate benefits is maintained. ‘Prosperous’ means that resources must be allocated efficiently, to generate the most benefit for New Zealanders.

The Ministry for the Environment advises the Government on all matters related to the environment and is one of its major advisers on the sustainable development of New Zealand. Our advice includes both international and domestic matters related to the environment and climate change.

An important element of our role in environmental stewardship is providing advice on effective environmental governance in New Zealand.

As part of this role we undertake investigations, analysis, review and monitoring so that we can advise and report on a range of issues, including the state of New Zealand’s environment. We implement government decisions by leading ‘whole of government’ initiatives, coordinating the delivery of environmental programmes and administering legislation.

We work closely with other government agencies that have interests in the environment and resource management, particularly through a network of natural resources agencies which the Ministry chairs and supports. There is a similar forum for collaboration with regional councils.

Much of the responsibility for day-to-day environmental management is devolved to local government. This makes regional and district councils a critical part of environmental management in New Zealand. Central government provides guidance for their activities through national policy statements and national environmental standards (which are binding on local authorities), and also through professional development and sharing knowledge about best practice.

In 2009/10, an Environmental Protection Authority (EPA) was established as a statutory office within the Ministry for the Environment to administer and make recommendations to the Minister for the Environment regarding the processing of nationally significant consent applications, plan changes, notices of requirement and certificates of compliance. Over the coming financial year, work will be undertaken to prepare the EPA for establishment in the 2011/12 financial year as a Crown entity, with a Board accountable to the Minister for the Environment.

The Ministry also monitors the performance of the Environmental Risk Management Authority (a Crown entity) on behalf of the Minister for the Environment. The Authority makes decisions on applications to import, develop or field test or release new organisms; and to import or manufacture hazardous substances.

Progress with Priorities and Highlights for 2009/10

At the start of the 2009/10 financial year, the Minister for the Environment set out eight priorities for the Ministry for the Environment's work programme. This section outlines some of the highlights of our work in relation to those priorities.

Reform of the Resource Management Act

The resource management reforms have been planned in two phases, resulting in the biggest review since the Resource Management Act was enacted in 1991. The first phase of the reforms culminated in amendments to the Act that began on 1 October 2009. Several key changes were made, including streamlining and improving processes for resource consents and for projects of national significance, and strengthening compliance.

In September 2009, Cabinet agreed the work programme for phase two of the resource management reforms. This set out the scope and timing of the 10 workstreams on resource management reform for 2009/10. These workstreams cover the Environmental Protection Authority, fresh water, aquaculture, sector specific issues (infrastructure and urban planning), and streamlining the interface between the Resource Management Act and other legislation.

Work will continue on phase two of the reforms in 2010/11. Legislation is likely to be introduced in early 2011 for most of the workstreams. However, the legislation needed to establish the Environmental Protection Authority is expected to be introduced later this year.

Redesign and implementation of the Emissions Trading Scheme

The Climate Change Response (Moderated Emissions Trading) Amendment Bill was delivered on schedule. The Bill received Royal Assent on 7 December 2009. It amended the Emissions Trading Scheme to reduce the costs to households and the impact on jobs, while ensuring New Zealand takes a responsible approach to the global problem of greenhouse gas pollution and climate change. The Emissions Trading Scheme came into force on 1 July 2010.

Regulations for Stationery Energy and Industrial Processes, and Liquid Fossil Fuels were in force from 1 January 2010 for those sectors to begin monitoring and reporting. Draft regulations for the Waste, Synthetic Gases, and Agriculture sectors were drafted for consultation.

Improving New Zealand's freshwater management

The Government's new strategy for freshwater management, New Start for Fresh Water, was announced in June 2009. The detailed work programme, led by the Ministry for the Environment and Ministry of Agriculture and Forestry, has three key elements:

- stakeholder-led collaborative process run by the Land and Water Forum that will develop shared outcomes, goals and long-term strategies for fresh water
- engagement between Ministers and the Iwi Leaders' Group to advance discussions on resolving high level freshwater issues, including iwi/Māori rights and interests, particularly in freshwater management and allocation initiatives
- a work programme on matters covering freshwater allocation, quality and infrastructure, science and monitoring and effective decision making.

During 2009/10 progress has been made in all of these areas. In addition, significant support was provided for Government decision making in relation to improving Canterbury's water management.

Creating an Environmental Protection Authority

The Environmental Protection Authority was established on 1 October 2009, as part of the first phase of Resource Management Act reforms. It became a statutory office within the Ministry for the Environment, under the Secretary for the Environment. The Environmental Protection Authority was established to centralise and streamline the decision-making process of nationally significant consent applications.

The Government has decided that a new Environmental Protection Authority will be established as a Crown agency, responsible to the Minister for the Environment. It is expected to be operational by 1 July 2011.

Ensuring that New Zealand constructively assists in achieving a successor agreement to the Kyoto Protocol on climate change

The Ministry provided, and continues to provide, input into determining the work programme of the United Nations Framework Convention on Climate Change.

New Zealand's negotiating position for a future global climate change agreement and ministerial delegations for decision making in the negotiations were confirmed by Cabinet on 30 November 2009. Because the Copenhagen Conference produced a high level political agreement, the Copenhagen Accord, the Cabinet mandate will extend until such time as an international treaty that can be ratified is agreed.

Implementing the Waste Minimisation Act

The Waste Minimisation Act 2008 had its first full year of operation in 2009/10. From 1 July 2009, a \$10 per tonne (excluding GST) levy on all waste sent to landfill was imposed. The levy creates the opportunity to fund waste minimisation initiatives and provides an economic incentive for behaviour change.

Half of the levy money goes to territorial authorities for waste minimisation activities. Systems and processes for payment of the territorial authority share of the waste disposal levy have been established and two payments were made in 2009/10.

The remaining levy money, minus administration costs, goes into a fund to support waste minimisation projects. Applications for the first annual round of funding closed in March. At the end of the financial year, decisions on the successful projects were being finalised.

Our Organisational Health and Capability

Objectives and achievements

The Ministry's objectives and progress on organisational health and capability are outlined below. The objectives were intended to be multi-year, so cannot all be reported each year.

Objective	Indicator	Measured by	Performance
Capability strategy: Developing our people			
Develop and maintain a skilled and motivated workforce which has the flexibility to adapt to changing goals and priorities over time.	Positive feedback from staff about their perceptions of working at the Ministry.	Gallup Q12 Employee Engagement Survey (next survey is scheduled for August 2010).	The 2009 Gallup Q12 survey indicated some areas of staff engagement that the Ministry needed to focus attention on. This informed engagement action planning by teams during the year.
	Staff length of service and turnover.	Monitoring human resources statistics.	Staff turnover has reduced and length of service increased, though this is partly due to the current economic situation.
Value strategy: Developing quality operating systems			
Operate efficient, practical and integrated internal systems.	Internal policies, procedures and systems are fit for purpose and consistently applied.	Internal audit and review based on internal audit schedule – a combination of strategically placed reviews and compliance checks.	The Internal Auditor examines practices in relation to internal policies and procedures, based on the internal audit schedule approved by the Chief Executive. Action was taken on issues related to policies and procedures identified through internal audits.
		External audits and reviews.	We are systematically addressing recommendations made by external auditors.
Alignment strategy: Working effectively across the Ministry and government			
Strengthen internal working arrangements and collaboration with other agencies across central and local government.	Positive views of Ministers, central agencies and external stakeholders about the Ministry's ability to operate effectively in a complex environment.	Feedback from Ministers and central agencies.	We continue to strengthen collaboration with other agencies, particularly the Natural Resources Sector Network, and regional councils. Informal feedback indicates that these efforts have been positively received.
		Survey of stakeholder perceptions.	A survey of stakeholder perceptions of the Ministry was not undertaken in 2009/10.
Results strategy: Setting and achieving longer-term goals			
Ensure that the Ministry is clear about the results it needs to deliver and that advice is underpinned by good information.	Positive reviews of Ministers, central agencies and external stakeholders about our strategic capacity and use of evidence.	Feedback from Ministers and central agencies that the strategic direction is clear and advice is evidence-based.	A new strategic direction was developed, along with a strategic plan to guide collection and use of evidence and a strategic policy work programme. It is too early to collect and report feedback.
		Regular internal monitoring.	Informal monitoring indicates increasing understanding of the priorities and strategic direction.

Tūhono strategy: Improving our engagement with Māori

Develop and grow trust, confidence and respect between the Ministry and Māori.	Increased collaboration with Māori to share knowledge and work towards common outcomes.	Feedback from Ministers, iwi leaders and iwi resource managers about the Ministry's ability to engage effectively.	We continue to improve our engagement with Māori. Informal feedback from the Chair of the Iwi Advisers' Group indicates that there is an increasing level of confidence in the Ministry's engagement with iwi on the development of policy, in particular water and climate change, and our ability to work collaboratively towards agreed outcomes.
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Connections strategy: Working effectively with sectors

Build and maintain strong relationships and partnerships with those who affect environmental sustainability.	Positive views of external stakeholders on the Ministry's performance in managing key relationships.	Survey of stakeholder perceptions of the Ministry.	A survey of stakeholder perceptions of the Ministry was not undertaken in 2009/10.
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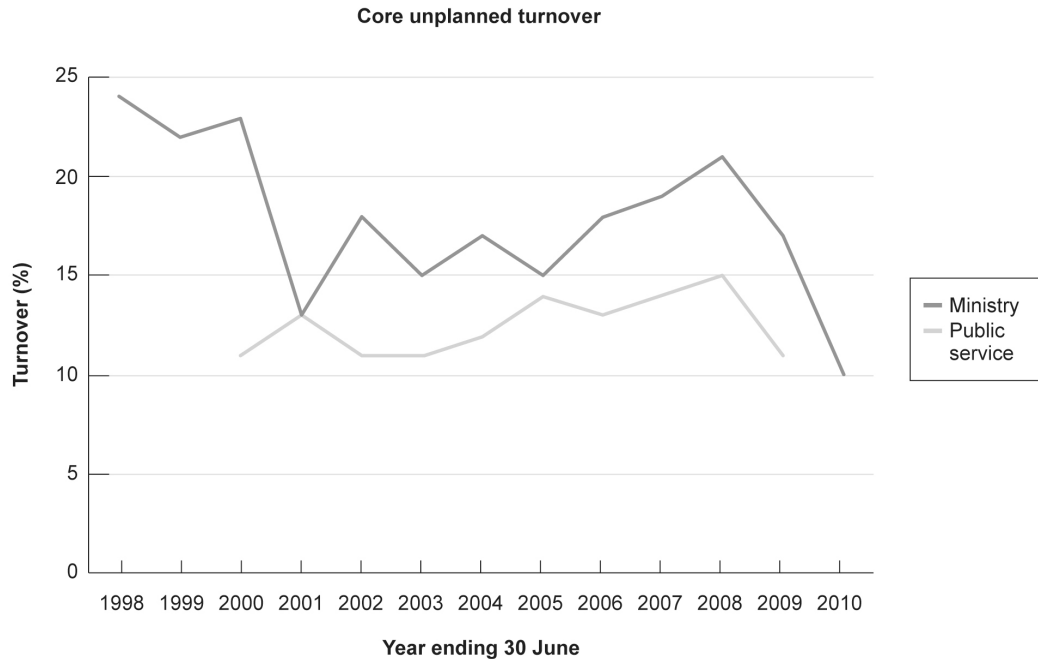
Ministry profile

The Ministry employs 294 full-time equivalent staff. This includes policy analysts who provide advice to the Government on environmental issues and implement government decisions. Our staff come from a wide range of professional, technical and scientific backgrounds, including resource management, law, engineering and science. Many have previously worked in local government, the private sector, or other central government agencies.

Core unplanned turnover at the Ministry is approximately 10 per cent. The average length of service within the Ministry is approximately 4.1 years. The lower rate of unplanned turnover compared with the previous year and the increase in length of service are largely due to current economic conditions and the uncertain job market.

Recent work on the design and structure of the Ministry, along with the increasing focus on strategic outcomes and how our people contribute, has helped clarify roles, responsibilities and expectations. The Ministry's continued work on organisational development has also contributed to a lower rate of unplanned turnover.

In 2009/10, the Ministry continued to progress a range of organisational development and human resources projects, including a management capability programme, a performance assessment process, a remuneration framework, and developing a policy apprenticeship model.



Equal employment opportunities

The Ministry works to ensure that procedures for recruitment and selection, career development and progression, training and conditions of employment will provide equal opportunities and where appropriate are based on merit. A refreshed training programme for management and selected staff around these areas was designed and implemented as part of a new orientation programme.

Currently women make up approximately 42 per cent of the management team at the Ministry. This is an increase on 2008/09, where women made up 39 per cent of management.

Risk management

The Audit and Risk Committee continues to be an effective forum, identifying high level strategic risk with the Chief Executive and providing advice on the effectiveness of our risk management. This small group of external advisers was established to provide independent assurance and advice to the Chief Executive.

Risk management is actively used in strategic management of the organisation, based on a clear definition of risk appetite in our current operating context. Risk management principles are being applied more confidently and effectively throughout the operational areas of the organisation, both in project management and business as usual activities. The Ministry has established an internal Project Management Office and has also been proactive in seeking independent quality assurance for significant projects to ensure project risks are managed effectively.

We have begun the development of a durable business continuity plan that complements existing emergency and disaster recovery procedures. This will ensure that a consistent approach is applied to existing provisions.

Improving Capability and Performance

Strategy

Through a process of engagement with staff, we have developed a strategic direction for the Ministry. This sets out how the Ministry wants to operate in the future, building on our mission statement, so as to drive both organisational development and the strategic thinking that underpins our advice. A programme of work to explore strategic environmental and resource management policy issues was mapped out. An information strategic plan was also prepared to guide development of the evidence base that informs and supports decision making.

Leadership

A major focus of the Ministry's senior leadership team during the year has been on continuing the process of change and organisational development that will increase our effectiveness. A review of the Ministry's policy function was the major element of that work, though attention was also given to some corporate areas, in particular communications and finance.

At the start of the 2009/10 financial year we introduced a new system of governance arrangements for the Ministry and our work programme. The senior leadership team – Chief Executive, three Deputy Secretaries, and Tumuaki – focuses on leadership, strategic direction and key external relationships. The cross-ministry group of directors now has primary responsibility for leading, guiding and resourcing the work programme.

People and culture

Building capability and staff engagement have been the two major areas of focus during the 2009/10 year. A development programme was run for all managers to ensure they had the skills and range of tools required to effectively carry out this role. Directors were involved in a parallel programme to help them support and coach their managers.

In 2009, reviews and reorganisation were undertaken in the Finance and Communications Directorates to ensure the Ministry would have the capability needed in these corporate roles. The new arrangements and staffing are now in place. A review of the Ministry's policy function was carried out in 2010 and new arrangements will be in place in August 2010, though work will continue on building capability.

Staff engagement surveys in 2008 and 2009 indicated some areas of engagement for the Ministry to focus on. During the year managers and teams developed action plans to improve engagement and worked on particular aspects that were important to them.

Relationships

The Ministry's main strategic relationships are with the natural resources agencies in central government, regional councils and Māori leaders.

An important focus of collaboration with other government departments is the Natural Resources Sector. In 2009/10 the Sector strengthened cross-department collaboration on key pieces of policy such as water, climate change and aquaculture. Economy and environment principles were developed to provide a framework for analysts to consider the complexity of natural resources policy issues in a consistent way. The Sector has also begun work on

initiatives to promote shared capability across member departments by identifying areas where systems and processes can be better coordinated.

The Chief Executives' Environment Forum brings together the chief executives of regional councils with central government chief executives to work on issues of common interest. During the year increasing emphasis was given to strategic issues, joint programmes of action, and relationships between central and local government.

Particular attention was given during the year to improving the Ministry's engagement with Māori and iwi leaders, who are key stakeholders in resource management. The Ministry has developed a set of principles to guide this engagement and an action plan to help build strategic relationships.

Performance improvement actions

Performance improvement actions are used to describe the steps we are taking to improve the way we operate over the short to medium term. During 2009/10 the Ministry's focus was on actions shown in the table of 'objectives and achievements' above. Two performance improvement actions were identified in 2010:

- adjusting to fiscal constraints
- building a high-performing and strategic policy advice function.

During the past year, the Ministry has undertaken a range of work to adjust to fiscal constraints, including a baseline review to ensure that it operates as effectively and efficiently as possible in the delivery of its work programmes. The Ministry continues to face a significant decrease in its baseline over the next few years as short-term funding allocated for specific initiatives comes to an end and additional cost pressures from Government priority areas increase, including the establishment of the Environmental Protection Authority. The Ministry continues to improve its planning, prioritisation and financial management processes to enable evidence based trade-off decisions to be made.

Processes, technology and physical assets

During 2009/10, the Ministry launched two new websites: a website for the new Environmental Protection Authority and a website to administer the waste levy. Two websites were decommissioned: Reduce Your Rubbish and the website of Toi Te Taiao: the Bioethics Council.

In August 2009, the Ministry's corporate website was refreshed and in June 2010 the Climate Change website was refreshed. Site management tools were also applied across other sites managed by the Ministry to improve the services they deliver.

The Ministry has also implemented the following: an enterprise wide print management solution, a Customer Relationship Management System, a Waste Intelligence Data Warehouse, improved remote access facilities, an offsite disaster recovery facility at Te Puni Kōkiri, and improved staff access to research material to support evidence-based decision making.

Structure

From 1 July 2009, the Ministry was reorganised into three major divisions – Policy, Programmes, and Strategy and Corporate. Some structural changes resulting from the review of

our policy function were implemented in August 2010. The new organisational structure is shown in Appendix B.

The Ministry's Leadership Team comprises the Chief Executive Dr Paul Reynolds; three Deputy Secretaries – Guy Beatson, Sue Powell and Andrew Crisp; and the Ministry's Tumuaki. The Tumuaki, Chappie Te Kani, leads the small Kaahui Taiao team which provides strategic advice and support on Māori and Treaty of Waitangi issues.

Capital expenditure

The Ministry's capital expenditure in 2009/10 was in three main programmes. These are outlined below:

- Land Use and Carbon Analysis System (LUCAS)
This is a multi-faceted programme of work to meet New Zealand's obligations as a signatory to the Kyoto Protocol. The application combines geospatial information (maps) with carbon models and produces calculations and data in the format required for the United Nations Framework Convention on Climate Change. Phase 1, the core deliverables, is complete. Phase 2 development work began in February 2010 and is scheduled for completion in October 2010.
- Customer Relationship Management System and Waste Intelligence Database
These systems have been developed for staff and managers to record, track and monitor engagement activities with stakeholders. In addition, these systems have been configured as a business tool to support the ongoing business requirements and timely reporting across a number of workstreams that relate to the Waste Minimisation Act.
- Desktop and server hardware
This an ongoing capital expenditure item for updating the Ministry's desktop and server hardware. The remainder is allocated to the purchase and development of software.

Our Environmental Performance

The Ministry for the Environment aims to lead by example. By monitoring our environmental performance we demonstrate our leadership in this area. The Ministry's environmental performance for 2009/10 is measured using waste minimisation, energy efficiency and transportation as performance indicators.

The year yielded significant improvements in electricity consumption and air travel. The Ministry will continue to make progress in these areas. The major outcomes of this year's environmental performance compared with 2009/10 are:

- electricity consumption has decreased
- distance travelled by ground per full-time equivalent staff member has decreased
- domestic and international air travel per full-time equivalent staff member has decreased
- paper and waste recycling per full-time equivalent staff member has increased
- waste to landfill has decreased.

Benchmarking our performance

	Metric	2009/10	2008/09	2007/08	2006/07	2005/06	
Waste Minimisation	Waste to landfill	kg	1,762	1,917	1,641	2,499	4,141
	Waste to landfill per FTE	kg	6	6	6	8	14
	Paper recycled	kg	31,430	19,355	30,180	25,860	37,710
	Paper recycled per FTE	kg	107	63	107	97	154
	Waste recycled	kg	6,773	5,580	5,992	8,942	2,226
	Waste recycled per FTE	kg	23	18	21	34	9
	Total waste	kg	39,965	26,852	37,812	37,301	44,077
	Total waste per FTE	kg	136	87	134	140	180
Energy Efficiency	Total electricity usage	mWh	760	784	801	706	635
	Total electricity usage per FTE	kWh	2,584	2,539	2,846	2,654	2,591
Transportation	Domestic flights	km	1,490,000	1,590,000	1,739,000	1,747,000	1,807,000
	Domestic flights per FTE	km	5,068	5,152	6,175	6,570	7,373
	International flights	km	2,736,000	3,318,000	2,685,000	3,683,000	1,404,000
	International flights per FTE	km	9,306	10,752	9,535	13,851	5,728
	Ground transport	km	96,000	103,000	112,000	130,000	128,000
	Ground transport per FTE	km	327	334	398	489	522
	Total transportation	km	4,322,000	5,011,000	4,536,000	5,560,000	3,339,000
	Total transportation per FTE	km	14,701	16,238	16,108	20,910	13,623

Crown Entity Monitoring

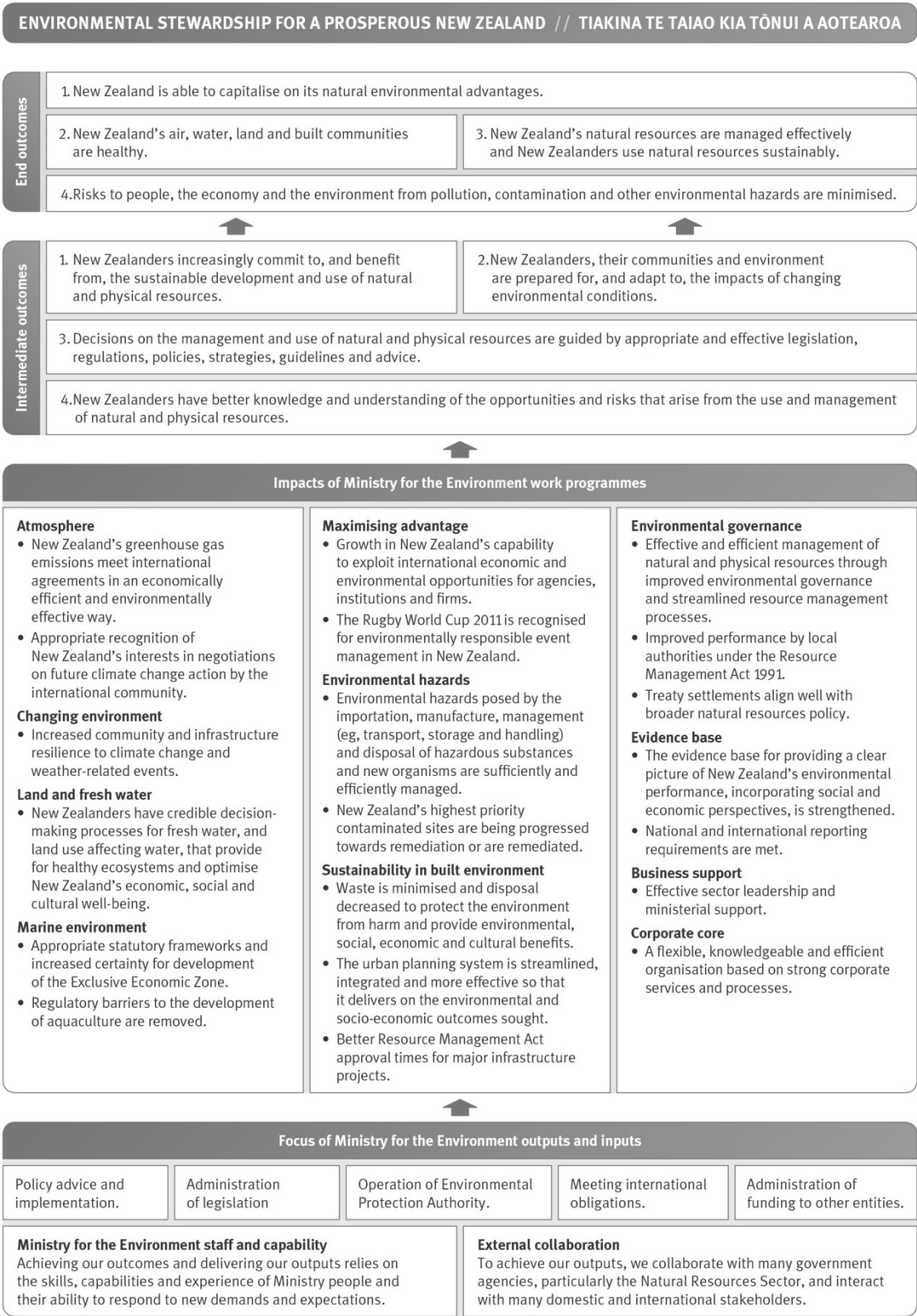
The Environmental Risk Management Authority

The Ministry monitors the performance of the Environmental Risk Management Authority (ERMA New Zealand) on behalf of the Minister for the Environment. Senior management met quarterly with the Chair of the Authority and the Chief Executive and were involved in the Authority's strategic planning day. There were formal six-weekly liaison meetings between the two agencies to discuss joint work programmes and other matters of mutual interest.

The Ministry managed Board appointments, with five re-appointments secured to 1 July 2011. We reviewed quarterly reports, drafts of key accountability documents, and other major reports to monitor ERMA New Zealand's progress against its annual objectives. Every six months the Ministry provided a detailed analysis of ERMA New Zealand's performance to the State Services Commission and Treasury.

The current monitoring will continue until 1 July 2011, when the Environmental Protection Authority is expected to become fully operational. Monitoring arrangements after this date have yet to be finalised.

Outcomes Framework



Progress towards Achieving our Outcomes

During the year under review, we improved the ‘impacts’ layer of our outcomes framework to show more clearly the contribution the Ministry makes towards achieving our outcomes. Because the outcomes framework is relevant to our activities in 2009/10, we have included the most recent version in this report. We report below, where possible, our performance in relation to the impacts during 2009/10. However, not all of them can be reported on each year.

We have also made progress with identifying indicators and measures to report on the long-term outcomes. The prototype dashboard at the end of this report shows trends in relation to selected measures that have a direct or indirect link to our work. This will be further developed for future planning and reporting documents.

Impacts

Impact	Measure	Target	Performance
Atmosphere			
New Zealand's greenhouse gas emissions meet international agreements in an economically efficient and environmentally effective way.	Trends in greenhouse gas emissions and removals as measured by the annual greenhouse gas inventory.	New Zealand's Kyoto Protocol target is to reduce its greenhouse gas emissions back to 1990 levels on average over the period 2008 to 2012 or take responsibility for any emissions above this level if it cannot meet the target. New Zealand's long-term goal is a 50 per cent reduction of net greenhouse gases from 1990 levels by 2050.	New Zealand's total Kyoto Protocol target is calculated as the gross emissions from 1990 (61.9 Mt CO ₂ -e) multiplied over 5 years, 309.6 Mt CO ₂ -e. Combining actual figures from 2008 and projected figures for 2009 to 2012 shows that New Zealand's net emissions over the period are expected to total 291.0 Mt CO ₂ -e, 18.6 Mt CO ₂ -e below our Kyoto Protocol target of below the target of 309.6 Mt CO ₂ -e.
Appropriate recognition of New Zealand's interests in negotiations on future climate change action by the international community.	Ministers are satisfied that New Zealand's interests have been recognised.	Achieved.	A new international agreement has not been concluded. New Zealand's proposals for the rules for a post-2012 climate change agreement remain open for discussion.
Changing environment			
Increased community and infrastructure resilience to climate change and weather-related events.	Local government Resource Management Act planning documents address the need to adapt to the effects of climate change.	Upward trend.	A review of local government planning documents was not carried out in 2009/10.

Impact	Measure	Target	Performance
Land and fresh water			
The Natural Resources Sector Network's agreed common outcome in relation to water is:			
<ul style="list-style-type: none"> New Zealand's fresh water is well governed and sustainably managed to realise the maximum benefit possible for present and future environmental, cultural, social and economic values. 			
The Ministry's contribution to the common outcome is shown below.			
New Zealanders have credible decision-making processes for fresh water, and land use affecting water that provide for healthy ecosystems and optimise New Zealand's economic, social and cultural well-being.	Specific measures that more directly evaluate our policy interventions on fresh water will be determined as part of implementing Government decisions on the 'New Start for Fresh Water' programme.	Targets will be set once specific measures have been developed.	Once specific measures have been developed, the Ministry will be in a position to report on this impact.
Marine environment			
Appropriate statutory frameworks and increased certainty for development of the Exclusive Economic Zone.	Cabinet is yet to set the policy direction for drafting of the Exclusive Economic Zone legislation. Measures for the impact of the legislative framework cannot be developed until its final scope and purpose are determined.	Not applicable.	Ministers will make decisions in September 2010 about if and how to proceed with the legislation.
Regulatory barriers to the development of aquaculture are removed.	The impacts of the aquaculture reforms will be measured by the Aquaculture Agency (once established under the Ministry of Fisheries).	Not applicable.	Reporting progress with aquaculture policy is now the responsibility of the Ministry of Fisheries.
Maximising advantage			
Growth in New Zealand's capability to exploit international economic and environmental opportunities for agencies, institutions and firms.	Number of environmental cooperation agreements concluded. Number of environmental cooperation agreements being implemented.	Four new agreements over the next three years. Seven to 10 agreements over the next three years.	Negotiations are on track to ensure at least four new agreements are concluded over the next three years. All six of the current cooperation agreements are being implemented.

Impact	Measure	Target	Performance
The Rugby World Cup 2011 is recognised for environmentally responsible event management in New Zealand.	Host regions report that they achieved the environmental objectives of their programmes.	80% of objectives achieved.	Host regions' programmes will not be fully in place until September 2011. A progress report will be available in 2011.
Environmental hazards			
Environmental hazards posed by the importation, manufacture, management (eg, transport, storage and handling) and disposal of hazardous substances and new organisms are sufficiently and efficiently managed.	Monitoring of trends in incident, compliance and enforcement data compiled by the Environmental Risk Management Authority and the Department of Labour ¹ .	Downward trend.	<p>Little change in the number of incidents involving hazardous substances attended by the NZ Fire Service: 1,700 – 2,000 per year.</p> <p>Decrease in non-vehicle incidents with environmental contamination from 1249 in 2001/02 to 501 in 2008/09.</p> <p>Decrease in compliance orders issued by enforcement agencies from 203 in 2001/02 to 94 in 2008/09².</p> <p>Increase in the proportion of inspections where a compliance order was issued from 0.01% in 2001/02 to 1.6% in 2007/08.</p>
New Zealand's highest priority contaminated sites are being progressed towards remediation or are remediated.	Progress is made in investigation, remedial planning or remediation of priority sites in conjunction with regional councils and/or landowners.	An increasing proportion of high priority contaminated sites managed or remediated.	Three priority contaminated sites have been remediated and three separate priority contaminated sites have remediation plans in place.
Sustainability in the built environment			
Waste is minimised and disposal decreased to protect the environment from harm and provide environmental, social, economic and cultural benefits.	Percentage of reductions in the monthly tonnage data of waste disposed of at waste disposal facilities.	Downward trend. (It is not yet possible to set a definite target.)	Data was collected from waste disposal facilities in 2009/10 to establish a baseline. The 2010/11 year will provide a second year of data from which we can start to identify trends.

¹ This data provides a useful baseline for trend analysis, but some indicators do not provide enough detail to inform decision making. Any trends identified in the numbers should, therefore, be treated with caution.

² Excludes infringement notices under Land Transport Dangerous Goods Rules.

Impact	Measure	Target	Performance
The urban planning system is streamlined, integrated and more effective so that it delivers on the environmental and socio-economic outcomes sought.	Refer to the <i>Delivering environmental governance</i> work programme for relevant measures.	Refer to the <i>Delivering environmental governance</i> work programme for relevant targets.	Progress with this measure cannot yet be reported as the work is still in progress.
Better Resource Management Act approval times for major infrastructure projects.	Trend in time taken to process notices of requirement and outline plans.	Downward trend.	No survey was carried out in 2009/10. The biennial survey of council performance will be undertaken in 2010/11 and reported in 2011/12.
Environmental governance			
Effective and efficient management of natural and physical resources through improved environmental governance and streamlined resource management processes.	Trend in local authority compliance with mandatory resource consent processing timeframes under the Resource Management Act.	Upward trend.	No survey was carried out in 2009/10. The biennial survey of council performance will be undertaken in 2010/11 and reported in 2011/12.
	A review of the expanded Environmental Protection Authority three years after its establishment shows it provides for effective, efficient and transparent management of the regulation of New Zealand's environment and natural resources.	Achieved.	This performance measure cannot be reported on as the Environmental Protection Authority has not been in operation for three years.
	Trend in efficient processing of applications of national significance that are called in.	100% compliance with statutory requirements.	All applicable statutory processes and timeframes have been met. Decisions on current call-in activities were made under previous legislation so the provisions of the 2009 Act do not apply.
	New national environmental standards are meeting their objectives as determined by a review of their effectiveness undertaken three years after coming into force.	Achieved.	The first review of effectiveness is expected before the end of the 2011/12 year.

Impact	Measure	Target	Performance
Improved performance by local authorities under the Resource Management Act 1991.	Trend in local authority compliance with mandatory timeframes in the Resource Management Act 1991.	Upward trend.	No survey was carried out in 2009/10. The biennial survey of council performance will be undertaken in 2010/11 and reported in 2011/12.
	Trend in local authority decisions overturned by the Environment Court.	Downward trend.	No survey was carried out in 2009/10. The biennial survey of council performance will be undertaken in 2010/11 and reported in 2011/12.
	Number of interventions using statutory powers to address poor local authority performance.	Maximum of one per year.	Two interventions (reviews) under s24A of the Resource Management Act were undertaken in 2009/10 for Environment Canterbury and the Far North District Council.
Treaty settlements align well with broader natural resources policy.	Percentage of advice to Ministers on historical Treaty settlement redress packages reflects the Natural Resources Sector Network's integrated policy position on Treaty settlements.	100%.	The integrated policy position is not yet agreed.
Evidence base			
The evidence base for providing a clear picture of New Zealand environmental performance, incorporating social and economic perspectives, is strengthened.	Number of environmental domains that have indicators updated (in accordance with the principles of the Official Statistics System).	Ten over the next three years.	Ten domains consisting of 36 national environmental variables were updated by 30 June 2010.
National and international reporting requirements are met.	Relevant international institutions accept that reports meet all international requirements.	Achieved.	The fifth national communication and annual greenhouse gas inventory were submitted on time. Reviews of these reports in August 2010 will determine if they meet international requirements. Projections were delivered ahead of time for the Kyoto net position report and were deemed to be materially correct by the Office of the Controller and Auditor General for inclusion in Government Financial Statements.

Impact	Measure	Target	Performance
Operation of the Environmental Protection Authority			
Effective and efficient management of natural and physical resources through improved environmental governance and streamlined resource management processes.	Trend in efficient processing of applications of national significance to the Environmental Protection Authority (EPA).	100% compliance with statutory requirements.	All statutory timeframes for the current matter lodged with the Environmental Protection Authority have been met to date.

2 Statement of Service Performance for the Year Ended 30 June 2010

Output Performance Reporting

This section provides detailed information about the outputs provided and the achievements made against performance measures during 2009/10.

The outputs and performance measures in this section are those set out in the *Statement of Intent 2009–2012* and the Estimates 2009/10, as well as the Output Plan 2009/10 agreed with the Minister for the Environment and Minister for Climate Change Issues. During the year under review, the Ministry and the Minister agreed some changes to the Output Plan. Where this is the case, the relevant outputs and performance measures originally contained in our *Statement of Intent 2009–2012* and the Information Supporting the Estimates 2009/10 have been reported on here. For measures that have changed, we have explained the need for the changes and reported against the new measure.

Similar outputs are grouped into output classes within Vote Environment and Vote Climate Change. The output performance information below is ordered by the 11 work programmes in which the Ministry groups its activities.

Quality standards for policy advice

The Ministry's main output is policy advice, which is primarily captured in the output classes Environmental Policy Advice and Climate Change Policy Advice. The Ministry has policies, standards, best practice documents, and standard operating procedures to ensure its service performance remains at an optimum level. The standards are applied to all aspects of our organisation and are maintained through internal processes to ensure the quality of our policy advice. These processes include peer review and consultation both within the organisation and with relevant external agencies. All significant issues are also discussed by senior management at regular meetings to ensure work programmes remain consistent with the Minister's priorities.

During the year under review, the Ministry set the following measures for both Vote Environment and Vote Climate Change against which to assess its provision of advice.

All Vote Environment and Vote Climate Change output classes

Output: Provide quality advice to Ministers in carrying out their portfolio responsibilities.

Performance target	Performance
100 per cent compliance with the Ministry's quality standards for analysis and advice, as assessed through satisfactory completion of Cabinet's regulatory impact assessment requirements.	90% ³
Policy advice and analysis assessed through an annual independent external policy quality audit, review and benchmarking process.	Not assessed ⁴

³ The achievement of 90 per cent refers to regulatory impact statements assessed by the Ministry and the Treasury in relation to advice that was assessed as being partially or fully compliant.

⁴ Not assessed as a review of policy function capability was undertaken in 2009/10.

Vote Environment

Output Class: Environmental Policy Advice

Through this output class, the Minister purchased advice on environmental policies, issues and the implementation of government decisions to achieve a healthy environment, which enhances social and economic well-being.

The key work programmes in the *Statement of Intent 2010–2013* were divided into 11 work programmes. Of those 11 work programmes, nine were directly relevant to the Environmental Policy Advice Output Class.

Performance on each of these areas is reported below. Where the performance measure is recorded as ‘not achieved’, approximately half of those outputs were delayed by circumstances beyond the control of the Ministry or were delivered in full but later than intended.

Resources employed

Actual 2009 \$000		Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Revenue:				
40,300	Crown	34,970	40,514	37,866
511	Departmental	772	406	571
5	Other	43	5	5
40,816	Total revenue	35,785	40,925	38,442
40,194	Total expenses	35,741	40,925	38,442
622	Net surplus	44	0	0

The variance between the actual and supplementary estimates is because:

- the Ministry completed a baseline review, which led to a reprioritisation of funding from 2009/10 to 2010/11 onwards. This was to allow for a decreasing baseline, expanded functions such as the Environmental Protection Authority, and work on the Government’s priorities of freshwater management and resource management reforms
- the transfer of aquaculture funding to the Ministry of Fisheries
- the timing of the decision to establish the expanded Environmental Protection Authority from 1 July 2011 meant that limited establishment work was undertaken in 2009/10. This will be a significant priority for the Ministry in 2010/11.

Changing environment work programme

Output: Advise on options to assist local authorities to meet their flood risk management responsibilities and achieve flood risk reduction, including a national policy statement on flood risk management.

Performance measure	2009/10 Performance
Advice to Cabinet on the preferred option(s) to assist local authorities to meet their flood risk management responsibilities and achieve flood risk reduction, including a national policy statement on flood risk management, is provided in accordance with Cabinet guidelines by 30 June 2010.	Not achieved Evidence has been consolidated and progress made on scoping options for managing flood risk. The Cabinet paper has been delayed to allow the Minister to consider the advice he requested from the local government Regional Affairs Committee Floods Sub-committee. This was deferred for consideration to the 2010/11 financial year.

Land and fresh water work programme

Output: Develop and implement (in conjunction with the Ministry of Agriculture and Forestry) the Government's New Start for Fresh Water policy programme, as part of phase two of the resource management reform. This comprises engagement with, and support for, the Land and Water Forum and iwi leaders and advisers groups, and policy work on water allocation, water quality, infrastructure, monitoring and science, and effective decision making.

Performance measure	2009/10 Performance
All priority deliverables agreed by Cabinet for the 2009/10 year are delivered by 30 June 2010.	Achieved Work on the 10 freshwater policy projects is proceeding. Discussions have commenced with Ministers on the content and scope of the Cabinet report, and preliminary work has started on the overarching policy issues that will be the focus of the Cabinet paper. In line with an extension to the Land and Water Forum reporting date, now the end of August 2010, the deadline for the Cabinet report has been changed to the end of October 2010.
Potential minor legislative amendments are prepared for Cabinet's consideration by 30 June 2010.	Not achieved No specific water-related minor legislative amendments were identified because the focus has been on wider framework issues. Other resource management phase two amendments, including aquaculture decisions that Cabinet has made, will assist with water management.
Support is provided to the Land and Water Forum, the Iwi Leaders' Group and the Canterbury Mayoral Forum to the satisfaction of the Minister.	Achieved The Minister has expressed his satisfaction with the support provided to these two forums and the Iwi Leaders' Group. Iwi leaders and advisors are closely involved with all projects. There is an excellent working relationship with the Land and Water Forum and a very good relationship with regional councils at chief executive, manager and technical levels. Significant support has been provided for the development of recommendations relating to performance issues at Environment Canterbury.

Output: Provide local government with freshwater management tools.

Performance measure	2009/10 Performance
Appropriate tools are provided for local government to manage fresh water and up to three national instruments are provided for consideration in accordance with Cabinet guidelines by 30 June 2010.	<p>Not achieved</p> <p>Advice on the proposed National Environmental Standard on Ecological Flows and Water Levels and the proposed National Environmental Standard on Fresh Water has been provided to the Minister, who has decided not to progress them to Cabinet until after the Land and Water Forum has reported back.</p> <p>The regulations on the measurement and reporting of water takes have received policy approval from Cabinet and drafting of the regulations has commenced.</p> <p>In January 2010 the Board of Inquiry on the proposed National Policy Statement for Freshwater Management reported back to the Minister on their inquiry. The Minister has forwarded the report to the Iwi Leaders' Group, Land and Water Forum and officials in order to provide useful content for debate and discussion in their work.</p>

Output: Support the Lake Taupo Protection programme and the Rotorua Lakes water quality improvement programme.

Performance measure	2009/10 Performance
Funding is distributed to the Lake Taupo Protection Joint Committee in accordance with the agreed funding deed. Reports are provided to the Minister annually on the Lake Taupo Protection Programme and the Rotorua Lakes Water Quality Improvement Programme.	<p>Not achieved</p> <p>Funding is being distributed to the Lake Taupo Protection Joint Committee in accordance with the funding deed. Reports on the Lake Taupo Protection Programme and the Rotorua Lakes Water Quality Improvement Programme were provided to the Ministry in July and September 2009 respectively. These 2009/10 reports met the requirements of the respective funding deeds. The Ministry did not report separately to the Minister.</p> <p>The next reports are due in July and September 2010 and the Ministry will then report to the Minister. New options to maximise effectiveness in achieving outcomes are being developed for both programmes.</p>

Output: Contract, manage, monitor and audit Waikato River non-departmental appropriations of \$60.4 million delivered by third parties (this includes a scoping study, clean-up fund, co-management arrangements, and initiatives fund).

Performance measure	2009/10 Performance
All contracted Waikato River non-departmental appropriations delivered by third parties are managed and monitored.	<p>Not achieved</p> <p>The full payments for the Waikato River Independent Scoping Study, the transfer of all co-management funding, the payment of the Clean-up Fund to the Waikato River Initiative Fund have not been made. This is due to the delays in NIWA producing the Waikato River Independent Scoping Study. The production of the study determines the settlement date, which in turn triggers these payments. Interim co-management payments to Ngati Tuwharetoa, Raukawa, Te Arawa and Maniapoto in accordance with their agreements with the Crown have been made.</p>

Output: Advise on and implement the Water Efficiency Labelling Scheme.

Performance measure	2009/10 Performance
A water efficiency labelling product information system is operational by 30 June 2010.	<p>Achieved</p> <p>Water efficiency labelling regulations came into effect under the Fair Trading Act 1986 in April 2010 and these will be legally enforceable from 1 April 2011. Labels are being progressively introduced during the interim 12 month period.</p> <p>The system was operational by 30 June 2010 to ensure those who introduce labelling ahead of the mandatory deadline are able to be supported.</p> <p>The Ministry has provided freely downloadable label artwork, guides to assist suppliers and retailers to understand and comply with the regulations, and information that can be used by consumers.</p>

Output: Assist the Minister with processing water conservation orders.

Performance measure	2009/10 Performance
Applications for new water conservation orders responded to within 10 working days and advice on complete applications is provided to the Minister within 15 working days of receiving a proposal.	<p>Not achieved</p> <p>An application was received for a minor amendment to the Kawerau Water Conservation Order.</p> <p>The initial response to the Minister with advice identifying the need for further information and consultation was not provided within 10 working days due to a shortage of specialist staff resources.</p> <p>Advice to the Minister was provided on the application within 15 working days of the consultation being completed. The Ministry is now waiting for a relevant Environment Court decision before providing final advice to the Minister on the amendment application.</p>
Special tribunals considering water conservation orders on the Hurunui River and the Kawarau River amendment are supported to the satisfaction of the Chair of the Tribunal.	<p>Achieved</p> <p>The Tribunal on the Kawarau River amendment continues to be serviced by officials. Servicing of the Tribunal has been described by the Chair as 'exemplary' and he stated that 'all Tribunal members have noted the remarkable support that we have received'.</p> <p>The Hurunui River Tribunal completed its hearings in May 2009, reporting back in August 2009, meaning it was not serviced by Ministry officials during the year under review. The Environment Canterbury commissioners are required under the Environment Canterbury (Temporary Commissioners and Improved Water Management) Act to consider and report on the application for a water conservation order on the Hurunui River.</p>

Marine environment work programme

Output: Develop and implement proposals for the reform of aquaculture-related legislation, including those reforms forming part of phase two of resource management reform.

Performance measure	2009/10 Performance
Aquaculture Legislation Amendment Bill (No 2) (2008) is supported through all stages of the House.	Not applicable This Bill was transferred to the Minister of Fisheries who has decided it will not proceed. Some of its content will be incorporated into the broader aquaculture reform Bill.
The Technical Advisory Group on Aquaculture Reform under phase two of resource management reform is supported.	Achieved The Technical Advisory Group was supported by officials and delivered its report to Ministers in October 2009.
Advice is provided on the Group's findings and recommended legislative changes by 30 June 2010.	Achieved Ministers were briefed over October and November 2009 on the Technical Advisory Group report and recommended legislative changes.

Output: Advise Ministers and other agencies on the implications of the Foreshore and Seabed Review and subsequent policy development for New Zealand's resource management framework.

Performance measure	2009/10 Performance
Advice on the implications of the Foreshore and Seabed review and subsequent policy development is provided in time to effectively consider resource and environmental issues before decisions are taken.	Achieved The Ministry provided analysis to the Ministry of Justice and advice to the Minister for the Environment on the public discussion document and subsequent Foreshore and Seabed Review Cabinet papers.

Output: Develop an Environmental Effects (Exclusive Economic Zone and Extended Continental Shelf) Bill and provide support for implementation.

Performance measure	2009/10 Performance
The Environmental Effects (Exclusive Economic Zone and Extended Continental Shelf) Bill is introduced to the House of Representatives and supported through all stages of the House.	Not achieved – Measure changed During the year under review this output and measure were updated in agreement with the Minister as per the new measure below.

Output (changed): Submit to Minister a Cabinet paper by 30 June 2010, following Cabinet decisions on Phase 2 of Environmental Protection Authority reform, on the policy for drafting of Exclusive Economic Zone legislation.

Performance measure	2009/10 Performance
Cabinet paper with Minister's approved option is drafted and agreed between agencies. (New measure)	Not achieved The Minister indicated that the Exclusive Economic Zone legislation should proceed in tandem with final decisions on the second phase of work on the Environmental Protection Authority. Ministers now will consider an independent report (due September 2010) into New Zealand's environmental controls on marine minerals activities before making final decisions on the policy and timelines for the Exclusive Economic Zone legislation.

Maximising advantage work programme

Output: Contribute to cross-government work (led by MED) on environmentally responsible management of major events hosted by New Zealand.

Performance measure	2009/10 Performance
A guide to organising environmentally sustainable major events and a Rugby World Cup environmental framework are developed to the satisfaction of relevant partners by March 2010.	Achieved The Greener Events Guide and Major Event Greening Guide have been completed and published on the Ministry's website. They have been positively received by host regions, Rugby New Zealand 2011 and Rugby World Cup Limited. The Rugby World Cup 2011 environmental coordination framework has been prepared and consultation undertaken with host regions, Rugby New Zealand 2011, Rugby World Cup Limited, the Minister's Office and other partners.

Output: Develop an evidence base for policy development that contributes to improved business and environmental outcomes.

Performance measure	2009/10 Performance
Research project measuring the environmental impacts of business is completed by 30 June 2010.	Achieved Relevant data from existing national datasets, as well as case study research to fill data gaps, has been collated. This covers environmental impacts/resource use and the economic contribution of key business sectors, and produces resource efficiency ratios where sufficient data is available. The ratios are calculated according to the resource efficiency framework which was developed in the first phase of the project. The final report on this project also includes a gap analysis to help address some of the many data limitations.
Priority business sector focus areas are identified and approved by June 2010.	Achieved Priority sectors for further research have been identified based on criteria including evidence of their scale and impact, priorities for government work programme, and information availability. A contract for this research was awarded in May 2010.

Output: Consistent with Cabinet mandates, negotiate and implement environment cooperation agreements in the context of new and existing free trade agreements.

Performance measure	2009/10 Performance
All environmental provisions associated with preferential trade agreements meet Cabinet requirements and are implemented to meet New Zealand's obligations under those agreements.	<p>Achieved</p> <p>Trade and environment negotiations: The Ministry has contributed to progressing negotiations for seven new environment cooperation agreements (ECAs) in the context of free trade agreements. The Philippines agreement came into force in August 2009 and ECAs were concluded with Malaysia and Hong Kong. These will come into force on 1 August 2010 and in October 2010 respectively.</p> <p>The Environment Chapter text has been substantially concluded with Korea and draft text for ECAs has been discussed with Bahrain and Oman in the context of the Gulf Cooperation Council-NZ FTA. These agreements are expected to conclude after the FTA is signed later this year. Negotiations for the Trans Pacific Partnership-NZ FTA and the India-NZ FTA are under way and the Ministry has prepared for and/or attended the first two rounds on trade and environment.</p> <p>Implementation of environmental cooperation agreements (ECAs): More than 20 successful cooperation activities have been undertaken with our partner countries Thailand, Trans Pacific Strategic Economic Partnership (P4 Chile, Singapore and Brunei) and China. These include meetings of parties (China and Thailand), and supporting and facilitating seminars, workshops and exchanges of experts in agreed priority areas for cooperation.</p> <p>Activities have focussed particularly on energy efficiency and renewable energy, climate change, invasive species management and biodiversity, chemicals management and agricultural pollution control and reduction. Such cooperation has benefited New Zealand and our partners by promoting strengthened relationships, developing and sharing environmental knowledge and facilitating commercial opportunities in environmental services.</p> <p>A report on implementing the P4 ECA was submitted to the Joint Commission as mandated under the agreement.</p> <p>Discussions have also been held with new environmental cooperation agreement partners, Philippines, Hong Kong and Malaysia to plan and prepare for upcoming first meetings of parties later in 2010.</p>

Output: Negotiate Multilateral Environmental Agreements consistent with approved policy and relevant mandates, and implement them consistent with New Zealand's obligations under these agreements.

Performance measure	2009/10 Performance
All Ministry contributions to New Zealand's Multilateral Environmental Agreements are completed to the approved policy and relevant mandates.	<p>Achieved</p> <p>All Ministry contributions to Multilateral Environmental Agreements were completed to the approved policy and relevant mandates.</p>
Advice on any regulatory amendments required to meet New Zealand's international obligations is provided by 30 June 2010.	<p>Achieved</p> <p>The Ministry has completed an assessment of the Multilateral Environmental Agreements six conventions (Rotterdam, Stockholm, Basel, Waigani, Montreal and Cartagena) and New Zealand's interests in being party to the convention, New Zealand's current obligations, and how we are meeting them. It also addresses how we could better meet these obligations (eg, through the Environmental Protection Authority). Advice was provided to the Minister by 30 June 2010.</p>

Environmental hazards work programme

Output: Advise on tools for the assessment of soil contaminants.

Performance measure	2009/10 Performance
Advice on tools for the assessment of soil contaminants is provided by 30 June 2010.	Achieved Advice provided and Cabinet approved initiating public consultation in October 2009 and workshops with stakeholders were completed in March 2010.

Output: Assist councils to set up good systems to manage the information needed for decision making on contaminated or potentially contaminated land.

Performance measure	2009/10 Performance
The contaminated land management systems of six regional councils and 10 district councils are audited by 30 June 2010.	Achieved Systems of 16 local authorities were audited. The audits highlighted a number of potential solutions to help improve territorial authority contaminated land information management systems which the Ministry will discuss with the Minister in 2010/11.

Output: Determine policy and regulations needed to decrease the use of ozone-depleting substances.

Performance measure	2009/10 Performance
Policy and regulatory changes needed to restrict the import of equipment containing hydrochlorofluorocarbons (HCFCs) have been identified by 30 June 2010.	Achieved Options for restricting imports have been identified and are now being tested with relevant departments and stakeholders. Proposed regulatory changes are expected to be with the Minister in October 2010.

Output: Advise on New Zealand's management of hazardous substances and new organisms under the Hazardous Substances and New Organisms Act (HSNO Act).

Performance measure	2009/10 Performance
Advice on management of hazardous substances and new organisms under the Hazardous Substances and New Organisms Act is provided by 30 June 2010.	Achieved Advice was provided to the Minister by 30 June 2010 on a timetable for a package of improvements to Hazardous Substances and New Organisms regulations for completion by the end of 2010. By 30 June the first in a series of papers was provided.

Output: Support the Environmental Risk Management Authority (ERMA) and the Minister in meeting their statutory obligations under the HSNO Act.

Performance measure	2009/10 Performance
Advice to the Minister and ERMA on their statutory obligations and ERMA's performance is provided by 30 June 2010.	Achieved Five Board members were reappointed. The Ministry also briefed the Minister on quarterly reports, the annual monitoring report and the six-monthly report to Treasury.

Output: Administer funds for the safe disposal of legacy intractable agrichemicals (that are presented through the new industry-led product stewardship scheme for newer unwanted/unused agrichemicals).

Performance measure	2009/10 Performance
All funding for the safe disposal of remaining legacy intractable agrichemicals is distributed upon receipt of invoices and destruction certificates.	<p>Not achieved</p> <p>The Agrecovery Foundation established its voluntary product stewardship scheme for agrichemical chemicals and containers from December 2009 to January 2010 and a funding deed was signed with the Foundation in March 2010.</p> <p>The industry scheme had two collection events and collected 1.6 tonnes of legacy intractable agrichemicals. This was not enough to fill a shipping container for transport to an offshore treatment facility and present an invoice to the Ministry before 30 June 2010. The Deed will be renewed for another year to enable the intended outcomes to occur.</p>

Sustainability in the built environment work programme

Output: Review and re-publish the New Zealand Waste Strategy 2002.

Performance measure	2009/10 Performance
Updated New Zealand Waste Strategy is submitted for Minister's approval by December 2009 and published by 30 June 2010.	<p>Not achieved</p> <p>The Ministry revised the Strategy following the Minister's feedback. The Minister sought further advice from the Waste Advisory Board on the draft revised Strategy. Following Cabinet approval, the Minister is expected to release the revised Strategy in late 2010.</p>

Output: Advise on product stewardship priority products and managing accreditation of voluntary product stewardship schemes.

Performance measure	2009/10 Performance
Advice on product stewardship priorities and proposals for managing the top priority product is developed by 30 June 2010.	<p>Not achieved</p> <p>Voluntary industry-led product stewardship is being encouraged rather than pursuing the regulation of priority products. Three voluntary product stewardship schemes have been accredited by the Minister and a further two are undergoing assessment.</p>
Accreditation for voluntary product stewardship schemes is managed in line with set criteria.	<p>Achieved</p> <p>The Ministry continues to meet with industry groups to encourage voluntary applications for product stewardship schemes. An application form and guidelines for accrediting non-priority product stewardship schemes were published on the Ministry's website on 1 December 2009. Three schemes for non-priority products have been accredited by the Minister in accordance with set criteria and two applications are being assessed. Recommendations are expected to be made to the Minister on the present applications in August 2010.</p>

Output: Advise on the Resource Management Act and infrastructure matters, including designations and compensation, as part of phase two of resource management reforms.

Performance measure	2009/10 Performance
Advice on the scope of the infrastructure-related work to be included in phase two of the resource management reforms is provided to Cabinet in accordance with Cabinet guidelines by 30 August 2009 and Cabinet directions are implemented.	<p>Not achieved</p> <p>The resource management phase two Cabinet paper was considered by the Economic Growth and Infrastructure Committee on 1 March 2010. The paper contained a progress report for the 10 workstreams, including infrastructure. The Ministry continues to make progress on phase two infrastructure policy development. An Infrastructure Technical Advisory Group (TAG) was appointed in December 2009 and submitted its final report to the Minister in July 2010. Officials have supported this process.</p> <p>A discussion document on the phase two reforms has been prepared. To provide for an appropriate consultation period in late 2010 on the discussion document the Minister has given agreement for the Ministry to report back to Cabinet later in the 2010/11 financial year. Timing for the preparation of a Bill, in February/March 2011, remains unchanged.</p>

Output: Advise on opportunities to improve the environmental performance of the built environment as part of phase two of the resource management reforms.

Performance measure	2009/10 Performance
Advice on the scope of the urban-related work to be included in phase two of the resource management reforms is provided to Cabinet in accordance with Cabinet guidelines by 30 August 2009 and Cabinet directions are implemented.	<p>Not achieved</p> <p>The Ministry has developed the urban planning workstream problem statements, based on Cabinet decisions, and developed a suite of policy options to address these. The Minister appointed an Urban Planning Technical Advisory Group in December 2009, which is considering these issues in parallel with officials' work. The Technical Advisory Group reported to the Minister in June 2010. Officials have supported this process. A discussion document on the phase two reforms has been prepared. To provide for an appropriate consultation period in late 2010 on the discussion document the Minister has given agreement for the Ministry to report back to Cabinet early in the 2010/11 financial year. This will be before the Auckland Council's establishment.</p>
Advice on possible policy options to improve the environmental performance of the built environment is provided to the Minister for the Environment and the Urban Planning Technical Advisory Group in February 2010.	<p>Achieved</p> <p>In February 2010, the Urban Planning Technical Advisory Group and the Minister were provided with a report on the urban planning workstream with resource management phase two work. The report contains context for the workstream, including its alignment with other cross-government policy work, and its problem statements and policy options developed by officials.</p>

Output: Provide advice on urban issues and implement the Urban Design Protocol.

Performance measure	2009/10 Performance
Advice on urban issues and the Urban Design Protocol is provided by 30 June 2010.	<p>Achieved</p> <p>Seminars were held during November 2009 in Wellington, Christchurch, Dunedin and Auckland for Urban Design Protocol signatories. These seminars were held to raise awareness and understanding of the key findings from the <i>Urban Design Stocktake of Resource Management Plans and Policies</i> report and to provide advice on the changes to the NZS4044 Land Development and Subdivision standard.</p>

Output: Organise and manage a youth environment forum.

Performance measure	2009/10 Performance
At least 40 delegates nationwide are selected to participate in the youth environment forum and 80 per cent of these are satisfied with the forum.	<p>Achieved</p> <p>The Youth Environment Forum took place from 11–15 April 2010. Forty-six delegates, aged 15 to 18 years, from across New Zealand participated in practical projects on environmental management. Activities over the four days involved field trips and workshops on three environmental themes: caring for our water; managing our waste; and reducing our emissions. Feedback on the forum was completed by 38 of the delegates with 36 (95%) stating the forum met or exceeded their expectations.</p>

Output: Organise and manage activities for World Environment Day (5 June) including a national environment awards ceremony.

Performance measure	2009/10 Performance
All activities for World Environment Day, including a national environment awards ceremony, are managed to the satisfaction of the Minister.	<p>Achieved</p> <p>Nominations for the Green Ribbon Awards opened on 1 March 2010. The 12 categories reflect the Government's environmental priorities and the many different ways that New Zealanders create practical initiatives to reduce environmental impacts. Nominations closed on 16 April 2010.</p> <p>The Green Ribbon Awards took place on 3 June 2010. The supreme winner was the Kaharoa Kokako Trust which runs predator control and monitoring programmes to assist in the recovery of kokako in the Kaharoa Conservation Area, Bay of Plenty.</p>

Environmental governance work programme

Output: Advise on and support the establishment of an Environmental Protection Authority as part of phase two of resource management reforms.

Performance measure	2009/10 Performance
Advice on options for an Environmental Protection Authority is provided to Cabinet in accordance with Cabinet guidelines by 30 June 2010.	<p>Achieved</p> <p>Three options for establishing the Environmental Protection Authority were considered by Cabinet in August 2009. Further analysis was undertaken and Cabinet decisions on the final form and functions were made on 31 May 2010.</p>
A transitional Environmental Protection Authority is established and operational when the establishing legislation commences.	<p>Achieved</p> <p>A transitional Environmental Protection Authority was operational on 1 October 2009 to provide for the new functions in the Resource Management Amendment Act 2009.</p>
Environmental Protection Authority legislation is introduced to the House of Representatives and supported through all stages of the House to put an Environmental Protection Authority in place by July 2010.	<p>Not achieved – Measure changed</p> <p>During the year under review this measure was updated in agreement with the Minister as per the new measure below.</p> <p>Cabinet consideration of final options was expected in November 2009, but was deferred until March 2010. Final decisions were not taken until May 2010. This meant the timing of legislation and establishment of the new Environmental Protection Authority was delayed. It is anticipated legislation will be introduced to the House in late 2010 (calendar year), with the Environmental Protection Authority in place by 1 July 2011.</p>

Environmental Protection Authority legislation is prepared for introduction to the House of Representatives and is supported through all stages of the House.
(New measure)

Achieved
Drafting instructions are being prepared following Cabinet decisions in May 2010. The Parliamentary Counsel Office has been engaged to begin drafting an Environmental Protection Authority Bill. It is anticipated a draft Bill will be considered by Cabinet Legislation Committee in August 2010, then legislation be introduced to the House late 2010.

Output: Advise on and support the resource management reforms.

Performance measure	2009/10 Performance
Advice is provided to the Minister as required on the direction, scope and implementation of phase two of the Government's resource management reforms.	Achieved Briefing papers and advice on the direction, scope and implementation of phase two of the Government's resource management reforms were provided to the Minister on a regular basis throughout the year.
Resource Management Act Amendment Bill 2 is introduced to the House of Representatives by end September 2009 and supported through all stages of the House.	Achieved The Resource Management (Simplifying and Streamlining) Amendment Act was reported back to the House of Representatives on 18 August 2009. It was passed into law and commenced on 1 October 2009.
Advice on the scope of work on remaining generic Resource Management Act issues is provided to Cabinet in accordance with Cabinet guidelines by 30 September 2009.	Achieved A Cabinet paper outlining generic Resource Management Act issues and work programme was considered by Cabinet on 21 September 2009.
Advice on the scope of potential changes to the legislative interface between the Resource Management Act and other statutes is provided to Cabinet in accordance with Cabinet guidelines by 30 March 2010.	Achieved A Cabinet paper outlining proposed changes to the legislative interface between the Resource Management Act, Building Act 2004, Conservation Act 1987, Forests Act 1949 and Historic Places Act 1993 was considered by Cabinet on 1 March 2010.
Amendments to the Resource Management Act and/or other Cabinet-agreed priority deliverables for 2009/10 to achieve the objectives of phase two of resource management reforms are supported through all stages of the House.	Not achieved This work programme could not be agreed for 2009/10. Therefore, the Ministry was not in a position to agree priority deliverables for 2009/10.

Output: Advise on possible national environmental standards and, subject to approval, develop, implement, monitor and review the national environmental standards.

Performance measure	2009/10 Performance
Review of the Air Quality National Environmental Standards is completed in accordance with Cabinet directives by 30 June 2010.	Achieved The review was complete when the Technical Advisory Group report was provided in November 2009. Cabinet approved the release of a discussion document in June 2010. Five workshops have been held to explain the discussion document.

Guidance is provided for users on the implementation of national environmental standards by 30 June 2010:

- National Environmental Standard for Sources of Human Drinking Water
- Electricity Transmission National Environmental Standard
- Telecommunication Facilities National Environmental Standard.

Achieved

Guidance material for national environmental standards covering human drinking water, electricity transmission (including five workshops and on-line guidance) and telecommunications facilities (including a user's guide and information pamphlet) were completed by 30 June 2010 and are available on the Ministry's website.

Advice on up to three national environmental standards is provided by 30 June 2010:

- National Environmental Standard for Electricity Transmission Activities
- Proposed National Environmental Standard for On-Site Wastewater Systems
- Desirability of a national environmental standard on forestry activities.

Achieved

Advice has been provided to Cabinet on proposed National Environmental Standards for Electricity Transmission and On-site Wastewater Systems. Advice on a proposed National Environmental Standard for Plantation Forestry has been provided to the Minister.

Output: Provide best practice advice and training for local government, practitioners and iwi, targeted assistance for councils, and guidance for the public and businesses on amendments to the Resource Management Act and other priority programmes.

Performance measure	2009/10 Performance
<p>Best practice advice and training to improve the understanding of the Resource Management Act is delivered to local government, practitioners, iwi, business and the public by 30 June 2010 including:</p> <ul style="list-style-type: none"> – convene implementation workshops by 30 June 2010 – 80% of queries to 0800RMAINFO/ www.rma.govt.nz responded to within 24 hours. 	<p>Achieved</p> <p>Implementation of Resource Management Act amendments (2009) continues to progress well with major user groups. The Ministry is seeking feedback on the impact of amendments on resource management practice.</p> <p>The Ministry has developed regulations and guidance for the discount policy and will be undertaking presentations with local government in early July 2010.</p> <p>The Ministry has developed best practice case studies and worked with South Waikato District Council on a targeted assistance project.</p> <p>The Making Good Decisions Programme foundation and recertification workshops were delivered.</p> <p>A new industry-led Quarrying and Aggregates guidance note was launched.</p> <p>More than 80% of calls to 0800RMAINFO and queries to rmainfo@mfe.govt.nz were responded to within 24 hours.</p>

Output: Advise on environment-related aspects of negotiations on Treaty settlements and implement obligations arising from Treaty settlements, foreshore and seabed agreements, and deeds of settlement/agreement (through to passage of legislation).

Performance measure	2009/10 Performance
Advice on environment-related aspects of negotiations is provided as required.	Achieved Comment was provided on all Cabinet papers, draft deed of settlement and legislation. Where necessary advice was provided to the Minister for the Environment and support was provided for the Waikato River Settlement Parliamentary process.
All Ministry obligations under Treaty settlements, foreshore and seabed agreements, and deeds of settlement/agreement (prior to passage of legislation), are met.	Achieved The Ministry's obligations are spread across the Ministry and sit within the core work of specific teams. Therefore, the Ministry's obligations are met within the current work programmes of relevant teams.

Output: Advise Cabinet on the recommendations of the Royal Commission of Inquiry into Auckland Governance and support the Establishment Board and the Auckland local authorities in the transition of the Auckland Council.

Performance measure	2009/10 Performance
Advice on the Royal Commission of Inquiry into Auckland Governance recommendations for reforming Auckland's urban planning and water governance is provided in accordance with Cabinet guidelines by 30 June 2010 and Cabinet directions are implemented.	Achieved The Ministry supported the committee through the select committee process. The Bill has now been passed into law. The Auckland Council will be established in November 2010.
Advice on the priorities for Auckland local and central government is provided to Cabinet in accordance with Cabinet guidelines by 30 September 2009.	Not achieved The paper was withdrawn. The Minister of Local Government is now required to report to the Cabinet committee on government objectives for Auckland. The report is expected in late October 2010.

Output: Lead and support the activities of the Natural Resources Sector Network.

Performance measure	2009/10 Performance
Ministry support for the Natural Resources Sector Network meets the expectations and needs of the Chief Executives and their Deputies (as measured by informal and formal feedback).	Achieved The Natural Resources Sector governance group have signed off a number of milestones as part of progressing the NRS's main purpose of ensuring that a strategic, integrated and aligned approach is taken to natural resources development and management across government agencies. This included signing off the two year work programme and providing feedback on the Ministry's support role for the NRS. Feedback was sought informally through conversations with members of the governance groups and formally through discussions at the governance meetings including a meeting with the State Services Commissioner. The consensus of opinion was that the NRS is meeting expectations and confirming an ongoing commitment to participation in the network.

Output: Advise on opportunities to improve the management of indigenous biodiversity on private land, which could include a National Policy Statement to provide statutory guidance to councils. (This is a new output, which was agreed with the Minister during 2009/10.)

Performance measure	2009/10 Performance
Advice on the process and timing for developing a National Policy Statement is delivered to Cabinet in 2010.	Not achieved The Ministry has provided the Minister with a draft Cabinet paper with options on proceeding with the National Policy Statement. Further work on a possible draft National Policy Statement is due by November 2010.

Output: Monitor, investigate and advise on performance issues with councils.

Performance measure	2009/10 Performance
Investigate the performance of Environment Canterbury and the Far North District Council by 28 February 2010, and provide advice as required in response to the findings.	Achieved The review reports were provided to Cabinet and released on 19 February 2010. The Minister was satisfied that no further work was required in relation to the Far North District Council. Cabinet considered its response to the Environment Canterbury report and the Government enacted legislation to appoint Commissioners and address immediate impasses on water management in Canterbury. Commissioners took office on 1 May 2010.

Evidence base work programme

Output: Advise on options for improving the assessment of New Zealand's environmental performance through the proposed Environmental Reporting Act.

Performance measure	2009/10 Performance
Provide advice in accordance with the quality standards for analysis and advice on the introduction of an Environmental Reporting Act.	Not achieved – Measure changed During the year under review this measure was updated in agreement with the Minister as per the new measure below.
Advice on the review of options for improving assessment of New Zealand's environmental performance through the introduction of the proposed Environmental Reporting Act is provided by 30 June 2010 (New measure).	Achieved An interagency working group has developed a draft discussion paper which has been put to Chief Executives of the Natural Resources Sector for their initial feedback. Advice on options was delivered to the Minister by 30 June 2010.

Output: Produce regular environmental statistics, reports and surveys.

Performance measure	2009/10 Performance
At least 15 national environmental variables are updated in accordance with the quality standards set by the Official Statistics System by 30 June 2010, with a focus on water and land variables.	Achieved Thirty-six national environmental variables were updated by 30 June 2010 in accordance with the quality standards set by the Official Statistics System, including six water and six land variables.

At least three environment reports or surveys are produced by 30 June 2010.

Achieved

Eight environment reports or surveys were produced by 30 June 2010.

Output: Lead improvements in environmental monitoring and reporting at the national-level, particularly in relation to fresh water.

Performance measure	2009/10 Performance
National-level biological variables are agreed and added to the set of freshwater indicators by 30 December 2010.	<p>To be reported in the year ended 30 June 2011</p> <p>During the year under review this measure was updated in agreement with the Minister with the expected date for completion changed to late 2010 (calendar year). This delay occurred because of staff turnover in the Ministry and reprioritisation of effort. A survey to assess the freshwater biological indicators used to monitor rivers by regional councils has been completed and work is progressing to assess the indicators against the Ministry's indicator criteria.</p>
All national freshwater indicator data updated in accordance with the quality standards set by the Official Statistics System by 30 December 2010.	<p>To be reported in the year ended 30 June 2011</p> <p>During the year under review this measure was updated in agreement with the Minister because indicator data for lake water quality and freshwater demand will not be updated until late 2010 (calendar year). This is due to delays in sourcing data, data quality issues and staff turnover in the Ministry.</p> <p>Indicator data for groundwater quality was updated in the second quarter of 2009/10. Indicator data for river water quality and recreational water quality was updated in the final quarter. Commissioned work to update the lake water quality and freshwater demand indicators is progressing well and will be updated in late 2010 (calendar year).</p>
National Environmental Domain Plan is co-produced in cooperation with Statistics New Zealand and the Department of Conservation by 15 March 2010.	<p>Not achieved</p> <p>The work is being led by Statistics New Zealand and has been delayed due to reprioritisation of resources to other projects within Statistics New Zealand. Progress has been made where the key enduring topics have been identified; the data stock take has been completed and published. Work is now under way to assess the existing national-scale data and identify data gaps. Statistics New Zealand has advised the expected date for completion of the Environmental Domain Plan is now April 2011.</p>

Output: Promote water research which supports development of national instruments and good environmental management.

Performance measure	2009/10 Performance
A water research strategy is published by 31 October 2009.	<p>Not achieved</p> <p>The document was published in December 2009 following sign-off by the Ministry and Foundation for Research, Science and Technology.</p>
A water strategy implementation plan is developed by 31 March 2010.	<p>Not achieved</p> <p>The work was largely completed in December 2009 and remaining aspects were incorporated into the New Start for Fresh Water work.</p>

Ministerial support

The table below covers the outputs related to the provision of support to Ministers. It covers performance for the Minister for the Environment and the Minister for Climate Change Issues.

Actual 2007/08	Actual 2008/09	Performance Measures	2009/10 Performance	Target 2009/10
1,248	1,196	Number of Ministerial correspondence.	1,947	N/A
90%	83%	The percentage of Ministerial drafts provided for the Ministers' signature that are accurate.	89%	90%
85%	82%	The percentage of draft Ministerial replies completed within 10 working days of receipt by the Ministry. ⁵	94%	95%
122	77	Number of departmental Official Information Act requests.	66	N/A
65%	71%	The percentage of departmental Official Information Act requests sent out within statutory deadlines.	97%	100%
80	98	Number of Ministerial Official Information Act requests.	126	N/A
68%	71%	The percentage of Ministerial Official Information Act requests sent to the Ministers' Offices within timeframes.	80%	100%
317	317	Number of Parliamentary Questions.	473	N/A
98%	100%	The percentage of Parliamentary Questions (including supplementary questions) sent to the Ministers' Offices within timeframes and quality standards.	N/A ⁶	100%

⁵ The timeliness measure for Ministerial correspondence changed during 2007/08 from 20 working days to 10 working days in agreement with the Ministers.

⁶ Timeframes were met 100% and quality standards were not measured in 2009/10 due to system limitations.

Vote Environment

Output Class: Delivery of Environmental Management Programmes

Through this output class, the Minister purchased the administration (contracting, managing, monitoring and auditing) of a range of environmental management programmes delivered by third parties.

Resources employed

	Actual 2009 \$000	Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Revenue:				
1,100	Crown	1,093	1,100	1,100
1,100	Total revenue	1,093	1,100	1,100
1,100	Total expenses	1,093	1,100	1,100
0	Net surplus	0	0	0

Environmental hazards work programme

Output: Contract, manage, monitor and audit environmental management programmes delivered by third parties (Contaminated Sites Remediation Fund).

Performance measure	2009/10 Performance
All contracted environmental programmes delivered by third parties are managed and monitored.	<p>Achieved All contracted environmental programmes delivered by third parties are being managed and monitored.</p> <p>The two funding rounds successfully completed in 2009/10 received 10 applications for funding from territorial authorities. The applications were assessed in accordance with the fund criteria and funding from the Contaminated Sites Remediation Fund was committed to nine projects.</p>
All funding is allocated according to fund criteria.	<p>Achieved All funding was allocated according to the funding criteria.</p>

Environmental governance work programme

Output: Contract, manage, monitor and audit environmental management programmes delivered by third parties (Sustainable Management Fund, Landcare Trust, Environment Centre Fund, Environmental Legal Assistance Fund and the Resource Management Act Education and Advisory Services Fund).

Performance measure	2009/10 Performance
<p>All contracted environmental programmes delivered by third parties are managed and monitored.</p>	<p>Achieved</p> <p>The 53 Sustainable Management Fund 2009/10 funded projects are being actively managed, resulting in successful ongoing delivery by third parties.</p> <p>Options for opening the 2010/11 Sustainable Management Fund funding round are being discussed. Existing multi-year Sustainable Management Fund projects have begun project planning in the final quarter of 2009/10.</p> <p>Phase one of the strategic review of the Ministry's grants programme has been completed. Action is now being taken to implement the suggested changes across the various grant programmes.</p>
<p>All funding is allocated according to fund criteria.</p>	<p>Achieved</p> <p>All funding was successfully allocated based on projects that meet the funding criteria only.</p>

Vote Environment

Output Class: Environmental Assistance to the Pacific Islands

Through this output class, the Minister purchased the service of working with the waste sector to assist in the removal of unwanted scrap metal from the Cook Islands.

Resources employed

Actual 2009 \$000		Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Revenue:				
126	Other	27	48	48
126	Total revenue	27	48	48
126	Total expenses	27	48	48
0	Net surplus	0	0	0

Sustainability in the built environment work programme

Output: Administer funds for the clean-up of scrap metal from Pacific Island sites.

Performance measure	2009/10 Performance
520 tonnes of scrap metal removed from the Cook Islands.	<p>Not achieved</p> <p>Progress has been slower than expected with 223 tonnes of scrap metal being removed. A visit to assess the project was made in September 2009. Recommendations were made to the Cook Islands Government by NZAID following a report from the Ministry. Progress has been made on the recommendations, including improving processes and support, and project progress reports have been received. Progress has also been affected by the price of scrap metal falling below the economic viability level anticipated in the original project design. The project was only able to process remaining scrap at a loss, resulting in reduced activity during the year under review.</p>

Vote Environment

Output Class: Resource Management Act Call Ins

Through this output class, the Minister purchased the public notification process for considering nationally significant applications under the Resource Management Act, where the Minister for the Environment exercises the call-in powers under the legislation, and where necessary, provides support to boards of inquiry.

Resources employed

Actual 2009 \$000		Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Revenue:				
1,719	Other	1,393	1,265	4,086
1,719	Total revenue	1,393	1,265	4,086
1,719	Total expenses	1,393	1,265	4,086
0	Net surplus	0	0	0

The variance between the actual and supplementary estimates is because the supplementary estimates provided an allowance for potential applications which did not eventuate.

Environmental governance work programme

Output: Assist Ministers with their statutory functions under the Resource Management Act, including processing call ins, and other interventions of national significance.

Performance measure	2009/10 Performance
Applications are processed in accordance with statutory requirements.	Achieved All applications were processed in accordance with statutory requirements. Applications processed were: Transpower's North Island Grid Upgrade proposal (completed); Contact Energy's Hauāuru mā raki Wind Farm (in process at 30 June 2010); Mighty River Power's Turitea Wind Farm (in process at 30 June 2010).
Number of decisions overturned on judicial review.	Achieved No judicial reviews have been received for call ins or matters processed by the Environmental Protection Authority.

Vote Environment

Output Class: Applications to the Environmental Protection Authority

This output class was introduced in the Supplementary Estimates 2009/10. Through this output class, the Minister purchased assistance with statutory functions under the Resource Management Act, including processing applications and assisting applicants to the Environmental Protection Authority.

Resources employed

Actual 2009 \$000		Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Revenue:				
0	Other	463	0	2,000
0	Total revenue	463	0	2,000
0	Total expenses	463	0	2,000
0	Net surplus	0	0	0

Environmental governance work programme

Output: Applications to the Environmental Protection Authority (exercise the powers and functions of the Environmental Protection Authority for applications made under the Resource Management Act 1991).

Performance measure	2009/10 Performance
Percentage of applications to the Environmental Protection Authority assessed for national significance and a recommendation made to the Minister within 20 working days.	Achieved 100 per cent of applications lodged with the Environmental Protection Authority during the year under review and a recommendation to the Minister from the Environmental Protection Authority was made within 20 working days.
Percentage of applications to the Environmental Protection Authority processed within nine months.	Not applicable The only matter in process with the Environmental Protection Authority is still within the nine month processing period as at 30 June 2010. Therefore, it will be reported on in the 2010/11 financial year.
Number of decisions overturned on judicial review.	Achieved No judicial reviews have been received for call ins or matters processed by the Environmental Protection Authority.

Vote Environment

Output Class: Waste Minimisation

Through this output class, the Minister purchased the administration of the Waste Minimisation Act 2008, including administering the waste disposal levy and the Waste Minimisation Fund.

Resources employed

Actual 2009 \$000		Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Revenue:				
0	Crown	2,097	0	2,260
0	Other	0	2,260	0
0	Total revenue	2,097	2,260	2,260
0	Total expenses	2,097	2,260	2,260
0	Net surplus	0	0	0

Sustainability in the built environment work programme

Output: Implement and operate processes established through the Waste Minimisation Act (2008) (advise on and implement the Waste Minimisation Act 2008).

Performance measure	2009/10 Performance
Implement and operate processes established through the Waste Minimisation Act 2008.	<p>Achieved</p> <p>The first funding round for the Waste Minimisation Fund was open from 1 December 2009 to 1 March 2010. Of the 163 eligible applications received, 29 have progressed through the assessment process Stage II Project Planning. Announcements on successful applications are planned to occur from August 2010.</p> <p>Systems and processes for payments of the territorial authority share of the waste disposal levy have been successfully established. The first payment was distributed on 20 January 2010 and the second payment on 20 April 2010.</p> <p>Systems and processes for accreditation of voluntary product stewardship schemes were established by December 2009. At 30 June 2010 three voluntary product stewardship schemes had been successfully accredited.</p>
Payment of the waste levy by third parties (waste disposal operators) is managed and monitored.	<p>Achieved</p> <p>To date all required payments due from disposal facility operators have been received since the levy was introduced on 1 July 2009. Independent auditors have been appointed and auditing of disposal facilities will begin from August 2010.</p>
An annual waste disposal baseline measure is established by 30 June 2010.	<p>Achieved</p> <p>Monthly returns from all registered disposal facility operators have been received since the levy was introduced on 1 July 2009. The net waste disposed during 2009/10 is approximately 2.5 million tonnes.</p>

Vote Environment

Departmental Capital Expenditure

The Minister purchased the acquisition or development of assets by, and for the use of, the Ministry for the Environment.

Resources employed

Actual 2009 \$000		Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
	Capital expenditure appropriation:			
340	Plant and equipment	242	375	242
1,584	Intangibles	1,283	1,111	1,283
1,924	Total capital expenditure appropriation:	1,525	1,486	1,525
1,762	Total expenses	1,114	1,486	1,525
162	Net surplus	411	0	0

Performance measure	2008/09 Performance
Phase two of the Land Use and Carbon Analysis System database is developed by 30 June 2010.	Not achieved – Measure changed During the year under review this measure was updated in agreement with the Minister as per the new measure below.
Phase 2 of the Land Use and Carbon Analysis System database is developed by 30 September 2010. (New measure)	To be reported in the year ended 30 June 2011 Phase 1 of the LUCAS database has been in place since 29 September 2009. The functional specification work of phase two was under way at the end of March 2010.

Vote Climate Change

Output Class: Carbon Monitoring Programme

Through this output class, the Minister purchased the development and implementation of the New Zealand Carbon Monitoring Programme. It ensures data entering our Land Use and Carbon Analysis System on our land use, land-use change and forestry data in the National Inventory Report is accurate, robust and meets international reporting requirements.

Resources employed

Actual 2009 \$000		Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Revenue:				
9,181	Crown	8,119	9,612	8,823
9,181	Total revenue	8,119	9,612	8,823
9,122	Total expenses	8,119	9,612	8,823
59	Net surplus	0	0	0

Evidence base work programme

Output: Develop and maintain a national carbon accounting system that will contribute to the meeting of New Zealand's greenhouse gas reporting obligations under the Kyoto Protocol and the UNFCCC.

Performance measure	2009/10 Performance
The supplementary Kyoto Protocol tables are complete and submitted in the annual national inventory.	Achieved The final version of the supplementary Kyoto Protocol tables was submitted to the United Nations as part of the annual national inventory by the 15 April 2010 deadline.

Vote Climate Change

Output Class: Climate Change – Policy Advice

Through this output class, the Minister purchased climate change policy advice, as well as advice on the resilience and adaptation of New Zealand's economy, society and environment to climate change.

Resources employed

Actual 2009 \$000		Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Revenue:				
11,976	Crown	10,854	14,289	12,289
80	Departmental	48	55	55
12,056	Total revenue	10,902	14,344	12,344
11,876	Total expenses	10,902	14,344	12,344
180	Net surplus	0	0	0

Atmosphere work programme

Output: Advise on New Zealand's international negotiating position under the UNFCCC and Kyoto Protocol, including post-2012 commitments.

Performance measure	2009/10 Performance
<p>All international submissions and negotiating timelines (milestones) for New Zealand's international position on Climate Change are met.</p>	<p>Achieved</p> <p>All timelines/milestones were met. The Ministry has provided ongoing analysis and advice in relation to New Zealand's negotiating position under the United Nations Framework Convention on Climate Change and in relation to the Copenhagen Accord.</p> <p>Input was provided into negotiating texts, briefing material and information packs to support formal climate change negotiations and increased informal climate change meetings and discussions post-Copenhagen.</p> <p>The Ministry has provided input into determining the United Nations Framework Convention on Climate Change work programme, including for the period leading up to the conference of the parties / CMP in Mexico in December 2010.</p>
<p>Bilateral engagement and partnerships on climate change issues with key partners have been progressed by 30 June 2010.</p>	<p>Achieved</p> <p>Ongoing and wide-ranging bilateral engagement throughout the year. Bilateral climate change talks took place with Australia on 30–31 March 2010, including on the Australia-New Zealand Climate Change Partnership. Bilateral meetings took place with the Republic of Korea, Japan and Singapore in February 2010 and with Norway, Columbia, South Africa, Japan and the USA in Bonn in June 2010.</p> <p>The need for existing and additional bilateral partnerships will be assessed as outcomes from the Copenhagen conference and the process for continuing international dialogue on climate change issues becomes clearer.</p>

Output: Advise on and develop legislation to amend the Climate Change Response Act 2002.

Performance measure	2009/10 Performance
Advice and support is provided to the Special Select Committee established to review climate change policy and the Emissions Trading Scheme.	Achieved Advice and support were provided in relation to the drafting of the departmental report, responding to information requests and drafting of the government response. The Special Select Committee reported back to the House on 31 August 2009 and the government response to the Select Committee recommendations has been published.
Legislation to amend the Climate Change Response Act 2002 is introduced to the House of Representatives in 2009 and supported through all stages of the House.	Achieved Legislation passed through its Parliamentary stages and received Royal Assent on 7 December 2009.
Advice is provided to the Minister on Crown-iwi engagement on changes to the NZ ETS by 30 June 2010.	Achieved Advice was provided to the Minister in relation to the NZ ETS reflecting Māori issues were agreed as part of legislative process, including a Treaty clause with specific requirements to consult iwi. Consultation with iwi on the New Zealand ETS has occurred as required by the Treaty clause.

Output: Implementation of New Zealand's Emissions Trading Scheme (NZ ETS) in conjunction with MED and MAF and in accordance with the Climate Change Response Act 2002.

Performance measure	2009/10 Performance
New Zealand Emissions Trading Scheme implementation milestones met for the entry of mandatory reporting for the Stationary Energy and Industrial Processes and Liquid Fossil Fuels sectors in 2010 and planned milestones met for inclusion of remaining sectors.	Achieved Regulations for Stationary Energy and Industrial Processes, and Liquid Fossil Fuels were in force from 1 January 2010 for those sectors to begin monitoring and reporting. Draft regulations for the Waste, Synthetic Gases, and Agriculture sectors were issued for consultation.
Subject to Cabinet decisions, allocation plans for the Stationary Energy and Industrial Processes and Fishing sectors are developed.	Achieved The Fishing Allocation Plan was issued and applications opened on 21 June 2010. The Ministry provided certainty to firms representing just over 50 per cent of industrial units to be allocated by 1 July 2010. Firms representing over 40 per cent of industrial units have requested further time for the allocation process.

Output: Provide advice on a Crown unit purchasing strategy under the Kyoto Protocol.

Performance measure	2009/10 Performance
Advice on the development of a purchasing strategy to ensure Crown obligations under the Kyoto Protocol are achieved is provided by 30 June 2010.	Achieved Advice was provided in February 2010. The advice explains the Crown's obligations under Kyoto and the NZ ETS, and gives a projection of the Crown's position at the end of 2012. It also recommends a strategy for managing the risks of an emissions unit deficit in the light of uncertainty in the number of forestry units likely to be allocated under the NZ ETS.

Output: Implement (non-ETS) climate change measures and other commitments.

Performance measure	2009/10 Performance
Crown obligations under the Projects to Reduce Emissions (PRE) and Negotiated Greenhouse Agreements (NGA) and SF6 MOUs are met by 30 June 2010 and the administrative functions under the PRE, NGAs, SF6 MOUs and the Clean Development Mechanism and Joint Implementation are fulfilled.	Achieved All Crown obligations were met and administrative functions fulfilled. Negotiations are underway with Negotiated Greenhouse Agreements firms to reflect the introduction of the ETS on 1 July 2010.

Output: Provide information and guidance to stakeholders on voluntary carbon management business initiatives.

Performance measure	2009/10 Performance
Voluntary Corporate Greenhouse Gas Reporting Guidelines updated annually.	Achieved Updated guidelines have been published.

Changing environment work programme

Output: Develop a proposal for tools to cope with sea level rise and provide guidance and information on climate impacts and adaptation.

Performance measure	2009/10 Performance
Guidance developed and information provided to meet gaps and needs identified in collaboration with priority partners.	Achieved A national environmental standard has been recommended to the Minister as a tool to cope with sea-level rise. Guidance and information on climate change impacts and adaptation was provided eg, urban adaptation materials and case studies.
A discussion document on coping with sea-level rise is prepared for Cabinet consideration in accordance with Cabinet guidelines by 1 August 2009.	Achieved A Cabinet paper to release a discussion document was presented to Cabinet in July 2009. A later draft Cabinet paper was provided to the Minister in November 2009. The paper was deferred for consideration to in 2010/11 financial year.
Cabinet directions on coping with sea-level rise are implemented.	Not achieved Advice was provided in November 2009 and a decision was made by the Minister to defer further consideration of proposals relating to sea-level rise to the 2010/11 financial year.

Output: Provide guidance and information on climate impacts targeted at a technical audience, to underpin our work on climate change adaptation and flood risk management.

Performance measure	2009/10 Performance
Managing flood risk (in a context of climate change) summary guidance report is published by 30 March 2010.	Not achieved The summary guidance document <i>Preparing for Future Flooding</i> was published in May 2010.

Evidence base work programme

Output: Fulfil international obligations to support the Government's commitments on Climate Change under the Kyoto Protocol and UNFCCC.

Performance measure	2009/10 Performance
New Zealand's Fifth National Communication is prepared and submitted to the UNFCCC requirements by 1 January 2010.	Achieved The Fifth National Communication was submitted by the deadline of 1 January 2010.
New Zealand meets its obligation to contribute inventory experts to the international inventory review process in September 2009 and have completed review reports by April 2010.	Achieved New Zealand contributed four experts to the review process in September 2009. Review reports have been completed and were sent to parties by April 2010. Four new experts have qualified to be United Nations Framework Convention on Climate Change reviewers from the Ministry of Agriculture and Forestry (2), the Ministry of Economic Development (1) and the Ministry for the Environment (1).

Output: Produce the annual National Inventory Report under the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol.

Performance measure	2009/10 Performance
New Zealand's annual greenhouse gas inventory is prepared and submitted to meet the reporting requirements by 15 April 2010.	Achieved The annual inventory compilation process was completed by 15 April 2010.

Output: Project and report New Zealand's greenhouse gas emissions and removals for the first commitment period of the Kyoto Protocol and beyond.

Performance measure	2009/10 Performance
Projections data and reports (including the net position report) are produced to Audit New Zealand standards by 15 May 2010.	Achieved Projections were delivered ahead of time in April 2010. Projections were updated for the projections chapter of the fifth national communication and were revised to include latest data from Land Use and Carbon Analysis System and Emissions Trading Scheme implementation. The projections were deemed to be materially correct by the Office of the Controller and Auditor General for inclusion in the Financial Statements of the Government of New Zealand.

Output: New Zealand continues to actively participate and contribute to Intergovernmental Panel on Climate Change (IPCC) activities.

Performance measure	2009/10 Performance
New Zealand's financial and participatory requirements for membership of the IPCC are met through the Ministry's role as New Zealand Focal Point for the IPCC, and the IPCC work programme reflects New Zealand's needs.	Achieved New Zealand has continued to contribute its voluntary funding share to the IPCC Trust Fund and to support New Zealand scientists and officials contributing to the IPCC process. Officials worked to ensure that the scope of the next, Fifth, IPCC Assessment Report covers New Zealand interests. Eleven New Zealand authors were selected for this IPCC Fifth Assessment Report at the IPCC Bureau meeting in June 2010: three Co-ordinating Lead Authors, five Lead Authors and two Review Editors. Their selection helps ensure a New Zealand science viewpoint will be reflected in the next Assessment Report.

Ministerial support

Note: The Ministerial support table on page 36 covers performance for Vote Climate Change.

3 Financial Statements for the Ministry for the Environment

Performance Indicators for the Year Ended 30 June 2010

	Unit	Actual 2010	Supplementary estimates 2010
Operating results			
Revenue: Crown	\$000	57,133	62,338
Revenue: Departmental and other	\$000	2,734	6,765
Output expenses	\$000	59,835	69,103
Gain on sale of assets	\$000	12	5
Net surplus	\$000	44	5
Working capital			
Net current assets	\$000	3,685	3,386
Current ratio	Ratio	1.48	1.32
Resource utilisation			
Plant and equipment			
Plant and equipment at year-end	\$000	1,290	1,235
Value per employee	\$000	4.4	4.1
Additions as % of plant and equipment	%	23.2	19.6
Plant and equipment as % of total assets	%	8.9	6.9
Intangible assets			
Intangible assets at year-end	\$000	1,938	2,407
Value per employee	\$000	6.6	8.0
Additions as % of intangible assets	%	42.1	57.8
Intangible assets as % of total assets	%	13.3	13.5
Taxpayers' funds			
Level at year-end	\$000	5,992	5,992
Level per employee	\$000	20.4	20.0
Net cash flows			
Surplus/(deficit) from operating activities	\$000	(3,930)	7,070
Surplus/(deficit) from investing activities	\$000	(1,080)	(1,628)
Surplus/(deficit) from financing activities	\$000	(107)	(107)
Net increase/(decrease) in cash held	\$000	(5,117)	5,335
Human resources			
Staff turnover	%	10.0	16.0
Average length of service	Years	4.1	3.0
Total staff	No.	294	300

Statement of Comprehensive Income for the Year Ended 30 June 2010

Actual 2009 \$000		Notes	Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Income					
63,570	Crown		57,133	68,475	62,338
2,450	Other revenue	2	2,734	4,560	6,765
0	Gains	3	12	5	5
66,020	<i>Total income</i>		59,879	73,040	69,108
Expenditure					
27,652	Personnel costs	4	27,263	27,526	27,526
980	Depreciation and amortisation expense	8, 9	1,278	1,501	1,275
383	Capital charge	5	278	383	383
36,007	Other operating expenses	6	31,016	43,625	39,919
65,022	<i>Total expenditure</i>		59,835	73,035	69,103
998	Net surplus and total comprehensive income		44	5	5

Explanations of significant variances against budget are detailed in note 20.

The notes form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Financial Position as at 30 June 2010

Actual 2009 \$000	Notes	Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Assets				
Current assets				
8,197		3,080	12,224	13,532
5,123	7	8,003	500	500
182		225	100	100
13,502		11,308	12,824	14,132
Non-current assets				
1,557	8	1,290	1,432	1,235
1,835	9	1,938	2,432	2,407
3,392		3,228	3,864	3,642
16,894		14,536	16,688	17,774
Liabilities				
Current liabilities				
6,888	10	4,906	8,340	8,340
998	11	44	5	5
470	12	662	0	0
2,401	13	2,011	1,522	2,401
10,757		7,623	9,867	10,746
Non-current liabilities				
1,036	13	921	829	1,036
1,036		921	829	1,036
11,793		8,544	10,696	11,782
5,101		5,992	5,992	5,992
Taxpayers' funds				
5,101	14	5,992	5,992	5,992
5,101		5,992	5,992	5,992

Explanations of significant variances against budget are detailed in note 20.

The notes form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Changes in Taxpayers' Funds for the Year Ended 30 June 2010

Actual 2009 \$000		Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
3,712	Balance at 1 July	5,101	5,101	5,101
998	Total comprehensive income	44	5	5
(998)	Return of operating surplus to the Crown	(44)	(5)	(5)
1,389	Capital injections	891	891	891
5,101	Balance at 30 June	5,992	5,992	5,992

The notes form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Cash Flows for the Year Ended 30 June 2010

Actual 2009 \$000	Note	Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Cash flows from operating activities				
60,153		54,844	68,475	65,755
2,740		2,242	4,634	7,160
(36,388)		(32,871)	(42,815)	(38,396)
(26,565)		(27,769)	(27,526)	(27,527)
(383)		(278)	(383)	(383)
(628)		(98)	0	461
(1,071)	15	(3,930)	2,385	7,070
Cash flows from investing activities				
0		12	5	5
(370)		(240)	(375)	(242)
(1,349)		(852)	(1,111)	(1,391)
(1,719)		(1,080)	(1,481)	(1,628)
Cash flows from financing activities				
1,389		891	891	891
(8,890)		(998)	(5)	(998)
(7,501)		(107)	886	(107)
(10,291)		(5,117)	1,790	5,335
18,488		8,197	10,434	8,197
8,197		3,080	12,224	13,532

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

The notes form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Commitments as at 30 June 2010

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of plant, and equipment and intangible assets that have not been paid for or not recognised as a liability at balance date. The amounts are restated for the previous year.

Non-cancellable operating lease commitments

The Ministry leases plant and equipment in the normal course of its business. The majority of these are for premises and photocopiers in Wellington, Christchurch and Auckland, which have a non-cancellable leasing period ranging from one to seven years.

The Ministry's non-cancellable operating leases have varying terms, escalation clauses, and renewal rights. There are no restrictions placed on the Ministry by any of its leasing arrangements.

The total amount of future sub-lease payments expected to be received under non-cancellable sub-leases at the balance date are \$4,677 (2009: \$7,000)

Other non-cancellable commitments

The Ministry has entered into non-cancellable contracts for cleaning services, consulting services and other contracts for service.

	2010	2009
	\$000	\$000
Capital commitments		
Intangible assets	191	262
<i>Total capital commitments</i>	191	262
Non-cancellable operating lease commitments		
Not later than one year	2,183	2,205
Later than one year but not later than five years	8,307	8,451
Later than five years	3,895	5,909
<i>Total non-cancellable operating lease commitments</i>	14,385	16,565
Other non-cancellable commitments		
Not later than one year	12,384	13,840
Later than one year but not later than five years	16,371	17,699
Later than five years	9,115	11,799
<i>Total other non-cancellable commitments</i>	37,870	43,338
Total commitments	52,446	60,165

The notes form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Contingent Liabilities and Contingent Assets as at 30 June 2010

Contingent liabilities

The Ministry has a contingent liability for legal proceedings of up to \$2.0 million representing the amount claimed by the plaintiff in relation to defamation allegations. The Ministry is currently disputing the claim. The claim was heard by the Court of Appeal in June. The Ministry is awaiting the decision (2009: \$1.95 million).

The Ministry may be required on expiry of its premises lease in Wellington to make-good any damage caused to the premises and to remove any fixtures and fittings installed by the Ministry. The Ministry has the option to renew the lease. The value of this contingent liability is unquantified.

There were no other contingent liabilities as at 30 June 2010 (2009: Nil).

Contingent assets

The Ministry has no contingent assets as at 30 June 2010 (2009: Nil).

Statement of Unappropriated Expenditure for the Year Ended 30 June 2010

Departmental appropriations and net asset schedule

Departmental output classes were produced within appropriation (2009: no unappropriated expenditure).

The notes form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Departmental Expenses and Capital Expenditure against Appropriations for the Year Ended 30 June 2010

Actual 2009 \$000		Expenditure before re- measurement 2010 \$000	Re- measurement 2010 \$000	Expenditure after re- measurement 2010 \$000	Appropriation ⁷ 2010 \$000
Vote Environment					
Appropriation for departmental output expenses					
40,194	Environmental Policy Advice	35,741	61	35,802	38,442
1,100	Delivery of Environmental Management Programmes	1,093	3	1,096	1,100
815	Bioethics Council	0	0	0	0
0	Waste Minimisation Act	2,097	5	2,102	2,260
126	Environmental Assistance to the Pacific Islands	27	0	27	48
1,719	Resource Management Act Call Ins	1,393	0	1,393	4,086
0	Applications to the Environmental Protection Authority	463	0	463	2,000
43,954	Total	40,814	69	40,883	47,936
Vote Climate Change					
Appropriation for departmental output expenses					
70	Policy Advice – Energy Efficiency and Conservation	0	0	0	0
11,876	Policy Advice – Climate Change	10,902	20	10,922	12,344
9,122	Carbon Monitoring Programme	8,119	5	8,124	8,823
21,068	Total	19,021	25	19,046	21,167
Appropriation for capital expenditure					
1,762	Capital expenditure	1,114	0	1,114	1,525

The notes form an integral part of, and should be read in conjunction with, these financial statements.

⁷ This includes adjustments made in the supplementary forecast and transfers under the Public Finance Act 1989.

Notes to the Financial Statements

1. Statement of accounting policies for the year ended 30 June 2010

Reporting entity

The Ministry for the Environment (the Ministry) is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

In addition, the Ministry has reported on Crown activities, which it administers.

The primary objective of the Ministry is to provide services to the public rather than making a financial return. Accordingly, the Ministry has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Ministry are for the year ended 30 June 2010. The financial statements were authorised for issue by the Chief Executive of the Ministry on 30 September 2010.

Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with the New Zealand generally accepted accounting practices (NZ GAAP) and Treasury instructions. These financial statements also comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on the basis of historical cost.

Function and presentation of currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of the Ministry is New Zealand dollars.

Accounting policies

There have been no changes in accounting policies during the financial year.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accrual basis of accounting has been used unless otherwise stated.

The Ministry has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- NZ IAS 1 *Presentation of Financial Statements (revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (issued 2004)*. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non owner changes separately from transactions with owners. The Ministry has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.
- Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*. The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used, and requires the maturity analysis of derivative liabilities to be presented separately from non-derivative financial liability contractual maturity analysis. This new information is disclosed in note 18. The transitional provisions of the amendments do not require disclosure of comparative information in the first year of application. The Ministry has elected to disclose comparative information.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted, and which are relevant to the Ministry, are:

- NZ IAS 24 *Related Party Disclosures (Revised 2009)* replaces NZ IAS 24 *Related Party Disclosures (Issued 2004)* and is effective for reporting periods commencing on or after 1 January 2011. The revised standard:
 - i) Removes the previous disclosure concessions applied by the Ministry for arms-length transactions between the Ministry and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the Ministry and entities controlled or significantly influenced by the Crown.
 - ii) Provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Minister for the Environment, the Ministry will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown.
 - iii) Clarifies that related party transactions include commitments with related parties.

The Ministry expects it will early adopt the revised standard for the year ended 30 June 2011.

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement; Phase 2 Impairment Methodology; and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single

impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The Ministry has not yet assessed the effect of the new standard and expects it will not be early adopted.

Significant accounting policies

Budget figures

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2010, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements. The variance between the Main Estimates and the forecast financials relates to the accounting treatment of the in principle expense transfers.

Revenue

Revenue Crown

Revenue earned from the supply of outputs to the crown is recognised as revenue when earned.

Revenue other

The Ministry derives revenue through the provision of services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Expenditure

Capital charge

The capital charge is recognised as an expense in the period to which the charge relates.

Grants/subsidies

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to the Crown.

Cost allocation

The Ministry derives the cost of outputs using a cost allocation system. Direct costs are charged directly to the Ministry's outputs. Indirect costs are charged to outputs based on a primary cost driver of salaried full-time equivalents. There were no material changes to the cost allocation model during the 2009/10 year.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be directly associated with a specific output. For the year ended 30 June 2010, direct costs accounted for 74% of the Ministry's costs (2009: 74%) indirect costs accounted for 26% of the Ministry's costs (2009: 26%).

Leases

Operating leases

An operating lease is a lease where the lessor does not transfer substantially all the risks and rewards of ownership of an asset. Lease payments under an operating lease are recognised as an expense in a systematic manner over the term of the lease. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

Foreign currency

Transactions in foreign currencies are initially translated at the foreign exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at balance date are translated to New Zealand dollars at the foreign exchange rate at balance date. Foreign exchange gains or losses arising from translation of monetary assets and liabilities are recognised in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and funds on deposit with banks.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Plant and equipment

Plant and equipment consists of leasehold improvements, furniture and office equipment, and computer hardware. Plant and equipment are recognised and disclosed at cost, less accumulated depreciation and impairment losses.

Additions

Individual assets, or group of assets, are capitalised if their cost is greater than \$1,500. The value of an individual asset that is less than \$1,500 and is part of a group of similar assets is capitalised.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses arising from disposal of plant and equipment are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment, at a rate that will write off the cost or valuation of the assets, over their useful lives. The depreciation charge for each period is recognised in the Statement of Comprehensive Income. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Depreciation rate (%)	Useful life (years)
Furniture and fittings	12.5 – 20	5 – 8
Office equipment	20	5
Computer hardware	25 – 33.33	3 – 4

Leasehold improvements (included in furniture and fittings) are capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter. Items classified as furniture and fittings but not deemed to be part of leasehold improvements are depreciated over their useful lives.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the Ministry are recognised as an intangible asset.

Costs associated with staff training and the maintenance of computer software is recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

Typically, the estimated useful lives and associated amortisation rates of intangible assets have been estimated as follows:

	Amortisation rate (%)	Useful life (years)
Acquired computer software	33.33	3
Acquired computer software licences (Land Use and Carbon Analysis System)	13.33	7.5
Developed computer software	33.33	3

Impairment of non-financial assets

Plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

An intangible asset that is not yet available for use at the balance date is tested for impairment annually.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Employee entitlements

Pension liabilities

Obligations for contributions to defined contribution retirement plans are recognised in the Statement of Comprehensive Income as they fall due.

Other employee entitlements

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Comprehensive Income when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported on an actuarial basis, based on the present value of the expected future entitlements.

Termination benefits

Termination benefits are recognised in the Statement of Comprehensive Income only when there is a demonstrable commitment to either terminate employment before normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

Superannuation schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, Kiwisaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Comprehensive Income as incurred.

Statement of cash flows

Cash means cash balances on hand and cash held in bank accounts.

Operating activities include cash received from all income sources of the Ministry and the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise capital injections by, or repayment of capital to, the Crown.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Goods and Services Tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST except where otherwise stated. Creditors and other payables and debtors and other receivables in the Statement of Financial Position are stated inclusive of GST. Where GST is not recoverable as an input tax, then it is recognised as part of the related asset or expense.

The GST payable or receivable at balance date is included in creditors and other payables or debtors and other receivables in the Statement of Financial Position.

Taxation

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in the notes to the financial statements.

Note 12 contains an estimate for restructuring costs which is expected to be paid out in the financial year ended 30 June 2011.

Note 13 provides the key assumptions used in determining the estimates for long service leave and retirement leave.

Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments at the point a contractual obligation arises, to the extent that they are yet to be performed.

Contingencies

Contingent liabilities and contingent assets are disclosed at the point at which the contingency is evident.

Taxpayers' funds

Taxpayers' funds is the Crown's net investment in the Ministry and is measured as the difference between total assets and liabilities. Taxpayers' funds is disaggregated and classified as general funds.

Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current year.

2. Other revenue

Actual 2009 \$000		Actual 2010 \$000
600	Departmental	820
1,850	Other	1,914
2,450	Total other revenue	2,734

3. Gains

Actual 2009 \$000		Actual 2010 \$000
0	Net gain on disposal of plant and equipment	12
0	Total gains	12

4. Personnel costs

Personnel costs include expenditure and provisions for salaries, wages, annual leave, retirement and long service leave, and redundancies.

Actual 2009 \$000		Actual 2010 \$000
26,436	Salaries and wages	26,568
706	Employer contribution to defined contribution plans	714
463	Increase/(decrease) in employee entitlements	(75)
47	Other	56
27,652	Total personnel costs	27,263

Employer contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme, KiwiSaver and Government Superannuation Fund.

5. Capital charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2010 was 7.5% (2009: 7.5%).

6. Other operating expenses

Actual 2009 \$000		Actual 2010 \$000
	Fees to auditor	
149	- fees for the financial statement audit	154
5	- fees for NZ IFRS transition	0
2,039	Operating lease payments	2,256
923	Advertising and publicity	786
3,123	Contributions and sponsorship	2,761
20,591	Consultancy	17,633
4,740	General and administration	4,248
676	Net loss on disposal of plant and equipment and intangibles	0
3,761	Other operating expenses	3,178
36,007	Total other operating expenses	31,016

7. Debtors and other receivables

Actual 2009 \$000		Actual 2010 \$000
4,312	Debtors	7,094
0	Less provision for impairment	0
4,312	Net debtors	7,094
811	GST receivable	909
5,123	Total debtors and other receivables	8,003

The carrying value of debtors and other receivables approximates their fair value.

As at 30 June 2010 and 2009, all overdue receivables have been assessed for impairment. No provision has been made for doubtful debts as all debtors are current. There were no indications at balance date that any of these debtors are impaired.

The aging profile of receivables at year end is detailed below:

	2010			2009		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	7,997	0	7,997	5,032	0	5,032
Past due 1 – 30 days	0	0	0	74	0	74
Past due 31 – 60 days	0	0	0	0	0	0
Past due 61 – 90 days	0	0	0	17	0	17
Past due > 91 days	6	0	6	0	0	0
Total	8,003	0	8,003	5,123	0	5,123

8. Plant and equipment

	Furniture and fixtures \$000	Office equipment \$000	Computer hardware \$000	Total \$000
Cost or valuation				
Balance as at 1 July 2008	1,842	200	1,562	3,604
Additions	0	17	476	493
Add: Closing work in progress	0	0	12	12
Less: Opening work in progress	0	0	(188)	(188)
Revaluation increase	0	0	0	0
Transfer to be held for sale	0	0	0	0
Disposals	(13)	(13)	(116)	(142)
Balance at 30 June 2009	1,829	204	1,746	3,779
Balance as at 1 July 2009	1,829	204	1,746	3,779
Additions	0	6	234	240
Add: Closing work in progress ⁸	0	71	0	71
Less: Opening work in progress	0	0	(12)	(12)
Revaluation increase	0	0	0	0
Transfer to be held for sale	0	0	0	0
Disposals	0	(19)	(193)	(212)
Balance at 30 June 2010	1,829	262	1,775	3,866
Accumulated depreciation and impairment losses				
Balance as 1 July 2008	727	139	914	1,780
Depreciation expense	226	19	331	576
Eliminate on disposal	(7)	(11)	(116)	(134)
Eliminate on revaluation	0	0	0	0
Eliminate on transfer to be held for sale	0	0	0	0
Impairment losses	0	0	0	0
Balance at 30 June 2009	946	147	1,129	2,222
Balance as 1 July 2009	946	147	1,129	2,222
Depreciation expense	223	19	324	566
Eliminate on disposal	0	(19)	(193)	(212)
Eliminate on revaluation	0	0	0	0
Eliminate on transfer to be held for sale	0	0	0	0
Impairment losses	0	0	0	0
Balance at 30 June 2010	1,169	147	1,260	2,576
Carrying amounts				
At 1 July 2008	1,115	61	648	1,824
At 30 June / 1 July 2009	883	57	617	1,557
At 30 June 2010	660	115	515	1,290

There are no restrictions over the title of the Ministry's plant and equipment, nor are any plant and equipment pledged as security for liabilities.

⁸ The amount of work in progress as at 30 June 2010, \$70,500 relates to the Energy Efficient Project for Clean Heating (2009: \$11,913 relates to the addition of servers).

9. Intangible assets

	Acquired software \$000	Acquired software licences \$000	Internally generated software (others) \$000 ⁹	Internally generated software (LUCAS) \$000	Total \$000
Cost					
Balance at 1 July 2008	1,506	187	0	277	1,970
Additions	293	0	0	1,392	1,685
Add: Closing work in progress	16	0	149	425	590
Less: Opening work in progress	(187)	0	0	(643)	(830)
Disposals	(7)	0	0	(764)	(771)
Balance at 30 June 2009	1,621	187	149	687	2,644
Balance as at 1 July 2009	1,621	187	149	687	2,644
Additions	44	0	453	509	1,006
Add: Closing work in progress ¹⁰	26	0	206	167	399
Less: Opening work in progress	(16)	0	(149)	(425)	(590)
Disposals ¹¹	(10)	0	0	0	(10)
Balance at 30 June 2010	1,665	187	659	938	3,449
Accumulated amortisation and impairment losses					
Balance as 1 July 2008	285	21	0	201	507
Amortisation expense	197	30	0	177	404
Disposals	(7)	0	0	(95)	(102)
Impairment losses	0	0	0	0	0
Balance at 30 June 2009	475	51	0	283	809
Balance at 1 July 2009	475	51	0	283	809
Amortisation expense	204	31	81	396	712
Disposals	(10)	0	0	0	(10)
Impairment losses	0	0	0	0	0
Balance at 30 June 2010	669	82	81	679	1,511
Carrying amounts					
At 1 July 2008	1,221	166	0	76	1,463
At 30 June / 1 July 2009	1,146	136	149	404	1,835
At 30 June 2010	996	105	578	259	1,938

There are no restrictions over the title of the Ministry's intangible assets, nor are any intangible assets pledged as security for liabilities.

⁹ Internally generated software (others) consists of: Online Waste levy System; Customer Relationship Management System; and Waste Intelligence Database System.

¹⁰ The amount of work in progress as at 30 June 2010 consists of: \$26,219 for the upgrade of the Financial Management Information System; \$48,916 for the development of the Customer Relationship Management System; \$156,621 for the Waste Intelligence Database System; and \$167,316 for the development of Land Use and Carbon Analysis System (2009: \$590,396 – for the development of Land Use and Carbon Analysis System; development of Online Waste Levy System and an upgrade of Library Information Management System).

¹¹ The disposals as at 30 June 2010, \$10,089 relates to the write off of the fully depreciated software no longer in use (2009: \$763,228 relates to the write off for the development work carried out for the Calculation and Reporting Application work not being used for the current development of Land Use and Carbon Analysis System).

10. Creditors and other payables

Actual 2009 \$000		Actual 2010 \$000
1,926	Creditors	1,704
4,855	Accrued expenses	3,073
107	Fixed assets payable	129
6,888	Total creditors and other payables	4,906

Creditors and other payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of creditors and other payables approximates their fair value.

11. Return of operating surplus

Actual 2009 \$000		Actual 2010 \$000
998	Net surplus	44
998	Total return of operating surplus	44

The return of the operating surplus to the Crown is required to be paid by 31 October of each year.

12. Provisions

Actual 2009 \$000		Actual 2010 \$000	
Current			
470	Mapua contaminated site	0	
0	Restructuring	662	
470	Total provisions	662	
	Restructuring \$000	Mapua contaminated site \$000	Total \$000
Balance at 1 July 2008	0	0	0
Additional provisions made	0	470	470
Amounts used	0	0	0
Unused amounts reversed	0	0	0
Balance at 30 June 2009	0	470	470
Balance at 1 July 2009	0	470	470
Additional provisions made	662	0	662
Amounts used	0	91	91
Unused amounts reversed	0	379	379
Balance at 30 June 2010	662	0	662

Provisions of \$661,565 represent the redundancy costs from the restructure of the Policy Division, which is part of the Ministry's plan to refine its structure and capability to support the Government's work programme priorities. The redundancy costs will be paid in 2010/11 (2009: \$470,000 relate to the Mapua contaminated site clean-up project).

13. Employee entitlements

Actual 2009 \$000		Actual 2010 \$000
Current employee entitlements are represented by:		
925	Salary accrual	495
1,330	Annual leave	1,318
146	Retirement and long service leave	198
2,401	<i>Total current portion</i>	2,011
Non-current employee entitlements are represented by:		
1,036	Retirement and long service leave	921
3,437	Total employee entitlements	2,932

The retirement and long service leave entitlements were valued by AON Consulting as at 30 June 2010. The major assumptions used in the actuarial valuation were:

- a discount rate used in this valuation has been specified by Treasury for the use by Government departments as at 30 June 2010. The rates used range from 3.48% to 6.00% depending on the term of the liability for each employee (30 June 2009: 3.49% to 6.35%)
- a long-term annual salary growth rate of 3.5% (2009: 3.0%)
- a promotional salary scale derived from the experience of New Zealand superannuation schemes.

14. Taxpayers' funds

Actual 2009 \$000		Actual 2010 \$000
3,712	General funds at 1 July	5,101
998	Total comprehensive income	44
1,389	Capital contribution from the Crown	891
(998)	Return of operating surplus to the Crown	(44)
5,101	General funds at 30 June	5,992

15. Reconciliation of net surplus to net cash from operating activities

Actual 2009 \$000		Actual 2010 \$000
998	Net surplus	44
	Add/(less) non-cash items:	
980	Depreciation and amortisation expense	1,278
980	Total non-cash items	1,278
	Add/(less) items classified as investing or financing activities:	
679	(Gains)/losses on disposal of plant and equipment	(12)
	Add/(less) movements in deferrals and accruals:	
(3,754)	(Increase)/decrease in debtors and other receivables	(2,880)
(28)	(Increase)/decrease in pre-payments	(43)
(1,503)	Increase/(decrease) in creditors and other payables ¹²	(2,004)
470	Increase/(decrease) in provisions	192
1,087	Increase/(decrease) in employee entitlements	(505)
(3,049)	Total net movement in working capital items	(5,252)
(1,071)	Net cash flow from operating activities	(3,930)

16. Related party transactions

The Ministry is a wholly owned entity of the Crown. The Government significantly influences the roles of the Ministry as well as being its major source of revenue.

The Ministry enters into transactions with government departments, Crown entities and state-owned enterprises on an arm's length basis. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Ministry would have adopted if dealing with that entity at arm's length in the same circumstance are not disclosed.

Apart from those transactions described above, the Ministry has not entered into any related party transactions.

¹² Creditors and accruals for capital expenditure are excluded when calculating this increase or decrease.

Key management personnel compensation

Actual 2009 \$000		Actual 2010 \$000
1,766	Salaries and other short-term employee benefits	1,124
45	Post-employment benefits	14
0	Other long-term benefits	0
248	Termination benefits	0
2,059	Total key management personnel compensation	1,138

Key management personnel include the Chief Executive and the Ministry's four members of the Executive Leadership Team. The decrease in compensation is due to a restructure of the senior management model that took effect from 1 July 2009 (2009: The Chief Executive and the seven members of the Senior Management Team).

Key management personnel compensation excludes the remuneration and other benefits the Minister for the Environment receives. The Minister's remuneration and other benefits are not received only for his role as a member of key management personnel of the Ministry. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and not paid by the Ministry.

17. Events after the balance sheet date

No significant events which may impact on the results have occurred between year end and the signing of these financial statements.

18. Financial instruments

Financial instrument categories

The carrying amounts of financial assets and financial liabilities in each of the categories are as follows:

Actual 2009 \$000		Actual 2010 \$000
Loans and receivables		
8,197	Cash and cash equivalents	3,080
5,123	Debtors and other receivables	8,003
13,320	Total loans and receivables	11,083
Financial liabilities measured at amortised cost		
6,888	Creditors and other payables	4,906

Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The Ministry has no significant exposure to foreign exchange on its financial instruments.

Financial instruments' risks

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Ministry has no significant exposure to currency risk on its financial instruments. Accordingly, no sensitivity analysis has been completed.

Interest rate risk

Interest rate risk is the risk that the return on invested funds will fluctuate due to changes in market interest rates. Under the Public Finance Act 1989, the Ministry cannot raise a loan without Ministerial approval and no such loans have been raised. Accordingly, there is no interest rate exposure on funds borrowed.

The Ministry has no significant exposure to interest rate risk on its financial instruments.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Ministry, causing the Ministry to incur a loss.

In the normal course of its business, credit risk arises from debtors and deposits with banks.

The Ministry is only permitted to deposit funds with Westpac, a registered bank. Westpac bank has a high credit rating of AA. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, and net debtors (note 7). There is no

collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

The table below analyses the Ministry's financial liabilities that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount \$000	Contractual cash flows \$000	Less than 6 months \$000	6 months - 1 year \$000	1- 5 years \$000	More than 5 years \$000
2009						
Creditors and other payables (note 10)	6,888	6,888	6,888	0	0	0
2010						
Creditors and other payables (note 10)	4,906	4,906	4,906	0	0	0

19. Capital management

The Ministry's capital is its equity (or taxpayers' funds), which comprise general funds. Equity is represented by net assets.

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely managed as a by-product of managing income, expenses, assets, liabilities and compliance with the Government Budget processes and with Treasury instructions.

The objective of managing the Ministry's equity is to ensure the Ministry effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

20. Explanations of major variances against budget

Explanations for major variances from the Ministry's estimated figures in the 2009/10 Main Estimates are as follows:

(i) *Statement of comprehensive income*

	Actual 2010 \$000	Main estimates 2010 \$000	Variance \$000
Crown revenue	57,133	68,475	11,342
Other revenue	2,734	4,560	1,826
Contributions and sponsorship	2,761	4,928	(2,167)
Consultancy	17,633	23,593	(5,960)
General and administration	4,248	6,555	(2,307)
Other operating cost	3,178	5,132	(1,954)

Crown revenue was lower than budgeted as the Ministry completed a baseline review and reported back to Cabinet as part of the 2010 Budget process. This led to a reprioritisation of funding from 2009/10 to 2010/11 onwards to cover a decreasing baseline profile and expanded functions such as the Environmental Protection Authority, covering the Government priorities of freshwater management and continuing progress on resource management reforms. Further, the Ministry also drew down less cash from the Crown than budgeted in its Supplementary Estimates.

The other factors relating to Crown revenue being lower are:

- The timing of the decision to establish the expanded Environmental Protection Authority from 1 July 2011 has meant that limited establishment work was undertaken in 2009/10 and this will be a significant priority for the Ministry in 2010/11.
- Less than expected spending in international negotiations and linkages to the Emissions Trading Scheme flowing on from the outcome of the Copenhagen Summit. It is expected that additional work will flow on from the Cancun discussions in 2010/11.
- Transfer of aquaculture funding to the Ministry of Fisheries.
- The timing differences in the Land Use and Carbon Analysis System. From 2010/11, this project is a multi-year appropriation reflecting the longer-term nature of the project and the difficulty in forecasting timing of workstreams.

Other revenue was lower than budget due to fewer applications of national significance under the Resource Management Act being received by the Ministry than anticipated.

Contributions and sponsorship were lower than budget mainly due to a transfer of funds from Departmental Output Expenses to Non-Departmental Output Expenses for the clean-up of the Tui Mine at Te Aroha.

Consultancy costs (including contractors' fees), general and administration and other operating costs were lower than budget partly due to the transfer of funds from 2009/10 to 2010/11. The majority of the net variance is due to the lower number of applications (and delays in some applications) to the Environmental Protection Authority. Also several work programmes were completed using resources within the Ministry.

(ii) *Statement of financial position*

	Actual 2010 \$000	Main estimates 2010 \$000	Variance \$000
Bank	3,080	12,224	(9,144)
Debtors and other receivables	8,003	500	7,503
Creditors and other payables	4,906	8,340	3,434

The amount of cash held was lower than forecast due to a higher level of debtors and other receivables at the year end. The higher level of debtors and other receivables are related to amounts receivable from the Crown, GST receivable and invoices raised for the recovery of Resource Management Act Call-in costs, applications to Environmental Protection Authority costs and other costs at 30 June 2010.

Creditors and other payables were lower due to the transfer of funds from 2009/10 to 2010/11 and an additional creditor payment run at year end.

(iii) *Statement of cash flows*

	Actual 2010 \$000	Main estimates 2010 \$000	Variance \$000
Receipts from Crown	54,844	68,475	(13,631)
Receipts from other revenue	2,242	4,634	(2,392)
Payments to suppliers	(32,871)	(42,815)	9,944
Repayment of surplus	(998)	(5)	(993)

Explanations for variances in the Statement of Cash Flows are explained above.

4 Non-Departmental Statements and Schedules for the Year Ended 30 June 2010

The following non-departmental statements and schedules record the income, expenses, assets, liabilities, commitments, contingent liabilities and contingent assets that the Ministry manages on behalf of the Crown.

Statement of Non-Departmental Expenditure and Capital Expenditure against Appropriations for the Year Ended 30 June 2010

Actual 2009 \$000		Actual 2010 \$000	Appropriation 2010 \$000 ¹³
Vote Environment			
Appropriations for non-departmental output expenses			
5,444	Contaminated Sites Remediation Fund	2,535	5,775
3,314	Sustainable Management Fund	3,835	4,311
10,012	Hazardous Substances and New Organisms Assessment and Management	10,170	10,170
400	Promotion of sustainable land management	400	400
19,170	Subtotal	16,940	20,656
Appropriations for non-departmental other expenses			
1,377	Legal and environment centre grants	1,335	1,378
350	United Nations Environment Programme	274	393
110	International subscriptions	106	117
1,096	Warm Homes grants and assistance	1,100	1,100
7,300	Rotorua Lakes Restoration Programme	6,675	6,675
6,500	Waikato River Co-management	78,425	35,500
0	Scoping Study for Clean-up Fund	399	785
0	Waikato River Clean-up Fund	111,596	14,000
10,000	Waikato River Initiatives Fund	40,000	40,000
0	Contestable Waste Minimisation Fund	0	12,740
0	Waste disposal levy disbursement to TLA	12,487	15,000
0	Waikato and Waipa River transitional co-governance	469	919
1,500	Clean-up of former Patea Freezing Works	0	0
509	Recycling in Public Places	0	0
28,742	Subtotal	252,866	128,607
47,912	Total for Vote Environment	269,806	149,263
Vote Climate Change			
Appropriations for non-departmental other expenses			
227	Framework Convention on Climate Change	123	227
40,943	Movement in price of Kyoto units held	24,663	0
295	Contribution to Climate Change Development Fund	300	300
16,277	Allocation of New Zealand Units	90,009	139,648
144	Issue of NZ AAU's to PFSI Participants	1,752	4,296
57,886	Subtotal	116,847	144,471
Non-departmental capital expenditure			
140	Purchase of PRE units	500	2,269
140	Subtotal	500	2,269
58,026	Total for Vote Climate Change	117,347	146,740

The notes form an integral part of, and should be read in conjunction with, these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

¹³ This includes adjustments made in the Supplementary Estimates and transfers under the Public Finance Act 1989.

The movement in the price of Kyoto units held reflects a re-measurement in the provision for the Crown's liability under the Kyoto Protocol. The re-measurement in the provision takes account of the revision in the price for Kyoto-compliant emission units, the re-estimation of the net emission position, and movements in the EURO/NZ exchange rate.

In accordance with Section 4(2)(a) of Part One of the Public Finance Amendment Act 2004, changes in assets and liabilities due to re-measurements do not require appropriations.

The notes form an integral part of, and should be read in conjunction with, these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

Statement of Non-Departmental Expenditure and Capital Expenditure against Appropriations for the Year Ended 30 June 2010 (continued)

Details of multi-year appropriations

The Ministry has a multi-year appropriation for Non-Departmental output expenses for the provision of grants to assist regional councils and unitary authorities in aquaculture planning. This appropriation began on 1 July 2006 and expires on 30 June 2011. From 1 July 2010, this appropriation is transferred to the Ministry of Fisheries to align with the changes in responsibilities.

	2010 \$000	2009 \$000	2008 \$000	2007 \$000
Vote Environment				
Appropriation: Contestable Aquaculture Planning Fund				
Original appropriations	2,000	2,000	2,000	2,000
Cumulative adjustments	0	0	0	0
Total appropriations	2,000	2,000	2,000	2,000
Opening cumulative actual	886	388	0	0
Current year supplementary estimates	35	500	500	0
Current year spend	0	498	388	0
Closing cumulative actual	886	886	388	0
Unspent	1,114	1,114	1,612	2,000

Details of indemnity payments

The Ministry has a liability on behalf of the Crown for the indemnity payments in relation to the Projects to Reduce Emissions and this is authorised under section 65ZG of the Public Finance Act 1989.

Actual 2009 \$000		Actual 2010 \$000	Appropriation 2010 \$000
Vote Climate Change			
Appropriations for non-departmental output expenses			
294	Indemnity payments	1,233	N/A
294	Total for indemnity payments	1,233	N/A

The notes form an integral part of, and should be read in conjunction with, these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

Statement of Non-Departmental Unappropriated Expenditure and Capital Expenditure for the Year Ended 30 June 2010

Unappropriated expenditure 2009 \$000	Expenditure after remeasurements 2010 \$000	Appropriation Voted 2010 \$000	Unappropriated expenditure 2010 \$000
Vote Environment			
Appropriations for non-departmental other expenses			
0	78,425	35,500	42,925
0	111,596	14,000	97,596
0	190,021	49,500	140,521
Vote Climate Change			
Appropriations for non-departmental other expenses			
0	90,009	139,648	18,341
25	123	227	0
25	90,132	139,875	18,341

Breach of appropriations

There were breaches of appropriations in Vote Environment, Waikato River Co-management Fund of \$42.925 million and the Waikato River Clean-up Fund of \$97.596 million. These breaches occurred due to changes in accounting treatment of expenditure incurred under the settlement deeds with Waikato Tainui and other iwi concerning the Waikato River. Expenditure is now recognised on the date the deeds of settlement are signed rather than the previous treatment of recognising expenditure based on the timing of the settlement payments specified in the deeds.

The notes form an integral part of, and should be read in conjunction with, these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

A breach of appropriation occurred in Vote Climate Change, Allocation of New Zealand Units of \$18.341 million in March 2010 due to an unexpected increase in the number of post-1989 forest landowners voluntarily joining the New Zealand Emission Trading Scheme. Appropriation changes were made in the Supplementary Estimates. (2009: \$25,000 in Framework Convention on Climate Change).

These expenditure breaches will be validated under Section 26C of the Public Finance Act 1989 and explanations for the breach tabled in Parliament.

All other expenses in relation to the activities of, or appropriations administered by, the Ministry during 2009/10 were within appropriation.

The notes form an integral part of, and should be read in conjunction with, these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

Schedule of Non-Departmental Income for the Year Ended 30 June 2010

Actual 2009 \$000		Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Income				
578	Royalties	533	400	400
0	Levies	24,973	30,000	30,000
0	Emissions trading	0	320,865	6,578
809,798	Change in estimate of Kyoto units held	64,015	0	39,482
810,376	Total non-departmental income	89,521	351,265	76,460

Explanations of significant variances against budget are detailed in note 10.

Schedule of Non-Departmental Capital Receipts for the Year Ended 30 June 2010

The Ministry on behalf of the Crown has no Capital Receipts (2009: Nil).

Schedule of Non-Departmental Expenses for the Year Ended 30 June 2010

Actual 2009 \$000		Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Expenditure				
36,531	Grants and settlements	245,501	95,707	121,479
400	Promotions	400	400	400
982	Subscriptions and contributions to international forums	803	1,037	1,037
10,012	Crown entity funding	10,170	10,170	10,170
40,943	Net changes in carbon price including foreign exchange movements	24,663	0	0
0	Levy Disbursement	12,487	15,000	15,000
144	Issue of NZ AAU's to PFSI Participants	1,752	3,221	4,296
16,277	Allocations of New Zealand Units	90,009	471,240	139,648
3,984	GST input expense	6,075	3,477	7,198
2,330	Other	1,808	812	1,739
111,603	Total non-departmental expenditure	393,668	601,064	300,967

Explanations of significant variances against budget are detailed in note 10.

The notes form an integral part of, and should be read in conjunction with, these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

Schedule of Non-Departmental Assets as at 30 June 2010

Actual 2009 \$000		Notes	Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Assets					
Current assets					
6,265	Cash and cash equivalents		12,063	17,309	8,763
1,378	Debtors and other receivables	2	6,575	0	0
7,643	<i>Total current assets</i>		18,638	17,309	8,763
Non-current assets					
5,784	Crown land holdings	3	0	6,813	0
206,683	Kyoto Protocol units	7	211,927	224,116	231,161
140	PRE units		617	7,000	2,409
212,607	<i>Total non-current assets</i>		212,544	237,929	233,570
220,250	Total non-departmental assets		231,182	255,238	242,333

In addition, the Ministry monitors the Environmental Risk Management Authority which is a Crown entity. The investment in this entity is recorded within the Financial Statements of the Government on a line-by-line basis. No disclosure is made in this schedule.

Schedule of Non-Departmental Liabilities as at 30 June 2010

Actual 2009 \$000		Notes	Actual 2010 \$000	Main estimates 2010 \$000	Supplementary estimates 2010 \$000
Liabilities					
Current liabilities					
5,159	Creditors and other payables	4	10,329	8,200	8,200
504	Provisions	8	67,224	N/A	N/A
5,663	<i>Total current liabilities</i>		77,553	8,200	8,200
Non-current liabilities					
16,421	Provisions	8	211,503	173,219	115,355
16,421	<i>Total non-current liabilities</i>		211,503	173,219	115,355
22,084	Total non-departmental liabilities		289,056	181,419	123,555

The notes form an integral part of, and should be read in conjunction with, these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

Schedule of Non-Departmental Commitments as at 30 June 2010

The schedule sets out the level of commitments made against out-year appropriations and funding baseline for non-departmental expenditure. The Ministry has entered into non-cancellable deeds of funding that it administers on behalf of the Crown.

	2010	2009
	\$000	\$000
Non-cancellable commitments		
Not later than one year	13,633	15,154
Later than one year but not later than five years	27,052	50,600
Later than five years	24,300	7,000
Total non-cancellable commitments	64,985	72,754

Schedule of Non-Departmental Contingencies as at 30 June 2010

Guarantees and indemnities

Guarantees and indemnities are disclosed in accordance with NZ IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. In addition, guarantees given under Section 65ZD of the Public Finance Act 1989 are disclosed in accordance with Section 26Q(3)(b)(i)(B) of the same Act.

Other quantifiable contingent liabilities

Kyoto Protocol

The Ministry has a liability on behalf of the Crown relating to the 84.0 million forestry credits. During the first commitment period, the Ministry of Agriculture and Forestry estimate that 89.1 million tonnes of credits will be generated by carbon removals via forests (2009: 92.3 million tonnes). Of this amount, 5.1 million tonnes has been allocated to foresters through the Emissions Trading Scheme as at 30 June 2010. To the extent that these forests are harvested (in subsequent commitment periods) and a future international agreement is negotiated, there will be an associated liability generated that will need to be repaid. As the forestry credits have been incorporated when calculating the current position for the first commitment period, the associated obligation of the Crown in respect of future commitment periods has been reported as a separate contingent liability. Using the carbon price as at 30 June 2010, this contingent liability can be measured at \$NZ1,590 million (ie, 84 million x \$NZ18.94) (2009: \$1,995 million).

The notes form an integral part of, and should be read in conjunction with, these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

Unquantifiable contingent liabilities and contingent assets

Environmental liabilities

Under common law and various statutes, the Crown may have responsibility to remedy adverse effects on the environment arising from Crown activities.

Departments managing significant Crown properties have implemented systems to identify, monitor and assess potential contaminated sites.

In accordance with NZ IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* any contaminated sites for which the Crown has accepted liability and for which costs can be reliably measured have been included in the Schedule of Non-Departmental Liabilities.

Emissions Trading Scheme

Post-1989 forest land

Owners of post-1989 forest land (or those with a registered interest in the forest on the land) may voluntarily become participants in the Emissions Trading Scheme (ETS), and in so doing are entitled to receive New Zealand Units (NZUs) for the increase in carbon stock in their forests from 1 January 2008.

Landowners have until the end of 2012 (the end of the first commitment period under the Kyoto Protocol) to decide whether to register post-1989 forest land and receive NZUs for that period. If they do, they can claim NZUs for all the carbon stored in their forest from 1 January 2008 to 31 December 2012.

Participants also have various legal obligations including the surrender of units if the carbon stocks in their registered forest areas fall below a previously reported level (for example, due to harvesting or fire). However, the surrender liability is capped at the amount of units previously received by the participant for that area of forest land (if any).

Assets and liabilities relating to the post-1989 forestry sector have only been recognised in these Non-Departmental financial statements and schedules to the extent that the participants have registered in the scheme and complete applications and valid returns have been received by the relevant agency on behalf of the Crown.

Pre-1990 forest land

Pre-1990 forest land is an area that was forest land on 31 December 1989, and that on 31 December 2007 is still forest land and is covered by predominantly exotic forest species.

Subject to various exemptions, if an area of more than two hectares of pre-1990 forest land is deforested in any five year period from 1 January 2008, the landowner becomes a mandatory participant in the ETS. The landowner must submit an emissions return and either surrender units or, for liabilities incurred up to the end of 2012, pay cash at a rate of \$25 per NZU for emissions resulting from deforestation.

At 30 June 2010, no asset relating to pre-1990 forest land has been recognised as the areas of deforestation and number of units to be returned is yet to be quantified.

The Ministry on behalf of the Crown has no other contingent liability or assets (2009: Nil).

The notes form an integral part of, and should be read in conjunction with, these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

Notes to the Non-Departmental Financial Statements

1. Statement of accounting policies for the year ended 30 June 2010

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by the Ministry on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of the operation and cash flows for the year, reference should also be made to the Financial Statements of the Government.

Accounting policies

These non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the Financial Statements of the Government, and in accordance with relevant Treasury instructions and Treasury circulars.

Measurements and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice as appropriate for public benefit entities.

There have been no changes in accounting policies during the financial year.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The following particular accounting policies have been applied:

Revenue

The Ministry collects revenue on behalf of the Crown. This revenue includes the waste disposal levy which is legislated under the Waste Minimisation Act 2008 and from the surrender of units under the Emissions Trading Scheme.

The waste disposal levy revenue is recognised when earned and is reported in the financial period to which it relates.

Revenue arising from the surrender of units by participants in the Emissions Trading Scheme for deforesting their post-1989 forests is recognised on the assessment of valid returns by the relevant agency.

Expenditure

Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria. They are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Ministry has no obligation to award on receipt of the grant application. They are recognised as expenditure when approved by the grants approvals committee and the approval has been communicated to the applicant.

Allocation of units

Units allocated under the Emissions Trading Scheme are recognised at the time the applications are received by the relevant agency.

Settlement expenditure

An expense and an associated provision is recognised for settlement agreements with Waikato River iwi and other iwi on the initialling of the deeds of settlement by the Crown and the relevant iwi.

Foreign exchange

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognised in the schedule of non-departmental income or expenses.

Goods and services tax

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. In accordance with the Treasury instructions, GST is returned on revenue received on the behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the government financial statements.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less any provision for impairment.

Kyoto Protocol

The Crown has an obligation under the Kyoto Protocol to ensure that New Zealand's average net emissions of greenhouse gases over 2008–2012 (the first commitment period of the Kyoto Protocol or CP1) is reduced to 1990 levels or to take responsibility for the difference. If the Crown does not meet its obligations it will be required to make up the difference and will incur additional penalties. To the extent that New Zealand exceeds or betters its emission targets, the Crown will have surplus units which can be used to offset future obligations or be exchanged with other countries.

To the extent that New Zealand is not forecast to meet its target emissions rate, a provision is recognised. To the extent New Zealand is forecast to exceed its target emissions rate, an asset is recognised.

The measurement of the Kyoto position is, by its nature more uncertain than a number of other items in the statement of financial position. Fluctuations in the value of the estimate may occur

through changes in the assumptions underlying the quantum, movements in the price of carbon and the exchange rate with the European currency unit, and government policy changes. Further details are provided in note 7 to the financial statements.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Commitments

Future expenses and liabilities to be incurred on non-cancellable contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the Statement of Commitments at the value of that penalty or exit cost.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Budget figures

The budget figures are consistent with the financial information in the Main Estimates. In addition, these financial statements also present the updated budget information from the Supplementary Estimates.

2. Debtors and other receivables

Actual 2009 \$000	Actual 2010 \$000
1,378 Debtors and other receivables	6,575
1,378 Total debtors and other receivables	6,575

The carrying amount of debtors and other receivables approximates their fair value and are all current.

As at 30 June 2010 and 2009, all debtors and other receivables have been assessed for impairment. No provision has been made for doubtful debts as all debtors are current.

There were no indications at balance date that these debtors are impaired.

	Gross \$000	2010 Impairment \$000	Net \$000	Gross \$000	2009 Impairment \$000	Net \$000
Not past due	6,575	0	6,575	1,378	0	1,378
Past due 1 – 90 days	0	0	0	0	0	0
Past due 90 – 180 days	0	0	0	0	0	0
Past due 180 – 360 days	0	0	0	0	0	0
Past due > 360 days	0	0	0	0	0	0
Total	6,575	0	6,575	1,378	0	1,378

3. Crown land holdings

	Land and buildings \$000	Forestry \$000	Total \$000
Cost or valuation			
Balance as at 1 July 2008	3,871	2,942	6,813
Additions	0	0	0
Revaluation increase	2,009	388	2,397
Disposals	0	0	0
Balance at 30 June 2009	5,880	3,330	9,210
Balance as at 1 July 2009	5,880	3,330	9,210
Additions	0	0	0
Revaluation increase	0	0	0
Disposals ¹⁴	(5,880)	(3,330)	(9,210)
Balance at 30 June 2010	0	0	0
Accumulated depreciation and impairment losses			
Balance as 1 July 2008	0	0	0
Depreciation expense	0	0	0
Impairment losses	2,594	832	3,426
Balance at 30 June 2009	2,594	832	3,426
Balance as 1 July 2009	2,594	832	3,426
Depreciation expense	0	0	0
Disposals	(2,594)	(832)	(3,426)
Impairment losses	0	0	0
Balance at 30 June 2010	0	0	0
Carrying amounts			
At 1 July 2008	3,871	2,942	6,813
At 30 June and 1 July 2009	3,286	2,498	5,784
At 30 June 2010	0	0	0

¹⁴ Disposals relates to the transfer of Crown land holdings consisting of land and buildings and forestry land to Land Information New Zealand (LINZ).

4. Creditors and other payables

Actual 2009 \$000		Actual 2010 \$000
5,159	Creditors	9,577
0	GST payable	752
5,159	Total creditors and other payables	10,329

Creditors and other payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of creditors and other payables approximates their fair value.

5. Financial instruments

The carrying amounts of financial assets and financial liabilities in each of the categories are as follows:

Actual 2009 \$000		Actual 2010 \$000
	Loans and receivables	
6,265	Cash and cash equivalents	12,063
1,378	Debtors and other receivables	6,575
7,643	Total loans and receivables	18,638
	Financial liabilities measured at amortised cost	
5,159	Creditors and other payables	10,329

Credit risk

Credit risk is the risk that a third party will default on its obligation, causing a loss to be incurred. Credit risk arises from debtors and deposits with banks. Funds must be deposited with Westpac, a registered bank.

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and net debtors. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. Other than Westpac bank, there are no significant concentrations of credit risk.

6. Notional account for the Waste Minimisation Fund

Actual 2009 \$000		Actual 2010 \$000
	Provision for statutory information	
0	Balance at 1 July 2009	0
0	Revenue from waste levy collection	18,897
0	Expenses	(11,546)
0	Balance at 30 June 2010	7,351

On 1 July 2009, the Ministry established a notional account to record the accumulated surpluses and deficits incurred in maintaining the Waste Minimisation Fund. The revenue represents the levy that is collected by waste disposal facilities. The expenses represent the disbursement of the received levy to territorial authorities, the Waste Minimisation Fund and the administration cost incurred by the Ministry. These transactions are included as part of the Non-Departmental Schedule of Income and Expenses.

7. New Zealand's obligation under the Kyoto Protocol

Analysis of the Kyoto Protocol obligation	Actual 2010 \$ million	Actual 2009 \$ million
Opening position (provision)	207	(562)
Change in the price of carbon	(30)	(41)
Change in net projected emission units	35	810
Closing position (provision)	212	207
	Emission units¹⁵	Emission units
Kyoto Target (Assigned Amount Units)	309.6	309.6
Less AAUs allocated to emission reducing projects	5.0	6.8
Total commitment target	304.6	302.8
Projected emission units		
Agriculture	177.6	184.0
Energy (including transport) and industrial processes	184.9	185.7
Waste	8.2	8.3
Solvent and other product use	0.2	0.2
Total projected emission units	370.9	378.2
Removals via forests	89.1	92.3
Deforestation emissions	(9.2)	(7.3)
Net removals via forests	79.9	85.0
Net projected emission units	291.0	293.2
Less net transfers of AAUs	2.4	0
Surplus (deficit) in units	11.2	9.6
	\$ million	\$ million
Surplus (deficit) in \$ millions	212	207

The New Zealand Government has committed under the Kyoto Protocol to ensuring that New Zealand's average net emissions of greenhouse gases over 2008–2012 (the first commitment period of the Kyoto Protocol or CP1) is reduced to 1990 levels or to take responsibility for the difference. New Zealand can meet its commitment through emissions reductions and use of the Kyoto Protocol flexibility mechanisms such as Joint Implementation,

¹⁵ One emission unit is equivalent to one tonne of greenhouse gas emissions converted to carbon dioxide equivalents by the global warming potential.

the Clean Development Mechanism, and offsetting increased emissions against carbon removed by forests. New Zealand's Kyoto Protocol compliance over the first commitment period will not be finalised until 2015 when the annual submission covering the period 1990 to 2012 is submitted and internationally reviewed. These financial statements report on the New Zealand Government's obligations for the first commitment period, but not for future commitment periods which are currently being negotiated.

New Zealand's net Kyoto position as at 30 June 2010 of \$NZ212 million (2009: \$NZ207 million) is based on the projected surplus of 11.2 million Kyoto Protocol emission units and a carbon price of €10.75 per unit. The carbon price in New Zealand dollars equates to \$NZ18.94, using the 30 June 2010 exchange rate of €0.5677 = \$NZ1 (30 June 2009: €0.46280 = \$NZ1, and a carbon price of €10.00 per unit).

The carbon price has been determined by the Ministry for the Environment based on international market transactions that have occurred.

The projected balance of Kyoto Protocol units (the net position) is compiled by the Ministry for the Environment using sectoral projection reports from across government. This includes reports on Agriculture emissions and net removals from eligible forests from the Ministry of Agriculture and Forestry; energy emissions (including transport) and industrial processes emissions from the Ministry of Economic Development, and emissions from the waste sector from the Ministry for the Environment. Details of the net position can be found on the Ministry for the Environment's website: www.mfe.govt.nz. The sectoral reports from other departments can also be found by following links on this website. The projections use the latest information from the national inventory of greenhouse gas emissions and removals submitted to the United Nations Framework Convention on Climate Change secretariat on 15 April 2010.

No liability for periods beyond 2012 has been recognised, as New Zealand currently has no specific obligations beyond the first commitment period. However, a view about the outcome of negotiations for future periods is intrinsic to the market price for carbon that has been used to measure the position.

Beyond 2012, the financial impact of New Zealand's climate change response will depend on the global stabilisation goal, the global cap/emission reducing strategy, the rules regarding which activities can be used to achieve emission reductions and the target that New Zealand signs up to.

Within New Zealand, the Emissions Trading Scheme (NZ ETS) will transfer a price of carbon through the economy. Determinations as to when sectors are covered under the NZ ETS and how much free allocation is made to these sectors will therefore also impact the financial statements of government. Foresters opt-in to the ETS and are allocated units. Because units are allocated free-of-charge, the Crown incurs an expense. When the forests are harvested, the foresters may use the units to meet their carbon obligations.

During the first commitment period, MAF estimate that 89.1 million tonnes of credits will be generated by carbon removals via forests (2009: 92.3 million tonnes). Of this amount, 5.1 million tonnes has been allocated to foresters through the ETS as at 30 June 2010. To the extent that these forests are harvested (in subsequent commitment periods), and a future international agreement is negotiated, there will be an associated liability generated that will need to be repaid. As the forestry credits have been incorporated when calculating the current position for the first commitment period, the associated obligation of the Crown in respect of future commitment periods has been reported as a separate contingent liability. Using the carbon

price as at 30 June 2010, this contingent liability can be measured at \$NZ1,590 million (ie, 84 million x \$NZ18.94) (2009: \$1,995 million).

The measurement of the Kyoto position is, by its nature, more uncertain than a number of other items in the statement of financial position. Fluctuations in the value of the estimate may occur through changes in the assumptions underlying the quantum, movements in the price of carbon and the exchange rate with the European currency unit, and government policy changes.

8. Provisions

Actual 2009 \$000		Actual 2010 \$000
Current portion		
0	Waikato River Clean-up Fund	20,294
0	Waikato River Initiatives Fund	40,000
0	Waikato River Co-management Fund	5,798
504	Indemnity payments	1,132
504	Total current portion	67,224
Non-current portion		
0	Waikato River Clean-up Fund	91,303
0	Waikato River Co-management Fund	46,126
16,421	Allocation of New Zealand Units	74,074
16,421	Total non-current portion	211,503
16,925	Total provisions	278,727

	Waikato River Clean- up Fund \$000	Waikato River Initiatives Fund \$000	Waikato River Co- management Fund \$000	Indemnity \$000	Allocation of New Zealand Units \$000	Total \$000
Balance at 1 July 2008	0	0	0	210	0	2,101
Additional provisions made	0	0	0	294	16,421	16,715
Amounts used	0	0	0	0	0	0
Unused amounts reversed	0	0	0	0	0	0
Balance at 30 June 2009	0	0	0	504	16,421	16,925
Balance at 1 July 2009	0	0	0	504	16,421	16,925
Additional provisions made	111,596	40,000	51,925	1,233	81,073 ¹⁶	285,827
Amounts used	0	0	0	(605)	(23,420)	(24,025)
Unused amounts reversed	0	0	0	0	0	0
Balance at 30 June 2010	111,596	40,000	51,925	1,132	74,074	278,727

¹⁶ The net increase in the provision for the allocation of NZ Units in 2010 of \$57,653,000 reflects an allocation of 4,456,000 NZ Units less 1,237,000 NZ units converted into Assigned Amount Units (AAUs). In monetary terms, the additional provision made comprises of \$84,378,000 for the allocation of NZ units less \$23,420,000 for the NZ units converted into AAUs and less \$3,305,000 for additional impacts such as the change in the carbon price and the impact of exchange rates between opening and closing balances.

Before 30 June 2010, the Crown signed Settlement Deeds with Waikato Tainui, Tuwharetoa, Te Arawa and Raukawa relating to the Waikato River co-management arrangements.

The Deeds require the Crown to make various payments over the next 27 years in relation to:

- the co-management arrangements
- the Waikato River Clean-up Fund
- the Waikato River Initiatives Fund.

The total amounts of the payments have been provided for at 30 June 2010. The cash outflows have been discounted to recognise the present value of the future payments using the risk-free discount rate provided by the Treasury. The discounted value will be unwound based on the previous year's provision and readjusted annually. The table below reconciles the provisions recognised with the cash outflows that will occur over the next 27 years.

Indemnity payments relate to the Projects to Reduce Emissions and this is authorised under section 65ZG of the Public Finance Act 1989.

The Emissions Trading Scheme (ETS) was established to encourage reduction in greenhouse gas emissions. The ETS creates a limited number of tradable units (the NZ Unit) which the Government can allocate freely or sell to entities. The allocation of NZ Units creates a provision (and an expense if allocated for free). An expense is recognised in relation to the allocation of free units on the receipt of a complete application. The provision is reduced, and revenue recognised, as NZ Units are surrendered to the Crown by emitters. Emitters can also use international Kyoto units to settle their emission obligation.

The Government has adopted a phased approach for sectoral entry in the ETS. As at 30 June 2010 only the forestry sector had entered into the ETS.

Details of current climate change policies are listed at: www.mfe.govt.nz/issues/climate/policies-initiatives.

Recognition of future discounted cash flows for the Waikato River Funds

	Actual 30 June 2010 \$000	Provision 2010-2015 \$000	Provision 2016-2020 \$000	Provision 2021-2025 \$000	Provision 2026-2030 \$000	Provision 2031-2035 \$000	Provision 2036-2040 \$000	Total \$000
Co-management								
Nominal	26,500	22,000	20,000	20,000	20,000	5,000	3,000	116,500
Discount	-	(2,474)	(6,750)	(10,185)	(12,682)	(3,633)	(2,352)	(38,075)
Recognised	26,500	19,526	13,250	9,815	7,318	1,367	648	78,425
Clean up								
Nominal	0	49,000	35,000	35,000	35,000	35,000	21,000	210,000
Discount	0	(4,683)	(11,812)	(17,823)	(22,193)	(25,430)	(16,462)	(98,484)
Recognised	0	44,317	23,188	17,177	12,807	9,570	4,538	111,596
Initiatives								
Nominal	0	40,000	0	0	0	0	0	40,000
Recognised	0	40,000	0	0	0	0	0	40,000

9. Events after the balance sheet date

As of 1 July 2010, funding for the Lake Taupo Protection Programme project is being transferred from Departmental Output Class, Environmental Policy Advice to Non-Departmental Output Expenses to align with other similar projects being funded from Non-Departmental Other Expenses.

On 27 September 2010, the Crown signed a Settlement Deed with Maniapoto iwi relating to the Waikato River co-management arrangements. This deed provides for funding to be paid annually for the next 20 years which will total \$30.0 million. This Settlement Deed is not included in the statement of provisions or commitments because it was entered into after the balance date.

Apart from those described above, no other significant events which may impact on the results have occurred between year end and the signing of these financial statements.

10. Explanations of major variances against budget

Explanations for the major variances from the Ministry's non-departmental estimated figures in the Main Estimates are as follows:

(i) *Schedule of non-departmental income*

	Actual 30/06/2009 \$000	Main estimates 2010 \$000	Variance \$000
Levies	24,973	30,000	5,027
Emissions trading	0	320,865	320,865
Change in estimate of Kyoto units held	64,015	0	(64,015)

Waste disposal levy collection estimates were based on the information gathered from waste disposal facilities. Since it was the first year of its inception, the actual net waste disposal was less than estimated.

The Ministry anticipated receiving NZ/international Units from emitters in the financial year ended 30 June 2010. Due to changes in the Emissions Trading Scheme and as a result of delays in adjustments around the forestry sector, liquid fuels and the inclusion of agriculture, they are now expected to occur in the financial year ending 30 June 2011.

Changes in the estimate of Kyoto units held was higher than anticipated due to the revision in net position for Kyoto units in the financial year ended 30 June 2010.

There were no other significant variances to budget.

(ii) *Schedule of non-departmental expenses*

	Actual 2010 \$000	Main estimates 2010 \$000	Variance \$000
Grants awarded	245,501	95,707	149,794
Levy disbursement	12,487	15,000	(2,513)
Issue of NZ AAU's to PFSI Participants	1,752	3,221	(1,469)
Allocations of New Zealand Units	90,009	471,240	(381,231)

Grants awarded were higher than budget due to the recognition of an obligation upon signing of the settlement deeds with Waikato Tainui and other iwi in respect of their Waikato Raupatu Claims (Waikato River) Settlement. This funding arrangement relates to the Waikato River Co-management fund \$51.9 million and the Waikato River Clean-up Fund \$97.6million.

Levy disbursements to the territorial authorities depend entirely upon the waste disposal levy collections. Since 50% of the levy collected is distributed the territorial authorities, the levy disbursements were lower than budget due to the actual net waste disposal levy collected being less than estimated.

The Ministry issued lower than anticipated NZ AAU's in the financial year ended 30 June 2010 due to a lower level of uptake by Permanent Forest Sink Initiative (PFSI) Participants.

The allocation of New Zealand Units were lower than budget due to changes in the Emissions Trading Scheme and in the assumptions surrounding the timing of the allocation of New Zealand Units to various eligible sectors.

(ii) *Statement of assets*

	Actual 2010 \$000	Main estimates 2010 \$000	Variance \$000
Cash and cash equivalents	12,063	17,309	(5,246)
Debtors and other receivables	6,575	0	6,575
Crown land holdings	0	6,813	(6,813)
Kyoto Protocol units	211,927	224,116	(12,189)
PRE units	617	7,000	(6,383)

The Ministry drew less funding from the Crown and used its excess cash balance to fund its outputs. This resulted in lower than the budgeted cash and cash equivalents.

Debtors and other receivables relates to the waste disposal levy collection from waste disposal facility operators, which wasn't budgeted.

Crown land holdings were transferred to Land Information New Zealand (LINZ) during the 2009/10 year.

Kyoto Protocol units are lower than budget due to the change in the projected net position of Kyoto units, conversion of New Zealand Units to Assigned Amount of units and the issue of

New Zealand Assigned Amount of units to Permanent Forest Sink Initiative Participants. The Kyoto Protocol provision is also affected by the carbon price per unit and fluctuations in foreign exchange rates.

The \$617,000 non-departmental capital expenditure relates to the purchase of PRE units. Expenditure is lower than budget due to the timing of the purchase of PRE units under the committed contracts which span into out years beyond the final year of funding.

(iii) *Statement of liabilities*

	Actual 2010 \$000	Main estimates 2010 \$000	Variance \$000
Creditors and other payables	10,329	8,200	(2,129)
Provisions	278,727	173,219	(105,508)

Creditors and other payables are higher than budget due to the invoices being received after the accounts payable cut-off date and GST payable to Inland Revenue Department on revenue collected from the waste disposal levy.

Provisions include the Waikato River Co-management Fund, the Waikato River Clean-up Fund, the Waikato River Initiatives Fund, indemnity payments and the Allocation of New Zealand Units.

- Provisions relating to the Waikato River funding are higher than budget by \$203.5 million due to the recognition of an obligation for the payment of the funding upon signing of the deeds with Waikato Tainui and other iwi relating to the Waikato River Co-management Fund, the Waikato River Clean-up fund and the Waikato River Initiatives Fund.
- Provision relating to the Allocation of New Zealand Units were lower than budget by \$99.0 million due to changes in the Emissions Trading Scheme and in the assumptions surrounding the timing of the allocation to various eligible sectors, the Ministry issued lower than anticipated NZ Units in the financial year ended 30 June 2010.

Statement of Responsibility

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the Ministry for the Environment, for the preparation of the Ministry's financial statements and statement of service performance, and for the judgements made in them.

I have the responsibility of establishing, and I have established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Ministry for the year ended 30 June 2010.



Paul Reynolds
Chief Executive
30 September 2010

Countersigned by:



Rochelle Davis
Chief Financial Officer
30 September 2010

**To the readers of the
Ministry for the Environment's
financial statements and statement of service performance
for the year ended 30 June 2010**

The Auditor-General is the auditor of the Ministry for the Environment (the Ministry). The Auditor-General has appointed me, Robert Cox, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements, the schedules of non-departmental activities and statement of service performance included in the annual report of the Department, for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Ministry on pages 51 to 76:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Ministry's financial position as at 30 June 2010;
 - the results of its operations and cash flows for the year ended on that date;
 - its expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2010; and
 - its unappropriated expenses and capital expenditure for the year ended 30 June 2010.
- The schedules of non-departmental activities on pages 77 to 99 fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2010.
- The statement of service performance of the Ministry on pages 19 to 49:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance adopted at the start of the financial year; and

- its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses included in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 30 September 2010, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Chief Executive and the Auditor

The Chief Executive is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Ministry as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date.

The financial statements must also fairly reflect the expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2010. The financial statements must also fairly reflect the Ministry's unappropriated expenses and capital expenditure for the year ended on that date.

In addition, the Chief Executive is responsible for preparing schedules of non-departmental activities, in accordance with the Treasury Instructions 2009 that must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2010.

The statement of service performance must fairly reflect, for each class of outputs, the Ministry's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year.

The Chief Executive's responsibilities arise from sections 45A and 45B of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Ministry.



Robert Cox
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of the Ministry for the Environment for the year ended 30 June 2010 included on the Ministry for the Environment's website. The Chief Executive is responsible for the maintenance and integrity of the Ministry for the Environment's website. We have not been engaged to report on the integrity of the Ministry for the Environment's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 30 September 2010 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

5 Contact Information

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Appendix A: Advisory Bodies 2009/10

Board of Inquiry to consider the proposed National Policy Statement on Renewable Electricity Generation

Purpose	A Board of Inquiry was appointed in August 2008 to consider the proposed National Policy Statement on Renewable Electricity Generation.
Number of members	4
Number of meetings held from 1 July 2009 to 30 June 2010	Hearing days: 18 Days of site visits: 4 Meeting days before hearing commencing: 5 Meetings after the hearing/report writing: 9

Board of Inquiry to consider the proposed National Policy Statement for Freshwater Management

Purpose	A Board of Inquiry was appointed in July 2008 to consider the proposed National Policy Statement for Freshwater Management.
Number of members	4
Number of meetings held from 1 July 2009 to 30 June 2010	20 hearing days between 1 July and 18 September 2009, and 13 meeting days between October 2009 and January 2010.

Environmental Legal Assistance Fund Advisory Panel

Purpose	<p>The Environmental Legal Assistance Fund including the Panel has been in operation since 2001. The Panel provides independent and expert evaluations and recommendations to the Secretary for the Environment on applications for funding assistance. The fund meets expenses of legal counsel and expert witnesses appearing before courts and boards of inquiry considering resource management issues. The Panel is chaired by Dr Royden Somerville QC. The Panel's members are appointed for their knowledge of environmental law, resource management issues and of community groups and iwi.</p> <p>The Panel met fewer times than usual during the year under review because there were more large cases than usual funded in the early months of the financial year. That resulted in a shortfall of funds to allocate in the second half of the year.</p>
Number of members	7
Number of meetings held from 1 July 2009 to 30 June 2010	6

Waste Advisory Board

Purpose	The Waste Advisory Board was established under the Waste Minimisation Act 2008 to provide advice to the Minister on request, on such matters as the declaration of priority products, product stewardship scheme guidelines, funding criteria, effectiveness of the waste levy, and regulations under the Act.
Number of members	7 until 13 May 2010; 8 from 13 May 2010
Number of meetings held from 1 July 2009 to 30 June 2010	4

Fiordland Marine Guardians

Purpose	The functions of the Fiordland Marine Guardians include advising and making recommendations to management agencies (the Ministry for the Environment, the Department of Conservation, the Ministry of Agriculture and Forestry, the Ministry of Fisheries, and Southland Regional Council), and Ministers about the effectiveness of management measures in the Fiordland (Te Moana o Atawhenua) Marine Area and likely threats to the area.
Number of members	8
Number of meetings held from 1 July 2009 to 30 June 2010	5

Land and Water Forum

Purpose	The Land and Water Forum has been asked to advise the Minister of Agriculture and the Minister for the Environment on how water should be managed in New Zealand. The Land and Water Forum comprises a range of primary industry groups, iwi, environmental and recreational non-governmental organisations, as well as other organisations with an interest in freshwater and land management. The Forum is scheduled to report to Ministers by 31 August 2010.
Number of members	Plenary organisations: Approximately 57 Small group organisations: 22 Central and local government organisations as active observers: 6 Secretariat: 4
Number of meetings held from 1 July 2009 to 30 June 2010	Phase 1: 8 meetings Phase 2: 9 small group meetings plus 2 reserve days scheduled

Resource Management Act Infrastructure Technical Advisory Group

Purpose	The Resource Management Act Infrastructure Technical Advisory Group was appointed in December 2009 to provide the Minister with independent advice on the resource management phase two reforms. It submitted its final report to the Minister in July 2010 and the members are available to the Minister for verbal comment until December 2010.
Number of members	7
Number of meetings held from 1 July 2009 to 30 June 2010	7

Resource Management Act Urban Technical Advisory Group

Purpose	The Resource Management Act Urban Technical Advisory Group was appointed in December 2009 to provide the Minister with independent advice on the resource management phase two reforms. It submitted its final report to the Minister at the end of June 2010 and members are available to the Minister for verbal comment until 30 November 2010.
Number of members	7
Number of meetings held from 1 July 2009 to 30 June 2010	7

Technical Advisory Group on National Air Quality Standards

Purpose	The Technical Advisory Group on National Air Quality Standards was appointed by the Minister in mid 2009 to review certain elements of the National Environmental Standards relating to air quality. It submitted its final report to the Minister in November 2009.
Number of members	5
Number of meetings held from 1 July 2009 to 30 June 2010	5

Special Tribunal appointed to hear the proposed Water Conservation Order on the Hurunui River

Purpose	The Tribunal was appointed in August 2008 to consider the application and prepare a decision report to the Minister.
Number of members	4
Number of meetings held from 1 July 2009 to 30 June 2010	There were no formal hearings or meetings – the Tribunal signed off on its recommendation to the Minister on 5 August 2009.

Special Tribunal appointed to hear the proposed amendment to the Kawarau Water Conservation Order

Purpose	The Tribunal was appointed in June 2008 to consider the application and prepare a decision report to the Minister.
Number of members	3
Number of meetings held from 1 July 2009 to 30 June 2010	5 hearing days

Board of Inquiry for the Tauhara II Geothermal Development Project

Purpose	This Board of Inquiry was established under section 149J of the Resource Management Amendment Act 2009 to hear and decide the matters lodged by Contact Energy Ltd for its geothermal power station development proposal of national significance.
Number of members	5
Number of meetings held from 1 July 2009 to 30 June 2010	3

Board of Inquiry for the Turitea Wind Farm Project

Purpose	This Board of Inquiry was established under Section 146 of the Resource Management Amendment Act 2005 to hear and decide the wind farm proposal lodged by Mighty River Power and called-in by the Minister for the Environment.
Number of members	5
Number of meetings held from 1 July 2009 to 30 June 2010	Hearing days: 36 Board meetings: 6

Board of Inquiry for the Hauāuru mā raki Wind Farm Project

Purpose	This Board of Inquiry was established under Section 146 of the Resource Management Amendment Act 2005 to hear and decide the matters called-in by the Minister for the Environment, deemed a proposal of national significance, for a proposed wind farm located between Port Waikato and Raglan.
Number of members	4
Number of meetings held from 1 July 2009 to 30 June 2010	6

Board of Inquiry for the Mackenzie Under Cover Dairying Proposals

Purpose	This Board of Inquiry was established under section 146 of the Resource Management Amendment Act 2005 to hear and decide the matters called-in by the Minister for the Environment, deemed a proposal of national significance, from three farming companies for under cover dairying of approximately 18,000 cows.
Number of members	5
Number of meetings held from 1 July 2009 to 30 June 2010	1

Review into the performance of Far North District Council

Purpose	A review undertaken for the Minister under section 24 of the Resource Management Act 1991 into the performance of the Far North District Council.
Number of members	2
Number of meetings held from 1 July 2009 to 30 June 2010	2 days on site

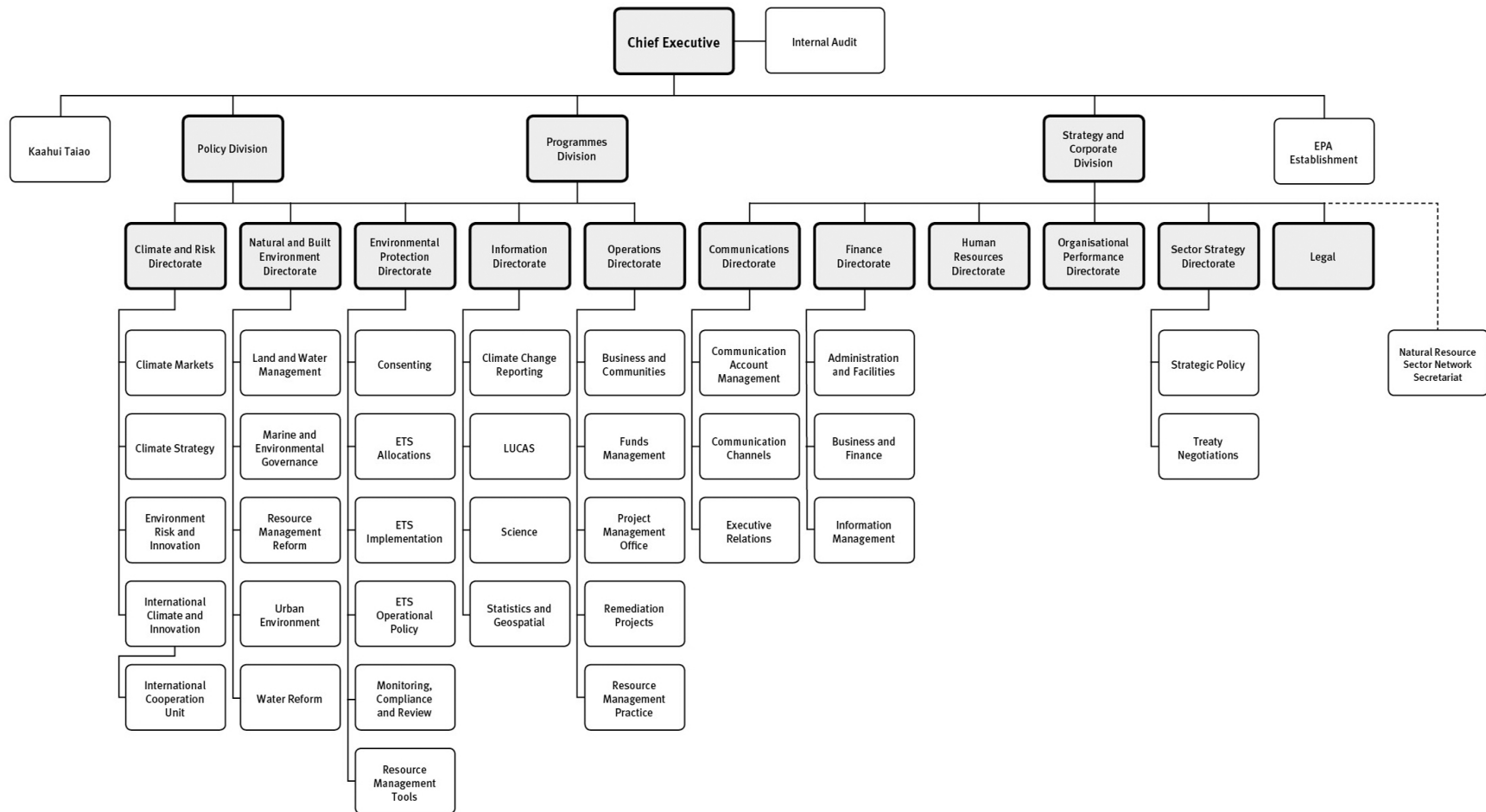
Review into the performance of the Canterbury Regional Council

Purpose	A review undertaken for the Minister under section 24 of the Resource Management Act 1991 into the performance of the Canterbury Regional Council.
Number of members	3
Number of meetings held from 1 July 2009 to 30 June 2010	10 days on site

Appendix B: Organisational Chart

During 2009/10, the Ministry reviewed its policy function, which has resulted in some changes to roles and teams and the establishment of a strategic policy function. This revised structure came into effect on 2 August 2010 and below is brief overview of the services we perform:

- | | |
|---------------------------------|--|
| Policy Division | <ul style="list-style-type: none">• policy thinking• problem definition scoping• options development and analysis• regulatory impact |
| Programmes Division | <ul style="list-style-type: none">• technical design• delivery and review of the national instruments/tools or operational functions that give effect to the policies and legislation |
| Strategy and Corporate Division | <ul style="list-style-type: none">• internal / external strategy• organisational performance• strategic policies• governance related relationships• corporate services |
| EPA Establishment | <ul style="list-style-type: none">• establish the new EPA / Crown agent |



Appendix C: Acts Administered by the Ministry

- Soil Conservation and Rivers Control Act 1941
- Environment Act 1986
- Environment Canterbury (Temporary Commissioners and Improved Water Management) Act 2010
- Resource Management Act 1991
- Ozone Layer Protection Act 1996
- Hazardous Substances and New Organisms Act 1996
- Climate Change Response Act 2002
- Aquaculture Reform (Repeals and Transitional Provisions) Act 2004
- Fiordland (Te Moana o Atawhenua) Marine Management Act 2005
- Waste Minimisation Act 2008