

Report of the Ministry for the Environment

For the year ended 30 June 2006

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Contents

1	Overview	1
	Chief Executive's Overview	1
	Statement of Objectives	2
	Ministers' Priorities for 2005/2006	2
	The Year in Review	4
2	Statement of Service Performance for the Year Ended 30 June 2006	12
	Quality Standards for Policy Advice	12
	Vote Environment – Output Class: Environmental Policy Advice	12
	Vote Environment – Output Class: Administration of the Sustainable Management Fund	25
	Vote Environment – Output Class: Bioethics Council	27
	Vote Environment – Output Class: Resource Management (Waitaki Catchment) Amendment Act	28
	Vote Climate Change and Energy Efficiency – Output Class: Policy Advice – Energy Energy and Conservation	30
	Vote Climate Change and Energy Efficiency – Output Class: Policy Advice and Implementation – Climate Change	32
	Vote Climate Change and Energy Efficiency – Output Class: Carbon Monitoring Programme	35
3	Financial Statements for the Ministry for the Environment	37
	Performance Indicators for the Year Ended 30 June 2006	37
	Statement of Financial Performance for the Year Ended 30 June 2006	38
	Statement of Financial Position as at 30 June 2006	38
	Statement of Movements in Taxpayers' Funds for the Year Ended 30 June 2006	39
	Statement of Cash Flows for the Year Ended 30 June 2006	39
	Reconciliation of Net Operating Surplus to Net Cash Flow from Operating Activities for the Year Ended 30 June 2006	40
	Statement of Commitments as at 30 June 2006	40
	Statement of Contingencies as at 30 June 2006	40
	Statement of Unappropriated Expenditure for the Year Ended 30 June 2006	41
	Statement of Departmental Expenditure and Appropriations for the Year Ended 30 June 2006	42
	Statement of Non-Departmental Expenditure and Appropriations for the Year Ended 30 June 2006	43
	Statement of Accounting Policies for the Year Ended 30 June 2006	44
	Notes to the Financial Statements for the Year Ended 30 June 2006	48
4	Non-Departmental Schedules	54
	Statement of Accounting Policies	54
	Crown Revenue and Receipts for the Year Ended 30 June 2006	54
	Schedule of Expenses for the Year Ended 30 June 2006	55
	Schedule of Assets as at 30 June 2006	55
	Schedule of Liabilities as at 30 June 2006	56
	Statement of Commitments as at 30 June 2006	56
	Statement of Contingencies as at 30 June 2006	56
	Notes to the Financial Statements 30 June 2006	57
	Statement of Responsibility	59
	Audit Report	60
5	Environmental Report	62
	Highlights and Challenges	63
	Materials Used	63
	Waste	65
	Energy	66
	Business Travel	67
	Carbon Footprint	68
	Our Staff	69
6	Management of the Ministry	72
	Human Resources	72
	Equal Employment Opportunities	72
	Stakeholder Relationships	73
	Information Management	73
	Crown Entity Monitoring	74
	Management Structure	75
	Advisory Bodies/Ministerial Committees 2005/2006	76
	Acts Administered	79
7	Contact Information	80

1 Overview

Chief Executive's Overview

New Zealanders, rural and urban, relate personally to our environment. Although the majority of us are city dwellers these days, we are still a people of the land. The beach, the bush, the mountains, lakes and rivers are part of our national identity. It is these, as much as our cities and towns, that feel like “home” when we think of New Zealand.

The environment is hugely important to New Zealand's economy as well as to our quality of life. Tourism and primary production rely not just on our environment, but on a high-quality environment. Our use of the terms “clean green image” and “100 percent Pure New Zealand” shows that environmental quality is a major competitive advantage in the world today.

The Ministry for the Environment strives to provide environmental leadership and encourage effective decision-making at all levels so that we and others can deliver the environment that New Zealanders expect and deserve. This annual report describes the work of the Ministry for the Environment over the past financial year. To mention just a few of the achievements:

- The Year of the Built Environment 2005, an initiative with partner organisations to raise public awareness of the impact of the built environment on our quality of life, exceeded our expectations. More than 200 activities were held, including the Urban Life art competition which attracted 360 entries, and the Open House at 50 inspiring buildings and spaces.
- The Sustainable Water Programme of Action reached a major milestone with government agreement on a strategy to protect and improve our freshwater resources into the future. We also shepherded in a workable and efficient regional water allocation plan for the Waitaki Catchment, developed by the Waitaki Catchment Water Allocation Board.
- We continue to encourage environmental initiatives by industry. This year we worked with partners to produce a toolkit for the screen industry, guidelines for the offshore petroleum industry, and fact sheets for the panel beating industry, while continuing our support for the Packaging Accord and the Dairying and Clean Streams Accord.
- The review of New Zealand's climate change policies has led to a series of work programmes to help guide decisions on the short and long-term policy direction for climate change.
- Forty-five students from around New Zealand gained hands-on experience with environmental projects and inspiration for further action during the week-long Sir Peter Blake Youth Environment Forum.
- Plans for publishing regular and accessible environmental reports are well advanced. We aim to provide updates on key environmental issues, such as water and air quality and climate change, in ways that are useful to our key audiences.

On the domestic front, the 2005/06 financial year was a year of change for the Ministry for the Environment – apart from a new building, the Ministry had two new Ministers and a new Chief Executive. In the short time I have been at the Ministry, I have found it to be an organisation in good health, full of bright and enthusiastic people with a real will to make New Zealand a great place to live.



Hugh Logan
Chief Executive

Statement of Objectives

VISION, MISSION AND VALUES

Our vision is of:

- A healthy environment which sustains people and nature.

We see our mission as:

- Delivering the environment that New Zealanders expect and deserve.

The values that are important to us in our work are to be:

- effective
- trusted
- influential.

OUR ROLE

The role of the Ministry for the Environment is to:

- provide leadership across government and the community on the environment
- work in partnership with key sectors and organisations to improve our environment
- fix problems that require central government intervention
- ensure that New Zealand has good environmental governance.

Ministers' Priorities for 2005/2006

The Government's key priorities relevant to the environment are to:

- protect and enhance the environment
- grow an inclusive, innovative economy for the benefit of all
- strengthen national identity and uphold the principles of the Treaty of Waitangi.

The priority environmental issues for the Ministers in 2005/2006 were:

- freshwater initiatives, including:
 - Sustainable Water Programme of Action
 - lakes
 - Waitaki
- the Flood Risk Management Review
- Water Efficiency Labelling System
- reporting on water policy frameworks
- reporting on Dairying and Clean Streams Accord
- climate change policy
- the Greenhouse Gas Inventory
- the greenhouse gas projections and net position report
- the carbon accounting system
- science priorities – climate change

- the passage of Hazardous Substances and New Organisms (Approvals and Enforcement) Amendment Bill
- the Year of the Built Environment 2005
- reporting on air policy frameworks
- product stewardship
- reporting on waste policy frameworks
- sustainable industries
- Minimum Energy Performance Standards
- lead the negotiation and implementation of environment provisions in New Zealand trade agreements
- reporting and monitoring framework
- the Youth Environment Forum.

The Year in Review

Priority Issues

Freshwater Initiatives

Sustainable Water Programme of Action

In New Zealand, freshwater is fundamental to our way of life. Our rivers, lakes, streams, wetlands and groundwater systems are amongst our most valued natural assets – not only for their natural beauty, but for the many recreational, economic and cultural activities they support. Yet due to changing land-use patterns, changes in demand and other factors, this key resource is under pressure and the Government is looking at the management of freshwater – now and into the future.

Throughout the year, good progress was made towards alleviating this freshwater management issue. In 2005, the Ministry organised meetings and hui throughout New Zealand to discuss the problems facing the water management framework, and to identify possible solutions. The extensive consultation process led to more detailed investigations and evaluation of the current management system. Drawing on that work, a report to Cabinet was prepared in early 2006 that resulted in the Government identifying three national outcomes for freshwater and a package of initiatives designed to achieve the desired outcomes.

Lakes

The Government has confirmed funding of \$36.7 million towards an \$81.5 million programme to improve Lake Taupo's water quality. Environment Waikato and the Taupo District Council have committed to funding the balance. During 2005/06, the Ministry worked with the councils to finalise the administrative arrangements for the programme. A formal council joint committee comprising representatives from Environment Waikato, the Taupo District Council, the Tuwharetoa Māori Trust Board and the Government (Ministry for the Environment) was established to provide a governance framework for the programme. Interim Trustees were appointed to the proposed Lake Taupo Protection Trust pending formal agreement to the project documentation that will set up the formal funding arrangements between the Government and the Joint Fund. During 2005/06, Environment Waikato publicly notified its proposed regional planning rules which will cap nitrogen emissions in the Lake Taupo catchment. The Ministry made a joint submission with Te Puni Kokiri on the proposed regional plan variation and presented evidence to the plan hearing in Taupo.

Cabinet agreed as part of the 2005/06 budget package to an appropriation of \$4 million as the Government's 50 percent contribution to Environment Bay of Plenty's programme to improve the water quality of Lake Rotoiti (one of the Rotorua lakes). The funding is for the construction of a diversion structure in Lake Rotoiti. Environment Bay of Plenty was granted resource consents for the structure in late 2005. The decisions were appealed to the Environment Court and a hearing was held, with a decision now pending. During the year, the Ministry continued to work with the local authorities (through the Rotorua Lakes Strategy Joint Committee), landowners (through the Rotorua Lakes and Land Trust's Sustainable Management Fund project) and the science community (through Waikato University's research programme funded by The Foundation for Research, Science and Technology).

Waitaki

The Government established the Waitaki Catchment Water Allocation Board in September 2004 with the function of preparing a regional plan for the allocation of water from the Waitaki Catchment by 30 September 2005. During the 2005/06 year, the Board concluded six weeks of hearing of 1,197 submissions in Oamaru and Omarama before approving its final plan on 30 September 2005, meeting the timeframe established by the legislation.

An appeal to the High Court on points of law was considered by the Court in June 2006 and determined in July 2006. The regional plan was approved with agreed amendments.

Flood Risk Management Review

In 2004, large floods swept through the lower North Island and the Bay of Plenty. The wide-scale damage and costs prompted the Government to undertake a review to ensure New Zealand has a robust approach to managing flood risk.

In the first year of the review, good progress has been made. Seventeen case studies of councils in higher risk areas were completed to understand the approaches of, and difficulties faced by, local government. The work programme to understand whether practitioners' science needs are met by the science sector has been completed. In addition, work has also started around analysis of the current legislative framework and whether warning systems are effective.

Water Efficiency Labelling

Water efficiency labelling (WELS) is primarily a consumer information labelling system describing the consumption characteristics of specified water-using equipment. It has been mandatory in Australia since July 2006, and New Zealand has committed to mandatory labelling beginning on 1 July 2007. There are currently no water efficiency standards, other than for toilets. Equipment subject to labelling will include:

- toilets
- taps
- washing machines
- dishwashers
- shower heads.

Activities this year have included:

- liaising with New Zealand industry on the new scheme
- cooperating with Australian federal, state and territorial authorities to ensure the two countries are coordinated in their approach
- identifying the appropriate legislation for bringing WELS about in New Zealand
- identifying the appropriate agency for administering WELS.

Reporting on Water Policy Frameworks

The first national bathing beach report was released on the Ministry's website in February 2006. This is due to be updated early in 2007. A series of reports was also commissioned

early in 2006 to provide us with a snapshot of recent national trends in lake and river water quality and allocation. These reports are nearing completion.

An assessment of the national network of river water quality monitoring sites is nearing completion. This will identify the opportunities and limitations of the network for national reporting. This work is a major milestone in the development of an appropriate monitoring framework for reporting freshwater quality nationally.

Work to encourage best practice and improve consistency in freshwater monitoring is also ongoing. There has been continued input into the development of:

- national groundwater sampling protocols
- best practice guidelines for statistical analysis of freshwater quality data
- guidance on the use of a macro-invertebrate index for soft-bottom streams.

All three projects are due to be completed, at least to a stage where the methods can be trialled, by December 2006.

Reporting on Dairying and Clean Streams Accord

The Accord is both a statement of intent and a framework for actions to promote sustainable dairy farming in New Zealand. On 26 May 2003, the Dairying and Clean Streams Accord was agreed between Fonterra Co-operative Group, the Minister for the Environment, the Minister of Agriculture, and regional councils. The parties to the Accord agreed to work together to achieve clean healthy water, including streams, rivers, lakes, groundwater and wetlands in dairying areas.

A long-term monitoring and reporting strategy to measure progress towards the Dairying and Clean Streams Accord targets was developed and disseminated to councils. It included a five-yearly audit of water quality by the Ministry. The Ministry has deeds with four councils (Northland, Horizons, Marlborough and Tasman) to undertake catchment monitoring programmes. These are designed specifically to assess the impact of the actions being undertaken by farmers implementing the Dairying and Clean Streams Accord on a catchment scale. Council environmental monitoring staff have started to implement monitoring programmes and collect data for these catchments. This will continue in 2007 and will provide initial baseline monitoring information.

Climate Change Policy

A full review of climate change policy was commissioned by Cabinet in mid-2005. It was completed in November 2005, and, in December 2005, Cabinet decided not to proceed with the announced carbon tax and associated Negotiated Greenhouse Agreements.

The Ministry (along with DPMC) is coordinating the development of the whole-of-government work programme for climate change. This will cover communication and stakeholder engagement, a strategic framework, preparation for, and adapting to, climate change, forestry measures, transport measures, energy sector measures, agriculture and land use, development of a purchasing strategy for Kyoto-compliant emission units, international engagement, alternatives to the carbon tax, cross-sector initiatives and climate change research and technology investment priorities.

The Ministry worked within the United Nations Framework Convention on Climate Change (UNFCCC) process to help ensure that the outcomes of the Montreal Climate Change Conference in December 2005 were aligned with New Zealand's views. The Conference

adopted the rules for an operational Kyoto Protocol, agreed a framework for international cooperation on adaptation, and launched future-focused agenda items under both the UNFCCC and the Kyoto Protocol.

Nineteen councils in New Zealand, representing 63 percent of the country's population, have joined the Cities for Climate Protection® campaign since it was launched in July 2004. The Cities for Climate Protection® campaign, is an innovative programme that supports councils to cut greenhouse gas emissions from their own activities and from their communities.

Greenhouse Gas Inventory

The development of New Zealand's national inventory system including the Carbon Accounting System has continued this year.

New Zealand's Greenhouse Gas Inventory 1990–2004 was submitted to the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat on 13 April 2006. Consistent with agreed good practice, the 2006 inventory submission included improvements in accuracy, transparency and completeness.

A statistical review entitled 'Optimisation of the statistical confidence and cost effectiveness of New Zealand's Greenhouse Gas Inventory' was contracted in October 2005. The review noted that uncertainty was dominated by five key inputs and that for progress to be made in reducing uncertainty, a combination of these areas would need to be targeted, especially carbon dioxide removals by forests and nitrous oxide emissions from animal waste and fertiliser inputs. The key findings of the review are being incorporated into future inventory work where appropriate.

Greenhouse Gas Projections and Net Position Report

Work on the net position and greenhouse gas projections also continued this year. In October 2005, the Ministry commissioned UK-based consulting firm, AEA Technology to undertake an independent review of the May 2005 net position report. AEA Technology's key finding was that "the methodologies employed to project emissions and sinks across the different sectors [are] generally sound and reasonable in their approach".

The update of the projected balance of units during the Kyoto Protocol's first commitment period (2008–2012) was based on the latest national inventory of greenhouse gas emissions and removals submitted to the UNFCCC on 13 April 2006.

Work on greenhouse gas projections to 2020 was undertaken for inclusion in New Zealand's 4th National Communication to the UNFCCC.

Carbon Accounting System

The development of the carbon accounting system continued this year with key achievements including the approval of the system and associated funding by Cabinet through to 2014/15. The main components of the carbon accounting system include:

- methods and processes for establishing representative forest and soil plots to obtain measurements from which carbon estimates will be derived
- methods, processes and models to determine levels of carbon in New Zealand forest and soils
- methods and processes to map land use and land-use changes (from 1990) and acquisition of the required remotely-sensed imagery

- development and deployment of a database, application tools and related infrastructure to enable the storage, analysis and reporting of data related to land-use changes and carbon stocks in forest and soils for these areas
- processes for the design, review and refinement of statistical design, spatial analysis and land-use mapping methods to ensure robustness, effectiveness and cost efficiency
- processes for quality assurance and conformance with IPCC Good Practice Guidance, including the management of international expert reviews.

In late 2005, an informal international review concluded that the carbon accounting system had been well designed, and that, if implemented accordingly, it would meet good practice guidance associated with the Kyoto Protocol.

Science Priorities – Climate Change

Following the Climate Change Policy Review by Cabinet, climate change work programmes were re-prioritised. A climate change research and technology work programme has been established to identify gaps and prioritise climate change research and technology investment.

The Ministry has helped facilitate New Zealand's participation in the activities of the Intergovernmental Panel on Climate Change over the past year.

Passage of Hazardous Substances and New Organisms (Approvals and Enforcement) Amendment Bill

This piece of legislation was passed in December 2005. It brought into existence the concept of Group Standards for hazardous substances, for example, the Cosmetics Group Standard. Group Standards can be applied to substances with similar properties and characteristics. Passage of this Bill was essential to enable the Environmental Risk Management Authority (ERMA) to complete the process of transferring substances from previous legislation into the Hazardous Substances and New Organisms (HSNO) management framework. This process was completed on time on 30 June 2006.

Year of the Built Environment 2005

2005 was the Year of the Built Environment – as proclaimed by the New Zealand Government in conjunction with the New Zealand Institute of Architects and a consortium of local government, industry, research and professional institutes. The Year of the Built Environment provided an opportunity to explore and celebrate our built environment – the buildings, spaces and structures in which we live, work and play. Throughout 2005, a series of collaborative events focused on and challenged people to recognise the role the built environment plays in our lives. These included:

- the 'Open House' event, which provided an opportunity to view some outstanding examples of buildings and sites in Dunedin, Auckland, Wellington and Christchurch
- the 'Year of the Built Environment 2005 Awards', which recognised projects that exemplify the quality and relationship of built forms with their environment, design innovation that enhances peopled environments, and sustainable design principles and resource use
- the Urban Life art competition and exhibition.

Reporting on Air Policy Frameworks

As part of the national air quality reporting programme, a review of the Ministry's Global Environmental Monitoring System (GEMS) sites was undertaken. The GEMS sites include air quality monitoring in two Auckland locations and one in Christchurch. The draft report is undergoing peer review. The review will enable current monitoring to be assessed for best value and relevance to the ambient air national environmental standards.

A reporting framework for the air quality standards is being finalised using a 2005 pilot data set. This will comprise all available summary data for airsheds across New Zealand.

A draft report on the comparability of different PM₁₀ monitoring methods is in the final stages of review. The Ministry is actively working with regional and unitary authorities to address technical monitoring issues to promote national consistency. This, and other contributions from the Foundation for Research, Science and Technology's (FRST) 'Protecting New Zealand's Clean Air Programme', will be incorporated into the Good Practice Guide for Air Quality Monitoring and Data Management.

A survey of the implementation of national environmental standards was conducted in February 2006. It provides a summary of regional and unitary authority progress in implementing appropriate monitoring in accordance with the regulations, and the development of emissions inventories and 'straight-line paths'.

Product Stewardship

Product stewardship is a tool with the potential to greatly improve how we deal with waste. It encourages producers, brand owners, importers and consumers to help manage the environmental effects of products throughout their life cycle.

A discussion document on product stewardship was released by the Government in August 2005. There were 130 submissions received and extensive consultation with industry was carried out. Following the submissions, five product case studies (whiteware, paint, agricultural containers, cell phones and tyres) were undertaken. These provided valuable information for further development of the policy framework.

Reporting on Waste Policy Frameworks

Three surveys on waste management were drafted in 2006. These will be completed early in the new financial year. These surveys will give details on:

- landfill design and management – including engineering aspects and quantities of waste sent to landfills
- progress towards targets in the New Zealand Waste Strategy
- waste minimisation – current and future funding of waste minimisation and council recycling facilities.

A schedule for regular monitoring will be established for these aspects of waste management. This schedule will be consistent with the national environmental reporting framework.

Work is underway to trial the concept of waste catchments. These catchments will examine waste disposed of at all landfills within a region and provide more accurate data for waste management.

During the year, the Ministry partnered with regional councils and unitary authorities from eight regions to collect and dispose of 90 tonnes of unwanted and banned agrichemicals. These eight regions are now effectively clear of agrichemicals.

The New Zealand Packaging Accord continues to be an effective framework for joint action to reduce waste through the packaging supply chain. Product stewardship was actively pursued in five sectors (tyres, paint, mobile phones, whiteware and agrichemicals). All have carried out in-depth case studies to aid design of new schemes.

Sustainable Industries

The Ministry's sustainable industry function had another successful year, building on the delivery of major work programmes over the last two years. In 2005/2006, progress was made with the following:

- New Zealand's most contaminated land site, the former Fruitgrowers' Chemical Company at Mapua, is now 70 percent remediated. The Ministry has been working with Tasman District Council and through the Contaminated Sites Remediation Fund to meet the resource consent requirements for the clean up.
- The Govt³ programme, which assists the government sector to operate more sustainably, now includes formal commitment from all 47 departments. Twenty-six agencies now have formal action plans as part of their commitment to the programme.
- Sustainable tourism continues to evolve positively with six regions actively engaged with local tourism businesses to improve their sustainability.
- Environmental best practice guidelines for filming were developed in conjunction with the screen industry. Full support has come from the 10 film-related industry associations in New Zealand, which are implementing the guidelines. There has been international interest in adopting the guidelines.

Minimum Energy Performance Standards

Minimum Energy Performance Standards (MEPS) prescribe labelling and minimum performance criteria that must be met if a product is to be sold in New Zealand. Identical requirements are in force in Australia. Under the Trans-Tasman Mutual Recognition Arrangement (TTMRA), the two countries are coordinating their requirements.

An agreed Trans-Tasman work programme was adopted to ensure that standards and labelling requirements for the two countries remain aligned. MEPS were extended to include:

- low-pressure copper thermal electric storage water heaters
- single-phase ducted air conditioners and air-to-air heat pumps
- single-phase non-ducted air conditioners and heat pumps
- storage water heaters (electrically heated)
- three-phase air conditioners and heat pumps
- three-phase cage induction motors
- tubular fluorescent lamps
- ballasts for fluorescent lamps.

Lead the Negotiation and Implementation of Environment Provisions in New Zealand Trade Agreements

The Ministry negotiated an environment agreement as part of New Zealand's trade agreement with Chile, Singapore and Brunei, known as the Trans-Pacific Strategic Economic Partnership.

The Ministry co-chaired the first Environmental Committee meeting in Bangkok to start the implementation of the environment provisions associated with the Thailand New Zealand Closer Economic Partnership.

The Ministry led the first cooperative activity (Environmental Impact Assessment workshop) with Brunei, under the environment agreement associated with the Trans-Pacific Strategic Economic Partnership. The Ministry is also leading the negotiation of environment provisions associated with international trade agreements with China and Malaysia.

Reporting and Monitoring Framework

Work continued on a national state of the environment reporting framework with a focus on the development of:

- a core set of environmental indicators (distilled from the environmental performance indicators programme)
- use of New Zealand's unique environmental classification systems for land, water and the marine environment which help interpret and map environmental data
- expanded information-sharing agreements that enable indicator and environmental information held by other agencies (eg, regional councils) or sector groups to be shared for the purpose of environmental monitoring and reporting, policy and performance reviewing
- a series of reporting products targeted at specific audiences.

Youth Environment Forum

The 2006 Youth Environment Forum was held in Wellington in April and was attended by 45 16 to 18 year-olds from 15 regions around the country. The Youth Environment Forum is hosted by the Ministry for the Environment in partnership with the Sir Peter Blake Trust and is open to young people with a keen interest in the environment. It provides an invaluable opportunity for them to have a voice on environmental issues and to learn first hand about environmental management.

2 Statement of Service Performance for the Year Ended 30 June 2006

Quality Standards for Policy Advice

The Ministry has a number of policies, standards, best practice documents and standard operating procedures to ensure that its service performance remains at an optimum level. These 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.

In addition, the General Managers work with the Chief Executive and the Deputy Chief Executive regularly, with all issues discussed at weekly meetings to ensure work programmes remain consistent with the Ministry's core objectives.

Vote Environment

Output Class: Environmental Policy Advice

The Ministry takes a strong role in environmental governance and provides investigation, analysis, review and advice on a range of environmental issues. This includes leading whole-of-government initiatives, coordinating the collaboration of central and local government in the delivery of environmental programmes and administering legislation as well as providing advice to the Government and others.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were *intra vires* and in accordance with principal statutes.

Resources employed

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
Revenue:				
24,401	Crown	31,081	34,922	32,141
206	Departmental	354	367	367
24	Other	398	5	206
24,631	Total revenue	31,833	35,294	32,714
24,528	Total expenses	31,302	35,294	32,513
103	Net surplus	531	0	201

Review of output achievements

1.0 Work with central government to lead and participate in interdepartmental initiatives

This output contributes to the following medium-term outcomes:

- New Zealand's air, water and natural resources are protected, enhanced and used sustainably
- New Zealanders are informed of the progress being made towards a healthy environment and participate actively through action on the ground
- our towns, cities and communities function well and are healthy and attractive for business, social and cultural life
- Government and industry work together so that industry is competitive, profitable, and grows sustainably
- New Zealand has credible and effective environmental governance and legislation
- central government provides leadership on the environment and local government delivers its environmental functions efficiently and effectively
- the Ministry has the capability to deliver the advice and services the Government expects of it.

1.1 Sustainable development, specifically sustainable cities and energy

Boost public awareness of the role and importance of the built environment through running a Year of the Built Environment programme with partner organisations.

Achieved. The Year of the Built Environment (YBE) programme was run with central government agencies, local government and industry associations. More than 200 activities were organised during the year, including Open House events at 50 inspiring buildings and spaces, attended by 17,000 New Zealanders. The Urban Life art competition attracted 360 entries. A national YBE Awards competition was also held.

Work with the Department of Prime Minister and Cabinet (DPMC) to coordinate central government input into the collaborative Auckland Sustainable Cities Programme working with local authorities of the Auckland region.

Achieved. The Auckland Sustainable Cities Programme delivered 14 key projects across six work strands. For example, over 100 schools have joined the Auckland Regional School Travel Plan Programme as part of efforts to reduce congestion on the region's roads.

Identify and make progress on priorities for Sustainable Cities

Ongoing. Work on the competitiveness of cities and mechanisms for improved development was completed during the year. This emphasised integrated and strategic city-region management. It included a report on catalysing positive urban change through mechanisms such as national level Urban Transformation Corporations with wide investment and development powers. The results have contributed to, and are now part of, wider cross-government coordination processes for metro-regional engagement, including the Government Urban and Economic Development Office (GUEDO) work programme, and the review of the Sustainable Cities programme.

1.2 Oceans policy development and provision of advice on fisheries and marine issues, including completing the Fiordland Marine Management legislation and implementation of the Aquaculture Reform Act 2004

Develop the environmental legislation framework to cover significant gaps in oceans management

Partially achieved and ongoing. In partnership with the Petroleum Exploration and Production Association of New Zealand and Maritime New Zealand, environmental best practice guidelines for offshore petroleum activities were developed. The Ministry provided advice to Ministers on proposals for an oceans policy including advice around the environmental management of the exclusive economic zone and extended continental shelf.

Complete the Fiordland Marine Management Legislation

The Fiordland (Te Moana o Atawhenua) Marine Management Act 2005 was passed. Eight Guardians were appointed by the Minister and met regularly to undertake their advisory role and complete their established tasks.

Implement the Aquaculture Reform Act 2004

The Ministry facilitated a cross-government implementation team for the aquaculture reforms. That team prepared and undertook a coordinated work programme which included the preparation of information, guidance, processes and policies, and undertook a stocktake and needs analysis of aquaculture across the regions.

1.3 Biodiversity, specifically the development of a biodiversity strategy for New Zealand as well as the development of a national policy statement on biodiversity

Develop a national policy statement on indigenous biodiversity

Partially achieved. A draft national policy statement was prepared.

Survey the awareness of freshwater and biodiversity

Achieved. The Ministry, in collaboration with partners – the Department of Conservation (DOC), the Ministry of Fisheries (MFish) and regional councils – commissioned qualitative and quantitative research into New Zealanders' current levels of understanding and associated motivational triggers with regard to biodiversity and freshwater.

The research was conducted in May/June 2005, with results presented in July/August 2005.

1.4 The Resource Management Act 1991

Strengthen relationships with, and build capacity of, iwi and local government to engage effectively in the management and use of natural resources

Achieved and ongoing. National networks for sharing best practice were established and supported for iwi environmental practitioners and council iwi liaison officers, mandated by the iwi, and local and central government Chief Executive Officers' (CEO) forum. Support for participating in resource management planning processes was also provided for a number of iwi and hapu groups.

Develop a new online survey for local authorities

Ongoing. The 2005/06 Resource Management Act survey of the 86 local authorities in New Zealand is underway. A new online survey tool has been developed for easy data entry and amalgamation. The results will be published in 2007 in an electronic and hard copy format. The survey has been carried out since 1996 and has shown overall improvement in council practices.

1.5 Improving the operation of the Hazardous Substances and New Organisms Act 1996

Assist the Minister with statutory functions under environmental laws and ministerial responsibilities

Achieved. The Ministry provided the Minister with regular updates on performance issues relating to the Environmental Risk Management Authority New Zealand (ERMA) as relevant to his responsibilities under the Crown Entities Act 2004, the Public Finance Act 1989 and the Hazardous Substances and New Organisms Act 1996 (the HSNO Act). The Ministry also assisted ERMA with development of its Statement of Intent for 2006–2009 and Output Plan for 2006/07, and briefed the Minister on issues arising.

In addition, the Ministry provided support to the passage of the Hazardous Substances and New Organisms (Approvals and Enforcement) Amendment Bill. This legislation established Group Standards, enabling the final transition of hazardous substances from previous legislation to the Hazardous Substances and New Organisms Act 1996.

2.0 Work with local government to lead and participate in relation to environmental issues

This output contributes to the following medium-term outcomes:

- New Zealand's air, water and natural resources are protected, enhanced and used sustainably
- New Zealanders are informed of the progress being made towards a healthy environment and participate actively through action on the ground
- our towns, cities and communities function well and are healthy and attractive for business, social and cultural life
- Government and industry work together so that industry is competitive, profitable, and grows sustainably
- New Zealand has credible and effective environmental governance and legislation
- central government provides leadership on the environment and local government delivers its environmental functions efficiently and effectively
- the Ministry has the capability to deliver the advice and services the Government expects of it.

2.1 Improving the legislative framework

Achieved. The Ministry worked closely with Local Government New Zealand to formulate changes to the RMA to deal with delays, costs, inconsistencies, uncertainty and a lack of national leadership regarding the Act's processes and in decision-making.

The Resource Management Amendment Act 2005 came into force on 10 August 2005. The purpose of the Amendment Act is to improve the operation of the Act, in particular in relation to:

- the achievement of nationally consistent standards through National Environmental Standards and National Policy Statements
- the making of decisions by consent authorities and the Environment Court
- the power of the Minister for the Environment to call in applications for resource consents and notices of requirement and requests for preparation of plans
- the development of policy statements and plans by local authorities
- consultation with iwi and resource planning by iwi
- the allocation of natural resources.

While the Amendment Act is still in its early days, we have already seen significant gains in getting better resource consent decisions made more quickly. The amendments are designed to complement a number of significant non-legislative measures including the Making Good Decisions programme and the Environment Court's case management system.

2.2 Urban affairs

Support the implementation of the Urban Design Protocol

Achieved and ongoing. The Ministry established the Urban Design Champions Network and developed a number of Urban Design Protocol resources, including the Urban Design Toolkit and a report on the economic, environmental and social value of urban design.

The Ministry also supported the Ministry of Justice in the development of its National Guidelines for Crime Prevention through Environmental Design.

Ensure the number of signatories to the Urban Design Protocol continues to grow

Achieved. By the end of June 2006, the number of signatories had grown to 115 from 93 at the end of June 2005.

2.3 Environmental reporting

Air

Monitor improvements in air quality through local government reporting

Partially achieved and ongoing. During the year the Ministry:

- produced the Global Environmental Monitoring System (GEMS) annual report (this refers to two air quality monitoring sites: an Auckland site and a Christchurch site)
- prepared a draft report on the GEMS air quality monitoring programme
- collated information on airsheds (areas where air quality is likely or known to exceed the National Environmental Standard) across New Zealand and put these onto the Ministry for the Environment's Geographical Information System (GIS) and website
- completed a comparison study on ambient PM₁₀ (particulate matter) monitoring methods
- worked with regional and unitary authorities to address technical monitoring issues to promote national consistency

- completed a survey of progress in implementing the National Environmental Standards in February 2006.

Assist local government in the implementation and monitoring of the national environmental standards for air quality

Ongoing. The national environmental standards for air quality, introduced in October 2004, require regional councils and unitary authorities to identify areas where air quality is likely or known to exceed the standards (airsheds). Forty-two airsheds were identified in September 2005. Ninety percent of these airsheds have continuous monitoring for fine particles either in place or planned for the near future.

During the year the Ministry also:

- updated the Users' Guide to the national environmental standards on air quality to incorporate amendments made to the regulations in 2005. The updated Users' Guide was published and circulated to all councils and submitters. Three workshops were held in November 2005 on implementation of the Users' Guide
- commenced a review of the wood burner design standard to see how it is operating in practice. This incorporates the purchase and full emissions and efficiency testing of 10 wood burners as well as design verification checks on an additional 40 wood burners. The review is being carried out in partnership with regional councils and governed by a protocol agreed to by the New Zealand Home Heating Association
- produced a pilot study into Health and Air Pollution in New Zealand. The study was a joint research project co-funded by the Ministry, the Ministry of Transport and the Health Research Council with in-kind technical support from the Auckland Regional Council and Environment Canterbury.

Water

Identify and negotiate an appropriate environmental dataset and reporting framework to meet national and international reporting requirements, and to enable the promotion of New Zealand's environmental achievements and best practice

Achieved and ongoing. An environmental reporting and review framework has been developed and is being implemented by the Reporting and Review Group. The dataset continues to be collated and maintained.

Monitor improvements in beach water quality

Achieved and ongoing. In February 2006, the Ministry produced its first web-based report on recreational water quality in New Zealand. The report compiled regional monitoring results to present a national picture of water quality over the 2003/04 and 2004/05 bathing seasons.

The results for both freshwater and coastal sites indicate that, at the national level, there has been a slight improvement in recreational water quality between 2003/04 and 2004/05. However, only two years of data have been presented so it is not possible to tell whether this change is part of a long-term trend of improvement or simply the result of natural variations between seasons.

During the year the Ministry continued to provide input into the development of:

- national groundwater sampling protocols
- best practice guidelines for statistical analysis of freshwater quality data

- guidance on the use of a macro-invertebrate index for soft-bottom streams.

Develop a drinking water standard

Partially achieved and ongoing. Consultation on a draft human drinking water source standard was completed. A report on submissions was published in February 2006.

Make specific proposals for action under the Sustainable Water Programme of Action

Achieved and ongoing. In April 2006, Cabinet approved the Sustainable Water Programme of Action Cabinet paper, which set out a staged package of actions to improve the sustainable management of our rivers, lakes and groundwater.

Monitor the Clean Streams Accord to determine its effectiveness at improving or maintaining water quality in dairying areas

Ongoing. Monitoring programmes have been established in pilot ‘tier 2’ catchments to provide baseline monitoring so that long-term monitoring data can be analysed to detect trends with regards to environmental outcomes.

Tier 2 catchments are a series of small, predominantly dairying catchments monitored by regional councils for a standard suite of ecological and water quality parameters. These catchments are intended to measure improvements over time on a catchment scale. To date, 10 catchments have been identified across the country. Six already have a monitoring record sufficient to establish their “baseline” condition. This Ministry funding will establish a comprehensive baseline for the remaining four catchments – Northland, Horizons, Tasman and Marlborough, and will ensure consistent baseline information across all the catchments, although each council recognises that all future monitoring costs will be the responsibility of that council.

The catchments are:

- Northland Regional Council – the Puwera catchment. The Puwera Stream is a tributary of the Otaika Stream which flows into the Whangarei Harbour
- Horizons Regional Council – the Mangapapa catchment. The Mangapapa Stream is a tributary of the Manga-atua Stream which flows into the Manawatu River near Woodville
- Marlborough District Council – Rai catchment
- Tasman District Council – the Motupipi catchment is located to the east of Takaka. The Motupipi River flows into Golden Bay.

An agreement has also been put in place with regional councils to collect baseline information relevant to environmental outputs (land management) and outcomes (water quality, stream biota) of the Accord; specifically, monthly monitoring of physical and chemical water quality parameters; baseline aquatic biota surveys and information on flow, riparian planting and land use.

Report on progress and develop guidelines and a reporting strategy for the Dairying and Clean Streams Accord

Achieved and ongoing. In May 2006, the Ministry published the Dairying and Clean Streams Accord’s long-term monitoring and reporting strategy. A snapshot of progress over the second year of the Accord was published at the same time and showed progress against three out of four key targets.

Increase the effectiveness of Māori participation in the management and use of our natural resources

Achieved. The Users' Guide for the Cultural Health Index (distributed to over 1,000 people) and accompanying training for six iwi groups will increase the effective participation of Māori in freshwater monitoring and management.

Find a solution to improve Lake Taupo's water quality, with Environment Waikato and Taupo District Council as partners

Ongoing. In September 2005, the Ministry, in conjunction with Te Puni Kokiri, presented a proposition to Environment Waikato, by way of a submission, to restructure the proposed regional plan variation.

The Ministry is working with its partners Environment Waikato, the Taupo District Council and Ngati Tuwharetoa to implement a programme to protect Lake Taupo's water quality. The Government and the local authorities have agreed to establish a joint fund to facilitate the programme. A robust set of land-use controls is required to cap nitrogen emissions in the catchment and lock in the gains of nitrogen reductions in the future. Environment Waikato has notified and heard submissions on its proposed regional plan variation to achieve those objectives. During the year, the Ministry, in conjunction with Te Puni Kokiri, presented proposals to Environment Waikato by way of a submission, supporting the council's intention to cap nitrogen emissions in the catchment and suggested some improvements to the proposed regional plan variation. The council is yet to make decisions.

2.4 Addressing major environmental problems eg, contaminated sites

Administer the Contaminated Site Remediation Fund and develop guidelines for contaminated land management

Achieved. In the 2005/06 financial year, the Contaminated Sites Remediation Fund assisted regional councils to encourage investigation and remediation of contaminated sites. The following regional councils were allocated funding:

- Environment Bay of Plenty – \$104,344 towards planning the clean up of Kopeopeo Canal
- Greater Wellington Regional Council – \$28,500 to test a soil decontaminating technique called electro kinetic remediation
- Auckland Regional Council – \$33,975 to investigate contaminants in the Waitemata Harbour seabed
- Nelson City Council – \$60,622 to remove contaminated sediments from the upper Arapiki Stream in Stoke, Nelson
- Environment Bay of Plenty – \$24,270 to cap wood waste ash deposited at Toroa Marae near Whakatane
- Environment Canterbury – \$17,006 to investigate contaminants in the Lyttelton Harbour seabed on Banks Peninsula
- Environment Canterbury – \$212,500 to clean up contaminated soil on residential properties on a historic landfill in Sandilands, Christchurch
- The Otago Regional Council – \$205,875 to test remediation technology for cleaning up the Blue Mountain Lumber timber treatment site, Tapanui.

Draft guidelines for sheep dips were circulated for comment in May 2006.

Develop a draft Contaminated Land Standard for consultation

Partially achieved and ongoing. Cabinet approved consultation on a draft national environmental standard for contaminated land in August 2005. The discussion document was postponed following consultation with local government chief executives.

Work with local government to remove unwanted agrichemicals from New Zealand

Achieved and ongoing. Of the 90 tonnes of unwanted agrichemicals removed from eight regions, approximately 80 percent was intractable (requiring international disposal). Eight regions are now “effectively clear” of the legacy of old, unwanted or banned agrichemicals.

Maximise the effective, safe, and sustainable use of land as a resource and prevent future contamination of land

Ongoing. Two major sites are currently being worked on:

- The Mapua contaminated site is 70 percent remediated. Two-thirds of the site, including replacement of all relevant marine sediments, has been remediated in accordance with requirements of the resource consents. Work is progressing on the last remaining area. Completion is expected in the 2006/07 financial year.
- The preferred long-term remediation option for the Tui Mine site has been identified. Discussions are underway to find an appropriate funding solution that will enable the remediation to take place. Urgent stabilisation work was completed in March 2006 in order to prevent further short-term damage to the toe of the tailing’s dam.

Develop a robust approach to managing flood risk and controlling rivers in New Zealand

Ongoing. The Cabinet-agreed work programme will be completed by June 2007.

Undertake work on at least one home heating initiative

Achieved. Phase 1 of a case study in Tokoroa was completed and phase 2 commenced. A ‘warm homes’ trial in Timaru also began in March 2006.

The Ministry also provided \$750,000 funding towards the retrofitting (of clean heating and insulation) installation for 200 homes in Canterbury and 70 in Nelson.

2.5 Implementing the New Zealand Waste Strategy

Continue to implement the objectives of the New Zealand Waste Strategy

Achieved. Partnering with special waste producers to achieve New Zealand Waste Strategy objectives progressed throughout 2005/06. Resene Paint started its operation ‘Paintwise’ in September 2005, while Vodafone and Tasman Insulation re-launched their schemes. A process for reporting the progress of the New Zealand Waste Strategy was developed and a survey of local government initiated. The final report will be produced by December 2006.

Work with local government, industry and other agencies to make progress towards the targets of the New Zealand Waste Strategy, especially through waste management planning, hazardous waste management and beneficial use of biosolids

Ongoing. During the year the Ministry:

- published (in December 2005) its Policy Framework to Reduce and Safely Manage Hazardous Wastes in New Zealand in line with the targets in the New Zealand Waste Strategy
- purchased a licence in March 2006 to operate WasteTRACK, a waste tracking system trialled in partnership with the liquid waste contracting industry during 2005. In March 2006, the first local authorities in New Zealand began requiring the use of WasteTRACK by liquid waste contractors operating in their area
- published a list of hazardous wastes considered a priority to support improvements in management systems
- in conjunction with stakeholders, started developing guidelines for best practice waste management planning. This is focused on how to develop service contracts to encourage recycling and efficient collection cycles.

3.0 Working with industry

This output class contributes to the following outcomes:

- New Zealand's air, water and natural resources are protected, enhanced and used sustainably
- New Zealanders are informed of the progress being made towards a healthy environment and participate actively through action on the ground
- our towns, cities and communities function well and are healthy and attractive for business, social and cultural life
- Government and industry work together so that industry is competitive, profitable, and grows sustainably
- New Zealand has credible and effective environmental governance and legislation
- central government provides leadership on the environment and local government delivers its environmental functions efficiently and effectively
- the Ministry has the capability to deliver the advice and services the Government expects of it

3.1 Provide advice, information and resources that demonstrate sustainable industry concepts, benefits and best practice tools to help change practice and performance, and

3.2 Provide tools to help change practice and performance

Strengthen partnerships with key stakeholders

Achieved and ongoing. Three industry liaison meetings were held in Wellington, Auckland and Christchurch throughout 2006. Attendance doubled in all three regions for the final meeting. A web-based toolkit on sustainable business practice called "Simply Sustainable" was launched in June 2005 and has received positive feedback.

3.3 Coordinate access to government services and manage roadblock issues for industry

Remove road blocks for innovation

Ongoing. The Ministry worked with industry to establish guidelines for the use of biodegradable plastic to minimise the impact on the existing recycling system and provided liaison and coordination with industry on individual waste to energy proposals.

3.4 Encourage other sectors to build sustainability into what they do

Work with key industry sectors to develop and support voluntary accords and extended producer responsibility schemes to manage environmental impacts and improve environmental performance

Achieved. The Year One Report of the Packaging Accord showed progress against the targets. A number of initiatives are occurring within each sector (glass, plastics, steel, aluminium and paper).

In-depth case studies of five sectors (tyres, paint, mobile phones, whiteware and agrichemicals) were completed. These will inform the design of new schemes.

Lead government actions embedding sustainable practices into government departments including procurement, transport and waste management practices (Govt³)

Achieved. By June 2006, 47 government agencies had made a commitment to the action on sustainability by signing up to the Govt³ programme. Twenty-six of these had developed Govt³ sustainable practice action plans.

Against baseline environmental impact information data for Govt³ from 2005, improvement has occurred in waste across the agencies. A new reporting format for use against the 2005/06 financial year baseline was developed for the 2006/07 year.

Work with industry to support the development of product stewardship schemes for particular waste products (eg, tyres, computers, cell phones and agricultural chemical containers) and encourage the beneficial use of some waste products such as compost and biosolids

Ongoing. A policy development document on product stewardship was presented to stakeholders in July 2005. In September 2005, 117 submissions were received as part of the public consultation process. Policy recommendations were being drafted as at the end of June 2006.

The Ministry released a discussion paper on product stewardship and water efficiency labelling. A total of 130 submissions were received. These have been summarised, analysed, and disseminated back to submitters. Policy development in this area continues.

Promote and support good sustainability practices in business through developing eco-efficiency projects with industry and exploring opportunities to use market-based instruments

Achieved and ongoing. One hundred and thirty businesses are engaged in the Tourism Charter Project across six regions: Northland, Rotorua, Bay of Plenty, Nelson, Southland and Wanaka. Fifty-five businesses have developed action plans to improve their sustainability and have had independent assessments of their progress.

4.0 Other initiatives

This output class contributes to the following medium-term outcomes:

- New Zealand's air, water and natural resources are protected, enhanced and used sustainably
- New Zealanders are informed of the progress being made towards a healthy environment and participate actively through action on the ground
- our towns, cities and communities function well and are healthy and attractive for business, social and cultural life
- Government and industry work together so that industry is competitive, profitable, and grows sustainably
- New Zealand has credible and effective environmental governance and legislation
- central government provides leadership on environment and local government delivers its environmental functions efficiently and effectively
- the Ministry has the capability to deliver the advice and services the Government expects of it.

4.1 Raising awareness and participation to enable the involvement of the whole community in the governance of the environment

Undertake a Talk Environment Roadshow

Achieved. In October 2005, around 2,400 people attended our Talk Environment Roadshow in 16 locations around the country. This was an increase of around 45 percent on numbers that attended the 2004 Roadshow. The attendees comprised approximately 1,400 public, 500 local government and 500 resource management practitioners.

Participants' evaluation indicated that 98.7 percent of respondents thought the Roadshow was a useful way to interact with us and 91.5 percent of respondents indicated that the format worked for them.

Run the Youth Environment Forum, Green Ribbon Awards and other public awareness and education activities

Achieved. The Youth Environment Forum was held in April 2006 and saw 45 young people from across New Zealand gather in Wellington for a week of environmental project work, seminars and leadership development. The 2006 Green Ribbon Awards were held at the Grand Hall, Parliament in June and recognised the exceptional activity by a wide variety of people in protecting and enhancing our environment. The Awards continue to generate a high level of interest from across the country.

The Ministry has also continued to develop public awareness activities and resources around environmental issues. Significant research and development work on a public awareness campaign about the value of freshwater has been undertaken, with a campaign due to be launched in August 2006.

Administer Environmental Legal Assistance funding

Ongoing. The Environmental Legal Assistance Fund allocates funding to enable communities to take part in court proceedings on matters of environmental public interest. The Ministry funded 36 of 49 applications in the 2005/06 financial year.

4.2 Monitoring the Environmental Risk Management Authority

Monitor the performance of the Environmental Risk Management Authority against its purchase agreement agreed with the Minister

Achieved and ongoing. We provided the Minister with regular updates on performance issues relating to the Environmental Risk Management Authority (ERMA) New Zealand as relevant to the Minister's responsibilities under the Crown Entities Act 2004, the Public Finance Act 1989 and the Hazardous Substances and New Organisms Act 1996 (the HSNO Act).

The Ministry monitored the performance of ERMA throughout the year, through regular liaison meetings with key management and board officials. We kept the Minister updated on issues arising through quarterly briefings and additional briefings, as required. We assisted ERMA with development of its Statement of Intent for 2006–2009 and Output Agreement for 2006/07 and briefed the Minister on issues arising. In line with his responsibilities under the HSNO Act, we advised the Minister on two re-appointments (the Chair and Deputy Chair) and one new appointment to the Authority arising during 2005/06.

4.3 The provision of integrated advice and support to the Ministers and Government on environment issues and correspondence

The Ministry for the Environment's Ministerial and Parliamentary Performance for 2005/06

	Ministerial Correspondence			Parliamentary Questions		
	Expected performance for 2005/06	Actual Performance		Expected performance for 2005/06	Actual Performance	
		2004/05	2005/06		2004/05	2005/06
Quantity	1,200	1,163	1,613	200	176	93
Timeliness	Within 20 working days	96% were completed within 20 working days	94% were completed within 20 working days	Within five working days of being placed in the Notice Paper	98% of the answers were provided by the stipulated deadline	97% of the answers were provided by the stipulated deadline
Quality	95% of first drafts accepted by the Minister	96% of first drafts were accepted by Ministers	95% of first drafts were accepted by Ministers	95% of first drafts were accepted by Ministers	100% of first drafts were accepted by Ministers	100% of first drafts were accepted by Ministers

Establish the Government Sector Leadership Team

Achieved and ongoing. In response to a State Services Commission Review, the Ministry established the Government Sector Leadership Team, in the Working with Central Government Group. The Government Sector Leadership Team is to:

- (a) lead whole-of-government submissions
- (b) lead and coordinate cross-sector and multi-agency programmes, and
- (c) lead and deliver on cross-group Ministry programmes.

4.4 Other programme initiatives

Provide support to the Crown in negotiating the settlement of historical Treaty grievances in so far as they relate to natural resources

Achieved and ongoing. Negotiations involving freshwater bodies are utilising the 2005 amendments to the Resource Management Act.

Confirm measures and targets for the draft National Implementation Plan under the Stockholm Convention by 30 July 2005

Partially achieved. A draft Stockholm National Implementation Plan was released for consultation in June 2006.

Ensure New Zealand's trade agreements with other countries and international trade policies contain environmental provisions

Achieved and ongoing. New Zealand's trade agreement with Chile, Singapore and Brunei, known as the Trans-Pacific Strategic Economic Partnership, includes an environment agreement.

During the year the Ministry also:

- began the implementation of the environment provisions associated with the Thailand New Zealand Closer Economic Partnership, co-chairing the first Environmental Committee Meeting
- led the first cooperative activity (Environmental Impact Assessment workshop) with Brunei under the environment agreement associated with the Trans-Pacific Strategic Economic Partnership
- led the negotiation of environment provisions associated with international trade agreements with China and Malaysia and provided timely advice to New Zealand's negotiating team attending bilateral negotiation meetings as required.

Vote Environment

Output Class: Administration of the Sustainable Management Fund

This output class covers the purchase of policy advice on the allocation of funds to other parties, and the administration and management of Sustainable Management Fund (SMF) contracts. This includes:

- provision of advice on the size of allocations and payments to approved providers in accordance with criteria in the Sustainable Management Fund Guide for Applicants
- monitoring of contracts and expenditure, including completing technical audits
- encouraging community action for the environment through a greater funding emphasis on community-led initiatives and proactive partnerships between the community, iwi and local government.

Performance measures

Outputs in this class will be provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Resources employed

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
	Revenue:			
662	Crown	638	662	662
662	Total revenue	638	662	662
658	Total expenses	546	662	662
4	Net surplus	92	0	0

Review of output achievements

These outputs contribute to the following medium-term outcome:

- New Zealanders are informed of the progress being made towards a healthy environment and participate actively through action on the ground.

Advise on the size of allocations and payments to approved providers in accordance with criteria in the Sustainable Management Fund Guide for Applicants

Achieved. The Ministry allocated \$3,706,000 (GST exclusive) of the Sustainable Management Fund (SMF) to 33 projects, in accordance with all criteria around the Fund. Interest in the SMF is strong, with the 2006/07 round attracting over 200 applications seeking over \$20m of funding.

Monitor contracts and expenditure, and undertake technical audits as required

Achieved. The Ministry conducted four technical and financial audits on projects funded, and undertook 30 site visits to monitor actual progress against deliverables set. Increased accountability for funding recipients was also promoted, with agreed milestones requiring completion prior to payment.

Encourage community action for the environment through a greater funding emphasis on community-led initiatives and proactive partnerships between the community, iwi and local government

Achieved. After a single year funding approach was implemented in 2004/05, the Ministry continued to review and refine its funding criteria in 2005/06. Initiatives were required to align with four categories instead of seven, promoting a greater focus on community-led initiatives and proactive partnerships. An example of this was the development of the 'Adopt A' category, solely focused on action on the ground through hands-on environmental projects.

Vote Environment

Output Class: Bioethics Council

This output class provides for the effective operation of the Bioethics Council. This Council is a ministerial advisory committee. Its role is to:

- provide independent advice to government on biotechnological issues involving cultural, ethical and spiritual dimensions
- promote and participate in public dialogue on cultural, ethical and spiritual aspects of biotechnology, and enable public participation in the Council's activities
- provide public information on the cultural, ethical and spiritual aspects of biotechnology.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

All outputs were delivered to the Ministers' specifications.

Resources employed

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
	Revenue:			
1,333	Crown	1,117	1,333	1,333
0	Departmental	6	6	6
1,333	Total revenue	1,123	1,339	1,339
1,129	Total expenses	873	1,339	1,339
204	Net surplus	250	0	0

Review of output achievements

These outputs contribute to the following medium-term outcomes:

- New Zealand has credible and effective environmental governance and legislation.
- the Ministry has the capability to deliver the advice and services the Government expects of it.

Provide administrative and technical support and research material for the Council

Achieved and ongoing. The Bioethics Council is satisfied with the support and advice it is given by the Ministry.

The Ministry published the Bioethics Council's Report on Xenotransplantation (the transplantation of cells, tissues or organs from one species to another) in September 2005 and briefed the Government on its recommendations. The Report on Xenotransplantation was the end result of a dialogue process with the public discussing the cultural, ethical and spiritual aspects of xenotransplantation.

Lead the whole-of-government approach by coordinating government agencies that are able to contribute to the Council's effectiveness

Achieved and Ongoing. The Ministry organised and facilitated a meeting of Government officials to discuss biotechnology, public engagement and the role of the Bioethics Council. The meeting was held to bring together those Government agencies involved in science and technology and related policy and regulation (eg, the Ministry of Research, Science and Technology [MORST]) and other Government agencies (eg, the Ministry of Pacific Island Affairs) that are interested in scientific and technological developments, but do not ordinarily have opportunities to engage in inter-agency discussions on these topics. These meetings of officials will continue in the 2006/07 financial year.

Collaborate with similar international groups to procure relevant research information to assist the Council

Achieved and ongoing. Collaborative meetings were held with the Human Fertilization and Embryology Authority – United Kingdom, the Nuffield Council on Bioethics – United Kingdom, the Human Genetics Commission – United Kingdom, and the chairs of Bioethics Committees of Finland, Sweden, Australia, France and Singapore. Ministry officials attended a number of international conferences on bioethical and public engagement issues. Examples of these are: the UNESCO Conference on Bioethics Education, the World Summit of Bioethics Committees, the World Congress of Bioethics and the World Congress on Medical Law.

Assist with the coordination of public dialogue and participation in Council activities

Achieved. The Ministry has:

- assisted in organising eight focus groups to discuss attitudes to embryonic stem cell research in New Zealand. This work culminated in a report published on 21 March 2006
- participated in a network of scientists and policy makers that constitute the “Navigator network” by contributing reports and participating in workshops on emerging cultural, ethical, spiritual and technological dimensions of biotechnology.

Vote Environment

Output Class: Resource Management (Waitaki Catchment) Amendment Act

Government agreed to develop legislation to address competing water-use applications in the Waitaki River Catchment, including additional information on a further option for decision-making processes.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were *intra vires* and in accordance with principal statutes.

Resources employed

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
	Revenue:			
2,009	Crown	756	756	756
2,009	Total revenue	756	756	756
1,571	Total expenses	719	756	756
438	Net surplus	37	0	0

Review of output achievements

These outputs contribute to the following medium-term outcome:

- New Zealand has effective environmental governance and legislation.

Within the output class the Ministry:

- provided a process to develop and confirm a framework for the allocation of water
- provided a framework covering significant applications for water use and applications of lesser significance for water use
- established a statutory body that invites submissions, conducts a hearing, and makes decisions on an allocation framework for water use in the Catchment
- assists a panel of commissioners, which acts as a consent authority in making decisions on the significant applications for water use and other related consent applications and designations.

The above four points were reported on and achieved in the 2004/05 financial year.

Ensure the plan for the Waitaki Catchment is approved and handed over to Environment Canterbury and Otago Regional Council

Achieved. The Waitaki Catchment Water Allocation Regional Plan was approved on 30 September 2005 and publicly released on 3 October. The Waitaki Catchment Water Allocation Regional Plan provides for:

- priority uses of water for stock, domestic use and fire fighting
- sustaining the environmental values of Waitaki catchment water
- allocation of water for various activities including irrigation and electricity generation
- management of the allocation of water, including when the water levels are low.

Vote Climate Change and Energy Efficiency

Output Class: Policy Advice – Energy Efficiency and Conservation

This output class covers the monitoring of the Energy Efficiency and Conservation Authority. It also provides for research analysis and advice necessary to shape a sustainable and efficient energy future for New Zealand. It involves integrating environmental, economic, social and cultural aspects of policy development.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were *intra vires* and in accordance with principal statutes.

Resources employed

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
	Revenue:			
216	Crown	216	216	216
216	Total revenue	216	216	216
211	Total expenses	94	216	216
5	Net surplus	122	0	0

Review of output achievements

These outputs contribute to the following medium-term outcome:

- the Ministry has the capability to deliver the advice and services the Government expects of it.

Provision of policy advice on energy efficiency and conservation

Assist Ministers with their statutory functions under environmental laws and ministerial responsibilities

Achieved. The Ministry advised the Minister on his regulation-making powers under the Energy Efficiency and Conservation Act 2000 (the EEC Act). The Ministry worked with the Environmental Efficiency and Conservation Authority (EECA) to amend the Energy Efficiency (Energy Using Product) Regulations under the EEC Act in order to bring into effect new Minimum Energy Performance Standards for three phase electric motors, air conditioners and fluorescent lamps and ballasts.

We also worked with EECA, Ministry of Health, and Treasury officials to amend regulation 13(1)(c) of the Crown Entities (Financial Powers) Regulations 2005, which had the unintended effect of placing a \$200,000 cap on the amount that District Health Boards can borrow from EECA for energy efficiency improvements.

Monitor the Energy Efficiency and Conservation Authority (EECA)

Achieved and ongoing. We provided the Minister with regular updates on performance issues relating to the Energy Efficiency and Conservation Authority (EECA), as relevant to the Minister's responsibilities under the Crown Entities Act 2004, the Public Finance Act 1989 and the Energy Efficiency and Conservation Act 2000 (the EEC Act).

We monitored the performance of EECA throughout the year, through regular liaison meetings with key management and board officials. We kept the Minister updated on issues arising through quarterly briefings and additional briefings, as required. We assisted EECA with development of its Statement of Intent for 2006–2009 and Output Plan for 2006/07, and briefed the Minister on issues arising. In line with his responsibilities under the EEC Act, we advised the Minister on appointments to EECA's Board which are due to arise early in 2006/07.

Advise the Minister of Energy on matters relating to energy efficiency and conservation, and the use of renewable sources of energy in New Zealand

Achieved and ongoing. A key focus of EECA's work this year was in developing a replacement National Energy Efficiency and Conservation Strategy (NEECS). We worked with EECA to secure ministerial agreement in March 2006 to replace the Strategy, and to gain Cabinet's agreement (in June 2006) to a draft framework to inform the comment-seeking phase of developing the replacement NEECS.

Another focus of EECA's work in the second half of 2005/06 was on developing a programme for increasing uptake of solar water heating in New Zealand – a commitment under the Labour-led Government Cooperation Agreement with the Green Party. We worked with EECA on papers seeking Cabinet's agreement to release a discussion document for public consultation later in 2006.

The Ministry provided oversight of EECA's work to implement a pilot scheme in nine energy intensive industries including the plastics industry (injection moulding), laundry industry (heat recovery), fishing industry (trawl gear technology), and the food processing industry (heat recovery).

Administer the Energy Efficiency and Conservation Act 2000 and administer energy efficiency regulations

Achieved. Our activities in relation to our monitoring role under the EEC Act, appointments to EECA's Board, development of the replacement National Energy Efficiency and Conservation Strategy, and promulgation of regulations are outlined above.

Vote Climate Change and Energy Efficiency

Output Class: Policy Advice and Implementation – Climate Change

This output class covers policy advice from the Ministry for the Environment on climate change issues.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were *intra vires* and in accordance with principal statutes.

Resources employed

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
Revenue:				
8,309	Crown	6,738	10,804	8,582
0	Departmental	53	55	55
8,309	Total revenue	6,791	10,859	8,637
8,111	Total expenses	6,083	10,859	8,637
198	Net surplus	708	0	0

Review of output achievements

These outputs contribute to the following medium-term outcome:

- the Ministry fulfils international obligations and looks after New Zealand's interests in climate change and preparation for climate change impacts.

Develop and implement policies aimed at reducing greenhouse gas emissions from key sectors including agriculture, small and medium enterprises and energy intensive businesses, local government and transport

Develop cost-effective abatement measures which preserve the competitiveness of New Zealand business

Develop materials and information to assist key sectors in preparing for the impacts of climate change

Partially achieved and ongoing. A full review of climate change policy was commissioned by Cabinet in mid-2005. The review was completed in November 2005, and, in December 2005, Cabinet decided not to proceed with the announced carbon tax and associated Negotiated Greenhouse Agreements.

The Ministry, along with the Department of Prime Minister and Cabinet (DPMC), is coordinating the development of the whole-of-government work programme for climate change covering communication and stakeholder engagement; a strategic framework; preparation for, and adapting to, climate change; forestry measures; transport measures; energy sector measures; agriculture and land use; development of a purchasing strategy for Kyoto compliant emission units; international engagement; alternatives to the carbon tax; cross-sector initiatives; and climate change research and technology investment priorities.

Design of the carbon tax and its implementation occurred from July through December 2005, with substantial progress on implementing the Negotiated Greenhouse Agreements. By 1 November 2005, 29 firms had applied for a Negotiated Greenhouse Agreement. Two firms have Negotiated Greenhouse Agreements (New Zealand Refining Company and OceanGold). This work ceased when the Government announced it was not proceeding with the carbon tax.

The Projects to Reduce Emissions Programme has resulted in the commissioning of Meridian Energy Ltd's Te Apiti wind farm and extensions to TrustPower Ltd's Tararua wind farm and Genesis Energy's Hau Nui wind farm, all of which are now generating renewable energy. The primary activity in relation to these projects to reduce emissions was the ongoing monitoring and management of the 41 contracts.

The Ministry also undertook ongoing work under the Communities for Climate Protection (CCP-NZ) programme. Nineteen territorial authorities and regional councils have now joined the programme, covering 63 percent of the New Zealand population. Two councils reached milestone 3 of the programme and are working on developing a local action plan to achieve their emission reduction goals.

Represent New Zealand at multilateral and bilateral international forums

Achieved and ongoing. The Ministry worked within the United Nations Framework Convention on Climate Change (UNFCCC) process to help ensure that the outcomes of the Montreal Climate Change Conference in December 2005 were aligned with New Zealand's views. The Conference adopted the rules for an operational Kyoto Protocol, agreed a framework for international cooperation on adaptation, and launched future-focused agenda items under both the UNFCCC and the Kyoto Protocol.

The Ministry has also continued to monitor, and be engaged in, other forums that are exploring options with regard to future climate change commitments, including the treatment of forest sinks.

Implement a public awareness and education programme on climate change and keep New Zealanders well informed about climate change science

Achieved and ongoing. An integrated communications programme is underway to deliver information about the future policy direction for climate change and engage people on issues relevant to New Zealand. Achievements during 2005/06 included:

- dissemination of information to interested parties about the Climate Change Policy Review (December 2005/January 2006)
- a series of public engagement meetings to provide information on the current status of climate change policy in New Zealand and to give people an opportunity to express their viewpoints. The feedback received from the meetings indicated positive and constructive engagement (February 2006)

- provision of resources for schools to assist in raising awareness about climate change issues (March/April 2006)
- establishment of an interagency climate change communications group to ensure coordination across government for all public awareness initiatives on climate change. The first meeting was held on 21 April 2006 and this initiative is ongoing
- market research to determine public attitudes towards climate change (May 2006)
- development of a series of fact sheets on the climate change work programmes (June 2006, continuing)
- update of the Ministry's climate change website, www.climatechange.govt.nz, to reflect the Government's long-term vision and approach to climate change (June 2006). Reports show that the website had an average of 9,353 hits per day in June 2006, up from 5,898 in June 2005.

These activities are in line with a Climate Change Communications and Engagement Strategy which is being developed in partnership with key government agencies involved in climate change.

Ensure New Zealand's response to climate change takes account of the latest information on relevant science and technology

Achieved. The Ministry worked through the Intergovernmental Panel on Climate Change (IPCC) to provide robust science advice for governments, including the New Zealand Government. In addition, the Ministry coordinated a cross-government review and submissions on official IPCC documents (IPCC 2006 Guidelines for National Greenhouse Gas Inventories; IPCC Fourth Assessment Report (AR4): Working Group 1 and 2 Reports).

The Ministry has also achieved and has conducted ongoing work around:

- checking facts of the climate change science and technology information in the Ministry's communications (these include websites, publications, ministerials, meeting briefings, and responses to queries from media)
- attending and participating in relevant national/international forums for disseminating climate change science and technology information (eg, the "Greenhouse 2005" conference)
- providing science information to develop materials and information to assist key sectors in the preparation for the impacts of climate change
- researching annual climate change inventories (these cover all climate change research in New Zealand over the 2005/06 financial year)
- developing the cross-government work programme on climate change research, science and technology review of the IPCC AR4 Working Group 3 and Synthesis Reports.

Coordinate the preparation of New Zealand's annual greenhouse gas inventory

Achieved and ongoing. New Zealand's Greenhouse Gas Inventory 1990–2004 was submitted to the UNFCCC Secretariat on 13 April 2006. Consistent with agreed good practice and continuous improvement in inventory reporting, the 2006 inventory submission included improvements in accuracy, transparency and completeness.

Advise on the development of regulations under the Climate Change Response Act (2002)

Achieved and ongoing. The Climate Change Response Amendment Bill is awaiting its second reading in Parliament. Once this Bill has been passed, officials will develop consultation proposals for regulations under the Kyoto Registry.

Vote Climate Change and Energy Efficiency Output Class: Carbon Monitoring Programme

This output class involves the implementation of the New Zealand Carbon Monitoring Programme. It aims to ensure that all data captured in our carbon accounting system around our land use, the relevant change of it, and forestry data is robust, meets international requirements and underpins the economic return on sink credits.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were *intra vires* and in accordance with principal statutes.

Resources employed

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
Revenue:				
2,900	Crown	4,759	2,900	5,259
0	Other	0	0	135
2,900	Total revenue	4,759	2,900	5,394
2,889	Total expenses	4,610	2,900	5,394
11	Net surplus	149	0	0

Review of output achievements

This output contributes to the following medium-term outcome:

- the Ministry fulfils international obligations and looks after New Zealand's interests in climate change and preparation for climate change impacts.

Collect data on indigenous forests, regenerating scrub forests and the soils beneath

Achieved and ongoing. The 8 km x 8 km network of field plots in New Zealand's indigenous forests and shrublands is largely in place. Next summer, a limited field work season will be required to fill the few remaining gaps in the national network. This will complete the five-year programme of installing the plot network of 1,340 plots. Obtaining soil samples adjacent to about one in three of the plots has also been achieved and considerably expanded the New Zealand soils' database.

Collect data and conduct an analysis on soils undergoing land-use change (eg, from pasture to forestry and vice versa), planted production forestry growth data and data for tracking the land-use change from 1990

Achieved and ongoing. Some additional soil-paired plot data have been collected. The reduction in soil carbon associated with afforestation has been clarified through a joint contract with two Crown Research Institutes. Further analysis is required. The first preliminary analysis of data from a subset of the indigenous forest plots is indicating that these forests are not acting as a significant source of greenhouse gas emissions.

Further analysis with the larger data set from the completed network will be required to fully demonstrate this statistically. Once further analyses are undertaken and have been completed, the focus of this work will be determined.

Officials are unable to enter forests to establish planted forest plots for tree measurement. Airborne LiDAR continues to be evaluated as a means of obtaining forest data. Negotiations are ongoing to gain access to the most recent planted growth model – the 300 Index Model.

An agreement was developed to purchase national satellite imagery for a land-cover mapping update in 2007/08.

Progress work into land-use change and forestry underpinning science and science capability

Achieved and ongoing. Forest and carbon method development with Ensis (a joint venture of CSIRO and Forest Research Australasia) has progressed well, and critical science capability has been maintained. A remote sensing method development contract with Landcare Research is under consideration to ensure that critical science capability is able to be maintained by the research agency.

Develop and manage the coordination of the carbon accounting and monitoring system

Achieved and ongoing. Based on the New Zealand Carbon Accounting System (NZCAS) project plan and Business Case, Cabinet approved (CAB Min (05) 28/10) the NZCAS proceeding, through to 2014/15.

An informal international review came to the conclusion that the NZCAS had been well designed, and if implemented accordingly would meet good practice guidance associated with the Kyoto Protocol.

Analysis, allometric model development and provision to other science related to data collected

Achieved and ongoing. A five-year research contract with SCION is satisfactorily providing the underpinning model development for the carbon accounting project.

3 Financial Statements for the Ministry for the Environment

Performance Indicators for the Year Ended 30 June 2006

	Unit	Actual 30/06/2006	Supplementary estimates 30/06/2006
Operating results			
Revenue: Crown	\$000	45,305	48,949
Revenue: departments and other	\$000	811	769
Output expenses	\$000	44,227	49,517
Gain on sale of assets	\$000	13	5
Net surplus	\$000	1,902	206
Working capital			
Net current assets	\$000	297	679
Current ratio	Ratio	1.03	1.24
Resource utilisation			
Fixed assets			
Total fixed assets at year-end	\$000	2,478	2,014
Value per employee	\$000	9.3	7.2
Additions as % of fixed assets	%	41.8	29.8
Fixed assets as % of total assets	%	17.2	36.2
Taxpayers' funds			
Level at year-end	\$000	2,043	2,043
Level per employee	\$000	7.7	7.3
Net cash flows			
Surplus/(deficit) from operating activities	\$000	5,986	(2,056)
Surplus/(deficit) from investing activities	\$000	(1,497)	(1,147)
Surplus/(deficit) from financing activities	\$000	(775)	(775)
Net increase/(decrease) in cash held	\$000	3,714	(3,978)
Human resources			
Staff turnover	%	18.3	14.0
Average length of service	Years	3.6	3.9
Total staff	No.	267	280

Statement of Financial Performance for the Year Ended 30 June 2006

Actual		Notes	Actual	Main estimates	Supplementary estimates
30/06/2005			30/06/2006	30/06/2006	30/06/2006
\$000			\$000	\$000	\$000
	Revenue				
39,830	Crown		45,305	51,593	48,949
242	Other	1	824	438	774
40,072	Total revenue		46,129	52,031	49,723
	Expenditure				
16,568	Personnel	2	19,219	19,740	19,740
22,175	Operating	3	24,303	31,468	29,041
327	Depreciation	4	558	671	589
27	Capital charge	5	147	147	147
39,097	Total expenses		44,227	52,026	49,517
975	Net surplus from operations		1,902	5	206

Statement of Financial Position as at 30 June 2006

Actual		Notes	Actual	Main estimates	Supplementary estimates
30/06/2005			30/06/2006	30/06/2006	30/06/2006
\$000			\$000	\$000	\$000
1,843	Taxpayers' funds		2,043	2,693	2,043
1,843	Total taxpayers' funds		2,043	2,693	2,043
	Represented by:				
	Current assets				
7,423	Bank		11,137	3,328	3,445
59	Pre-payments		133	100	100
2,329	Debtors and receivables	6	673	0	0
9,811	Total current assets		11,943	3,428	3,545
	Non-current assets				
503	Fixed assets	7	2,303	2,580	2,014
1,500	Work in progress	7	175	0	0
11,814	Total assets		14,421	6,008	5,559
	Current liabilities				
7,571	Creditors and payables	8	9,042	2,010	2,010
763	Employee entitlements	9	702	650	650
975	Provision for repayment of surplus to the Crown		1,902	5	206
9,309	Total current liabilities		11,646	2,665	2,866
	Non-current liabilities				
662	Employee entitlements	9	732	650	650
9,971	Total liabilities		12,378	3,315	3,516
1,843	Net assets		2,043	2,693	2,043

Statement of Movements in Taxpayers' Funds for the Year Ended 30 June 2006

Actual	Note	Actual	Main estimates	Supplementary estimates
30/06/2005 \$000		30/06/2006 \$000	30/06/2006 \$000	30/06/2006 \$000
343	Taxpayers' funds brought forward as at 1 July	1,843	1,843	1,843
975	Net surplus from operations	1,902	5	206
975	Total recognised revenues and expenses for the year	1,902	5	206
1,500	Capital contribution	200	850	200
(975)	Provision for repayment of surplus to the Crown	(1,902)	(5)	(206)
1,843	Taxpayers' funds as at 30 June	2,043	2,693	2,043

Statement of Cash Flows for the Year Ended 30 June 2006

Actual		Actual	Main estimates	Supplementary estimates
30/06/2005 \$000		30/06/2006 \$000	30/06/2006 \$000	30/06/2006 \$000
Cash flows from operating activities				
Cash provided from:				
39,830	Supply of outputs to Crown	45,305	51,593	48,949
400	Supply of outputs to departments	389	428	533
12	Supply of outputs to others	219	5	2,565
(2,212)	Net GST	1,859	-	2,412
Cash disbursed to:				
(16,414)	Personnel expenses	(19,100)	(19,870)	(19,784)
(20,954)	Operating expenses	(22,539)	(31,338)	(36,584)
(27)	Capital charge	(147)	(147)	(147)
635	Net cash flows from operating activities	5,986	671	(2,056)
Cash flows from investing activities				
Cash provided from:				
12	Sale of fixed assets	13	5	5
Cash disbursed to:				
(1,211)	Purchase of fixed assets	(1,510)	(1,250)	(1,152)
(1,199)	Net cash flows from investing activities	(1,497)	(1,245)	(1,147)
Cash flows from financing activities				
Cash provided from:				
1,500	Capital contributions	200	850	200
Cash disbursed to:				
(721)	Repayment of surplus to Crown	(975)	(5)	(975)
779	Net cash flows from financing activities	(775)	845	(775)
215	Net increase/(decrease) in cash held	3,714	271	(3,978)
7,208	Opening cash balance at 1 July	7,423	3,057	7,423
7,423	Closing cash and deposits as at 30 June	11,137	3,328	3,445

Reconciliation of Net Operating Surplus to Net Cash Flow from Operating Activities for the Year Ended 30 June 2006

Actual		Actual
30/06/2005 \$000		30/06/2006 \$000
975	Net surplus from operations	1,902
	Add non-cash items	
327	Depreciation	558
	Add non-cash provision	
239	Increase/(decrease) in provisions for employee entitlements	9
	Add/(less) movements in working capital items	
51	Decrease/(increase) in pre-payments	(74)
(2,030)	Decrease/(increase) in debtors and receivables	1,656
1,082	Increase/(decrease) in creditors and payables	1,945
	Add/(less) investing activity	
(9)	Net loss/(gain) on sale of fixed assets	(10)
635	Net cash flow from operating activities	5,986

Statement of Commitments as at 30 June 2006

The amounts disclosed below include amounts for both accommodation and operating leases in Wellington, Christchurch and Auckland.

Operating commitments include lease payments for premises, telephone contracts and maintenance of contracts for its computer systems. All commitments are disclosed at current rental rates.

	30/06/2006 \$000	30/06/2005 \$000
Operating and accommodation lease commitments (GST exclusive)		
Not later than one year	9,396	7,387
Later than one year but not later than two years	2,762	2,919
Later than two years but not later than five years	6,179	6,353
Later than five years	4,008	6,060
Total operating and lease commitments	22,345	22,719
Capital commitments	0	0
Total commitments	22,345	22,719

Statement of Contingencies as at 30 June 2006

There were no contingent liabilities as at 30 June 2006. (2005: Nil)

Statement of Unappropriated Expenditure for the Year Ended 30 June 2006

Departmental appropriations

Departmental output classes were produced within appropriation (30 June 2005: no unappropriated expenditure).

Non-departmental appropriations

The Ministry has incurred no unappropriated expenditure during the 2005/06 year.

Actual 30/06/2005 \$000		Actual 30/6/2006 \$000	Appropriation 30/6/2006 \$000	Unappropriated expenditure 30/06/2006 \$000
Vote Climate Change and Energy Efficiency				
Other Expenses				
309,843	Kyoto Protocol liability	0	0	0
309,843		0	0	0

In 2004/05, the Ministry incurred \$309,843,000 of unappropriated expenditure. This related to the recognition of New Zealand's Kyoto Protocol liability. This was not included in the Supplementary Estimates because of the timing around the finalisation of the revised net emissions position, which provide the quantity estimate for calculation of the liability.

A full explanation of this Provision is included in Note 1 on page 57.

This unappropriated expenditure was notified to the Minister of Finance through the ministerial certification process in terms of the Public Finance Act 1989 and was included in legislation to validate this unappropriated expenditure.

Statement of Departmental Expenditure and Appropriations for the Year Ended 30 June 2006

(Figures are GST exclusive where applicable, 2005 figures are GST inclusive)

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Appropriation* 30/06/2006 \$000
Vote Environment			
Appropriations for classes of outputs			
27,607	Environmental Policy Advice	31,302	32,513
741	Administration of Sustainable Management Fund	546	662
1,296	Toi te Taiao: the Bioethics Council	873	1,339
1,822	Waitaki Decision-Making Body	719	756
31,466	Total	33,440	35,270
Vote Climate Change and Energy Efficiency			
Appropriation for departmental output class			
238	Policy Advice – Energy Efficiency and Conservation	94	216
9,150	Policy Advice – Climate Change	6,083	8,637
3,252	Carbon Monitoring Programme	4,610	5,394
12,640	Total	10,787	14,247
Capital Appropriation			
1,500	Capital contribution	200	200

* This includes adjustments made in the supplementary estimates and transfers under the Public Finance Act 1989.

Statement of Non-Departmental Expenditure and Appropriations for the Year Ended 30 June 2006

(Figures are GST exclusive where applicable, 2005 figures are GST inclusive where applicable)

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Appropriation* 30/06/2006 \$000
Vote Environment			
Appropriations for non-departmental output classes			
2,000	Clean up of orphan Crown contaminated sites	1,778	1,778
3,359	Development and implementation of sustainable management	3,706	3,844
13,200	Hazardous substances and new organisms assessment and management	11,699	11,699
450	Sustainable land management: promotion and training	400	400
19,009	Subtotal	17,583	17,721
Appropriations for other expenses to be incurred by the Crown			
20	Montreal Protocol on Ozone Protection	20	20
14	Subscription to Basel Convention	6	14
336	United Nations Environment Programme	123	336
1,376	Legal and Environment Centre Grants	1,362	1,378
38	International Subscriptions	47	83
1,784	Subtotal	1,558	1,831
20,793	Total for Vote Environment	19,141	19,552
Vote Climate Change and Energy Efficiency			
Appropriations for non-departmental output classes			
12,445	Energy Efficiency and Conservation Authority	13,671	13,671
12,445	Subtotal	13,671	13,671
Appropriations for other expenses to be incurred by the Crown			
4,261	Energy efficiency and renewable energy grants and assistance	6,144	6,767
102	Framework Convention on Climate Change	46	102
309,843	Kyoto Protocol Liability	345,905	111,150
0	Contribution to Climate Change Development Fund	300	300
314,206	Subtotal	352,395	118,319
Capital investment in organisations other than departments			
2,000	Crown Energy Efficiency	1,242	2,000
2,000	Subtotal	1,242	2,000
328,651	Total for Vote Climate Change and Energy Efficiency	367,308	133,990

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

The movement in the Kyoto Protocol Liability 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 US/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-measurement do not require appropriations.

Statement of Accounting Policies for the Year Ended 30 June 2006

Reporting entity

The Ministry for the Environment is a Government department as defined in the Public Finance Act 1989.

These are the financial statements of the Ministry for the Environment prepared pursuant to the Public Finance Act 1989.

In addition, the Ministry has reported the Crown activities it administered.

Measurement system

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

Accounting policies

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied.

(i) Budget and appropriation figures

The Budget and appropriation figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates and any transfer made by Order in Council under the Public Finance Act 1989 (Supplementary Estimates).

(ii) Revenue

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

(iii) Cost allocation

The Ministry derived the costs of outputs using a cost allocation system, which is outlined below.

Cost allocation policy

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 2005/06 year.

Criteria for direct and indirect costs

'Direct costs' are those costs directly attributed to an output. 'Indirect costs' are those costs that cannot be directly associated with a specific output.

Direct costs assigned to outputs

All direct operating costs are charged directly to outputs. Direct personnel costs are charged on the basis of the full-time equivalents that are directly attributable to an output. For the year ended 30 June 2006, direct costs accounted for 68% of the Ministry's costs (2005: 69%).

Indirect costs assigned to outputs

All indirect costs are assigned to outputs on a percentage basis calculated on the number of full-time equivalents per output. For the year ended 30 June 2006, indirect costs accounted for 32% of the Ministry's costs (2005: 31%).

(iv) Debtors and receivables

Debtors and receivables are recorded at estimated realisable value, after providing for doubtful debts.

(v) Operating leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

(vi) Plant and equipment

All fixed assets are recorded at cost less accumulated depreciation. Fixed assets are recognised as individual items costing \$1,500 (GST exclusive) or more, which have a useful life greater than one year.

(vii) Depreciation

Depreciation of fixed assets is calculated on a straight-line basis so as to allocate the cost of the assets, over their useful lives.

The estimated useful lives of the assets are:

	Depreciation rate (%)	Useful life (years)
Furniture and fittings	12.5 – 20	5 – 8
Office equipment	20	5
Computer software	33	3
Computer hardware	33	3

The cost of leasehold improvements (included in furniture and fittings) is 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.

Losses and gains on disposal of fixed assets are taken into account in determining the operating result for the year.

(viii) Employee entitlements

Provision is made in respect of the Ministry's liability for annual leave, long service leave and retirement leave. Annual leave has been calculated on an actual entitlement basis at current values of pay. All annual leave is expected to be settled within 12 months of the reporting date.

Long service leave and retirement leave have been calculated on an actuarial basis, based on the present value of expected future entitlements. These have been provided for as long term liabilities on the Statement of Financial Position.

(ix) 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 record 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.

(x) Financial instruments

The Ministry for the Environment is party to financial instrument arrangements as part of its normal operations. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses relating to financial instruments are recognised in the Statement of Financial Performance. The Ministry for the Environment has not entered into any off-balance sheet transactions.

The following methods and assumptions were used to value each class of financial instrument:

- accounts receivable are recorded at expected realisable value
- all other financial instruments including cash and bank and accounts payable are recognised at their estimated fair value.

(xi) Goods and Services Tax (GST)

All statements are GST exclusive, except where otherwise stated. Creditors and Payables and Debtors and Receivables in the Statement of Financial Position are stated inclusive of GST. The GST payable or receivable at balance date is included in creditors and payables or debtors and receivables.

(xii) Taxation

The Ministry is exempt from income tax in terms of the Income Tax Act 2004. Accordingly, no charge for income tax has been provided for.

(xiii) 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 equally unperformed obligations.

(xiv) Contingencies

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

(xv) Taxpayers' funds

Taxpayers' funds are the Crown's net investment in the Ministry.

(xvi) Changes in accounting policies

There have been no changes in accounting policies since the date of the last audited financial statements.

All policies have been applied on a basis consistent with other years.

Notes to the Financial Statements for the Year Ended 30 June 2006

1. Other revenue

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
206	Departmental	413	428	428
24	Other	398	5	341
12	Gain on sale of fixed assets	13	5	5
242	Total other revenue	824	438	774

2. Personnel costs

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

3. Operating expenses

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
4,141	General and administration	6,166	4,339	2,766
3,026	Other operating costs	3,028	4,132	4,605
1,495	Rental and leasing	1,796	1,498	1,498
13,421	Consultancy	13,191	21,457	20,130
88	Audit fees for financial statements	119	42	42
1	Other services provided by Audit NZ	0	0	0
3	Loss on sale of fixed assets	3	0	0
22,175	Total operating expenditure	24,303	31,468	29,041

4. Depreciation

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
17	Furniture and fittings	233	220	247
25	Office equipment	25	33	31
18	Computer software	31	162	29
267	Computer hardware	269	256	282
327	Total depreciation charge	558	671	589

5. Capital charge

The Ministry pays a capital charge to the Crown on its average Taxpayers' Funds as at 31 December and 30 June each year. The capital charge rate for the year ended 30 June 2006 was 8% (2005: 8.0%).

6. Debtors and receivables

	Actual 30/06/2006 \$000	Actual 30/06/2005 \$000
Trade debtors	320	117
Less provision for doubtful debts	0	0
GST receivable	353	2,212
Total debtors and receivables	673	2,329

7. Fixed assets

	Cost 30/06/2006 \$000	Accumulated depreciation 30/06/2006 \$000	Net book value 30/06/2006 \$000	Cost 30/06/2005 \$000	Accumulated depreciation 30/06/2005 \$000	Net book value 30/06/2005 \$000
Furniture and fittings	1,840	288	1,552	83	55	28
Office equipment	211	154	57	321	263	58
Computer software	378	71	307	64	40	24
Computer hardware	1,110	723	387	1,091	698	393
Total fixed assets	3,539	1,236	2,303	1,559	1,056	503

Work in progress as at 30 June 2006 relates to the development of the New Zealand Carbon Accounting System which will assist New Zealand in assessing its compliance with the Kyoto Protocol.

8. Creditors and payables

	Actual 30/06/2006 \$000	Actual 30/06/2005 \$000
Trade creditors	5,124	3,179
Accruals	3,840	3,840
Fixed asset payable	78	552
Total creditors and payables	9,042	7,571

9. Employee entitlements

	Actual 30/06/2006 \$000	Actual 30/06/2005 \$000
Current employee entitlements		
Annual leave	702	763
Total current employee entitlements	702	763
Non-current employee entitlements		
Retirement, long service leave and retention/refresher leave	732	662
Total non-current employee entitlements	732	662
Total employee entitlements	1,434	1,425

The Retirement and Long Service Leave were valued by Aon Consulting as at 30 June 2006. The major assumptions used in the actuarial valuation were:

- a discount rate has been used in this valuation by finding the weighted averages of returns on government stock of different terms as at 30 June 2006. The rates used in the valuation range from 5.77% to 6.54% depending on the term of the liability for each employee
- a long-term annual rate of salary growth of 3% per year. A promotional salary scale that has been derived from the experience of New Zealand superannuation schemes has been adopted.

10. Provision for repayment of surplus to the Crown

The balance in the provision for repayment of surplus to the Crown for the current year is the gain on sale of fixed assets and surplus from operations.

11. Financial instruments

The Ministry is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable and accounts payable.

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 business, the Ministry incurs credit risk from accounts receivable and transactions with financial institutions.

The Ministry does not require collateral or other security to support financial instruments with credit risk, as the Ministry deals with financial institutions which have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

Fair value

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Currency and interest rate risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates. The Ministry has no significant exposure to currency risk on its financial instruments.

Interest rate risk is the risk that the Ministry's return on the funds it has invested 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.

12. Contingencies

The Ministry does not have any contingent assets as at 30 June 2006 (2005: nil).

Contingent liabilities are disclosed separately in the Statement of Contingencies.

13. Major budget variations

The Ministry had very few significant variances. Listed below are the major variances measured against the Main Estimates.

(i) Statement of financial performance

	Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Variance \$000
Crown Revenue	45,305	51,593	(6,288)
General and Administration	6,166	4,339	(1,827)
Consultancy	13,201	21,457	(8,256)

Revenue Crown was lower than budget mainly due to an expense transfer of \$3.500 million to 2006/07 for the Lake Rotoiti project and \$3.600 million of available funding not being drawn down during the year due to several undelivered work programmes.

General administration expenses were higher than budgeted due to greater contributions and sponsorships than originally budgeted.

Consultancy costs were lower than budget due to several undelivered work programmes.

(ii) Statement of financial position

	Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Variance \$000
Bank	11,137	3,328	7,809
Creditors and payables	9,042	2,010	7,032

The Ministry had a higher bank balance than budgeted due to suppliers/providers not providing invoices before the month end cut off. Many invoices as a result had to be accrued, hence the higher bank balance and creditors and payables at year end than initially budgeted.

14. Subsequent events

No significant events, which would materially affect the financial statements, occurred between 30 June 2006 and the date of signing the financial statements (2005: nil).

15. 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 numerous transactions with government departments, Crown agencies and state-owned enterprises. These transactions are not considered to be related party transactions.

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

16. Implementation of New Zealand International Financial Reporting Standards (NZ IFRS)

In December 2002, the New Zealand Accounting Standards Review Board announced that the New Zealand International Financial Reporting Standards (NZ IFRS) will apply to all New Zealand reporting entities for the periods commencing on or after 1 January 2007, with earlier adoption optional.

In 2003, the Minister of Finance announced that the Crown will first adopt NZ IFRS for its financial year beginning 1 July 2007.

Implementation Working Group

In October 2005, a government-wide “Adoption of International Financial Reporting Standards” working group, led by the Ministry for the Environment, was established. The purpose of this working group was to:

- assess the implications of adopting New Zealand International Financial Reporting Standards (NZ IFRS) in 2007
- implement any changes identified
- identify accounting issues that might affect each department
- share information and provide support.

This project is largely complete and the Ministry for the Environment expects its annual financial statements for the year ending 30 June 2008 to be fully compliant, as appropriate for public benefit entities, with NZ IFRS.

Changes in Accounting Policies on Transition to NZ IFRS

In complying with NZ IFRS for the first time, the Ministry for the Environment will need to restate amounts previously reported under current New Zealand accounting standards (NZ GAAP) using NZ IFRS. This will also require a restatement of opening balances in the Statement of Financial Position as at 1 July 2007, with any necessary transitional adjustments being recognised mainly against Tax Payers’ Funds at that date.

The anticipated changes in accounting policies from the transition to NZ IFRS are presented below. It is important to note that this is a summary of the potential impacts as they apply only to the Ministry

for the Environment's general purpose financial reporting. It should also be noted that the actual impact of adopting NZ IFRS may vary from the information presented below, and that the variation may be material. Also, the potential areas of impact from adoption of NZ IFRS may change materially as implementation unfolds and new standards are promulgated.

(i) Computer Software

Currently all computer software is classified under fixed assets in the Statement of Financial Position. Under NZ IFRS, computer software is to be classified as an intangible asset provided it is not an integral part of the related hardware. As this is a reclassification within the Statement of Financial Position there will be no impact on the net assets of the Ministry.

(ii) Receivables and Advances

Currently all receivables and advances are recorded at estimated realisable value after providing for doubtful debts. Under NZ IFRS, non-current receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. The amortised portion will be recognised as an expense in the Statement of Financial Performance or the Schedule of Expenses.

Other Changes in Accounting Policies on Transition to NZ IFRS

(i) Land

Under NZ IFRS 1, preparers of general purpose financial reporting have a number of transitional exemptions available to them. The one exemption of most relevance to the Ministry relates to the recognition of land under the Non-Departmental schedules. The Ministry can elect to measure the land at the date of transition to NZ IFRS at its fair value and use that fair value as its deemed cost at that date.

Any decision on whether to apply this exemption will be made in direct consultation with Treasury.

4 Non-Departmental Schedules

The following non-departmental statements and schedules record the expenses, revenue and receipts, assets and liabilities that the Ministry manages on behalf of the Crown. The Ministry for the Environment administered approximately \$391 million of non-departmental payments, \$2 million of non-departmental revenue and receipts, \$30 million of assets, and \$664 million of liabilities on behalf of the Crown for the year ended 30 June 2006.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2005/06.

Statement of Accounting Policies

Measurement and recognition rules applied in the preparation of these non-departmental financial statements and schedules are consistent with generally accepted accounting practice and Crown accounting policies.

Land holdings

With the disestablishment of the Ministry of Works and Development in 1988, the Ministry for the Environment inherited a large number of land holdings consisting of:

- reserves that have been taken for flood protection purposes
- soil conservation reserves.

Crown Revenue and Receipts for the Year Ended 30 June 2006

(GST exclusive where applicable)

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
Vote: Environment				
Current revenue				
Non-tax revenue				
1	Catchment Works Loans – interest	0	0	0
877	Coastal royalties	469	400	400
878	Total non-tax revenue	469	400	400
Capital receipts				
675	Catchment Works Loans – principal	645	643	643
675	Total capital receipts	645	643	643
1,553	Total Crown revenue and receipts for Vote: Environment	1,114	1,043	1,043
Vote: Climate Change and Energy Efficiency				
Capital receipts				
1,088	Crown Energy Efficiency Loans	1,226	1,265	1,265
1,088	Total capital receipts	1,226	1,265	1,265
1,088	Total Crown revenue and receipts for Vote: Climate Change and Energy Efficiency	1,226	1,265	1,265

Schedule of Expenses for the Year Ended 30 June 2006

The schedule of expenses summarises non-departmental expenses the Ministry administers on behalf of the Crown. Further details are provided in the Statement of Non-Departmental Expenditure and Appropriations on page 43.

(GST exclusive where applicable)

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
Vote: Environment				
19,009	Non-departmental output classes	17,583	17,721	17,721
1,784	Other expenses to be incurred by the Crown	1,558	1,831	1,831
0	GST input tax credit expense	2,430	2,387	2,387
20,793	Total non-departmental expenses: Vote: Environment	21,571	21,939	21,939
Vote: Climate Change and Energy Efficiency				
12,445	Non-departmental output classes	13,671	13,671	13,671
314,206	Other expenses to be incurred by the Crown	352,395	6,225	118,319
0	GST input tax credit expense	2,244	2,485	2,555
2,000	Capital investment in organisations other than departments	1,242	2,000	2,000
328,651	Total non-departmental expenses: Vote: Climate Change and Energy Efficiency	369,552	24,381	136,545

Schedule of Assets as at 30 June 2006

The schedule of assets summarises the assets that the Ministry administers on behalf of the Crown.

Actual 30/06/2005 \$000		Actual 30/06/2006 \$000	Main estimates 30/06/2006 \$000	Supplementary estimates 30/06/2006 \$000
Current assets				
13,731	Cash	14,844	2,877	7,961
1,839	Accounts receivable	1,931	1,633	0
17	Pre-payments	18	0	0
Non-current assets				
2,408	Investments in Crown Entities	2,408	2,408	2,408
4,207	Term receivables and advances	3,486	4,471	6,136
6,813	Crown Land	6,813	6,813	6,813
29,015	Total non-departmental assets	29,500	18,202	23,318

In regards to the implementation of New Zealand International Financial Reporting Standards (NZ IFRS) refer to Note 16 on Page 52.

Schedule of Liabilities as at 30 June 2006

The schedule of liabilities summarises the liabilities the Ministry administers on behalf of the Crown.

Actual	Notes	Actual	Main estimates	Supplementary estimates
30/06/2005		30/06/2006	30/06/2006	30/06/2006
\$000		\$000	\$000	\$000
Liabilities				
9,980	Trade creditors and accruals	8,979	4,000	4,200
309,843	Kyoto Protocol provision	655,748	0	561,799
9	GST	0	0	0
319,832	Total non-departmental liabilities	664,727	4,000	565,999

Statement of Commitments as at 30 June 2006

At 30 June 2006 there were no operating or capital commitments in relation to the activities undertaken by the Ministry on behalf of the Crown (2005).

Statement of Contingencies as at 30 June 2006

At 30 June 2006 there were no known contingent liabilities or assets. No indemnities or guarantees were given under the Public Finance Act 1989 in relation to the activities undertaken by the Ministry on behalf of the Crown (2005: NIL).

The Ministry for the Environment is owner of a contaminated site at Otaki, Kapiti District. At this stage the liability cannot be valued until further investigation of the site takes place.

Notes to the Financial Statements 30 June 2006

1. Provision for New Zealand's Obligation under the Kyoto Protocol

Analysis of provision for Kyoto Protocol Obligation	Actual 30/06/2006	Actual 30/06/2005
	\$ million	\$ million
Opening Balance	310	0
Additional provisions made in year	346	310
Closing Balance	656	310
	Emission Units¹	Emission Units
Kyoto Target (Assigned Amount Units)	307.6	307.6
Less AAUs allocated to emission reducing projects	7.5	7.5
Total commitment target	300.1	300.1
Projected emission units		
Agriculture	198.7	202.0
Energy (including transport) and industrial processes	193.0	194.4
Waste	6.5	5.3
Solvent and other product use	0.3	0.0
Total projected emission units	398.5	401.7
Less net removals via forests	57.2	70.9
Add statistical adjustment	0.0	5.5
Net projected emission units	341.3	336.3
Deficit in units	41.2	36.2
	\$ million	\$ million
Deficit in \$ millions	656	310

New Zealand ratified the Kyoto Protocol in December 2002. This international agreement commits New Zealand to reducing its average net emissions of greenhouse gases over 2008–2012 (the first commitment period of the Kyoto Protocol or CP1) 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, the Clean Development Mechanism, and offsetting increased emissions against carbon removed by forests.

The estimate of New Zealand's net obligation at 30 June 2006 is \$NZ656 million (2005: \$NZ310 million). This obligation is based on a deficit of 41.2 million emission units measured using an

¹ One emission unit is equivalent to one tonne of greenhouse gas emissions converted to carbon dioxide equivalents by the global warming potential.

exchange rate of \$US0.6063 = \$NZ1 (based on 30 June 2006 exchange rate) and a carbon price of \$US9.65 per unit (30 June 2005 \$US0.7010 = \$NZ1, and carbon price \$US6 per unit).

In December 2005, the quantum of the deficit was adjusted upwards from 36.2 Mt to 64.0 Mt. This reflected the Government's decision not to proceed with the carbon tax and also a reassessment of likely levels of deforestation in the first Kyoto commitment period. The subsequent change to 41.2 Mt from the figure of 64.0 Mt reflects the re-estimation of likely levels of emission as discussed above.

Provisions by their nature are more uncertain than most 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, through movements in the price of carbon and the exchange rate of the United States dollar.

The quantum of the deficit has been compiled from agricultural, forest sink and deforestation projections provided by the Ministry of Agriculture and Forestry, energy (including transport) and industrial processes projections from the Ministry of Economic Development, and waste projections from the Ministry for the Environment. The estimate includes the effects of refinements in modelling processes and updated assumptions on variables such as economic growth, population growth and oil prices as at May 2006. 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 13 April 2006. The net removals via forests is reported after deducting 21 million tonnes for estimated deforestation. This estimate assumes policy interventions to operationalise the Government's policy to cap its liability at this amount. In the absence of policy interventions, and assuming current market conditions prevail, a deforestation intentions survey conducted in 2005 indicated likely deforestation of 38.5 million tonnes, which would result in an increase in the provision of \$279 million.

AEA Technology, an independent UK-based firm, has assessed the reasonableness of the assumptions and methodologies underpinning the projections in 2005. The review team's key finding was that "the methodologies employed to project emissions and sinks across the different sectors [are] generally sound and reasonable in their approach". This report was finalised in October 2005.

The carbon price has been determined by the Treasury based on a consultant's report. The Allen Consulting Group has reviewed this work.

No liability or contingent liability for periods beyond 2012 has been recognised, as New Zealand currently has no specific obligations beyond the First Commitment Period. The architecture of any obligations in future periods has yet to be negotiated

2. Comparative Financial Statements

Certain comparative numbers have been restated to enhance comparability with current year numbers. This relates to the Schedule of Assets where "Investments in Crown Entities" has now been separately disclosed.

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 the judgements made in the process of producing those statements.

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

In my opinion, these financial statements fairly reflect the financial position and operations of the Ministry for the year ended 30 June 2006.



Hugh Logan
Chief Executive
29 September 2006

Countersigned by:



Fiona Morgan
Chief Financial Officer
29 September 2006

Audit Report

To the readers of the Ministry for the Environment's financial statements for the year ended 30 June 2006

The Auditor-General is the auditor of the Ministry for the Environment (the Ministry). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Ministry, on his behalf, for the year ended 30 June 2006.

Unqualified opinion

In our opinion the financial statements of the Ministry on pages 12 to 58:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Ministry's financial position as at 30 June 2006;
 - the results of its operations and cash flows for the year ended on that date;
 - its standards of delivery performance achieved, as compared with the forecast standards outlined 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 outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - the schedules of non-departmental activities on pages 54 to 58 fairly reflect the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Ministry on behalf of the Crown for the year ended 30 June 2006.

The audit was completed on 29 September 2006, 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 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. 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. 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 disclosures are adequate.

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

We evaluated the overall adequacy of the presentation of information in the financial statements. 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 financial statements 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 2006 and the results of its operations and cash flows for the year ended on that date. 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. In addition, the schedules of non-departmental activities must fairly reflect the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Ministry on behalf of the Crown for the year ended 30 June 2006. The Chief Executive's responsibilities arise from sections 45A and 45B and 45(1)(f) of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements 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 Institute of Chartered Accountants of New Zealand.

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



Ajay Sharma
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Ministry for the Environment for the year ended 30 June 2006 included on Ministry for the Environment's web site. The Ministry's Chief Executive is responsible for the maintenance and integrity of the Ministry for the Environment's web site. We have not been engaged to report on the integrity of the Ministry for the Environment's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. 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 related audit report dated 29 September 2006 to confirm the information included in the audited financial statements presented on this web site.

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

5 Environmental Report

This chapter of the Ministry for the Environment's Annual Report provides an update on our environmental performance for the 2005–2006 financial year. The Ministry's environmental performance is measured using the following key parameters: materials used, waste and energy (including business travel and the Ministry's carbon footprint).

Highlights and Challenges

The 2005–2006 financial year yielded both significant highlights and areas in which to focus improvements for the 2006–2007 year. The major outcomes of this year's environmental performance include:

- 99 percent of publications used chlorine-free paper and 93 percent of this paper had content that was recycled
- domestic air travel per full-time staff member decreased by two percent
- total vehicle use (including Ministry and rental cars) decreased by 21 percent
- Environment House was rated as a highly energy efficient office building, using 40 percent of the average energy use of similar buildings in New Zealand.

One of our key challenges for 2006–2007 is to reduce the amount of total waste we generate as our total waste (including recycling and composting) increased by 21 percent in the last year.

Materials Used

Publications

The Ministry produced 181 different reports, brochures, booklets, cards, etc. in 2005–2006. This is a six percent reduction in the overall number of publications from the previous year (193 in 2004–2005). The paper content of printed publications was 26 tonnes (or 101 kg per full-time equivalent staff member). This is an 80 percent increase in weight from 2004–2005 (14 tonnes for 193 items).

The increase in the weight of publications reflects the large print runs of a number of key publications aimed at a national audience. The Ministry continues to limit the initial print runs of major publications to the minimum required (of the 181 publications, 17 were reprints). In addition, the number of web-based or email-only publications continues to increase and numbered 67 this year (compared to 53 in 2004–2005, a 26 percent increase).

An estimated 99 percent of publications by weight were chlorine-free (98 percent in 2004–2005). Ninety-three percent of paper content by weight was recycled content, a 43 percent increase from 2004–2005 (65 percent). Of the publications with no recycled content, only one used paper that did not come from sustainably managed forests.

Office paper

During the 2005–2006 period, the Ministry increased the total use of A4 copier and headed paper by 23 percent to 8.7 tonnes (7.06 tonnes in 2004–2005). This reflects an 11.2 percent increase to 14 reams per FTE (12 reams per FTE in 2004–2005). The Ministry continues to

work to reduce the amount of office paper used through paper saving measures such as setting the default for computers to print duplex rather than single-sided.

During the 2005–2006 year, 97 percent of office paper reams used contained recycled content. Of these, 78 percent had 100 percent recycled content (compared to 97 percent in 2004–2005) and 19 percent had 50 percent recycled content. One hundred percent of paper was chlorine free (97 percent in 2004–2005).

Stationery data

The Ministry has a policy of using 100 percent recycled and chlorine-free stationery. In 2005–2006, 305 kg of compliment slips, business cards, headed paper and stickers were used. This weight does not include envelopes. Stationery use was not calculated in previous years so there are no comparable figures.

Procurement

The Ministry has incorporated sustainable procurement policies into its cleaning contracts and purchasing.

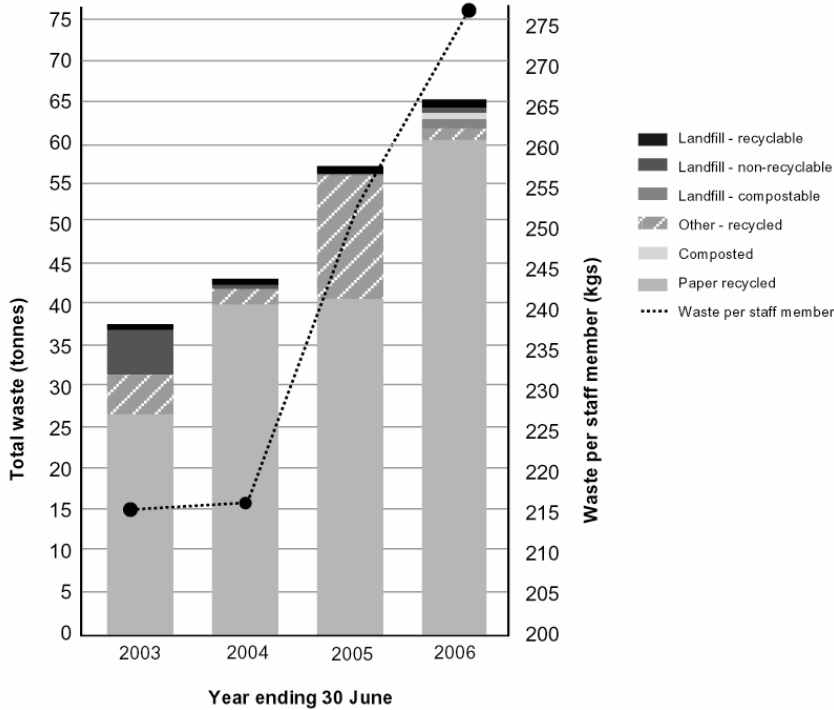
Table 1: Benchmarking our performance: Publications, paper and stationery

	2005/06	2004/05	2003/04	2002/03
Weight of publications per staff member (kg)	101 kg	62 kg	53 kg	41 kg
Reams of copier paper per staff member (number)	14	12.3	13.1	18.8
Weight of stationery used per staff member (kg)	1.2	–	–	–

Key targets and commitments	Progress at 30 June 2006
Review target for reams of paper used per staff person for the next few years.	Revised commitment: Review reduction targets for office paper use. Continue to encourage reduction in the number of reams of paper used per staff member.
Continue to produce more of our publications as web or email only publications.	Achieved: A 26 percent increase in the number of web-based or email only publications has been achieved since 2004–2005.
New target: Continue to monitor the use of stationery, including envelopes.	–

Waste

Figure 1: Ministry for the Environment analysis of waste streams



NB: In previous years compostable waste to landfill and composted material was not included in the graph.

The total amount of waste, recycled and composted² material generated by Ministry staff is estimated to have increased by 21 percent to 70.2 tonnes this year. This is a nine percent increase in total waste per staff member to 276 kg (253 kg for 2004–2005). This is partly contributed to by increased numbers of staff in the 2005–2006 year. The Ministry for the Environment also now has a tenant in Environment House. The contribution of the Kids Environment crèche to our waste stream is yet to be quantified.

There was a six percent increase in recycled and composted waste per staff member (261 kg recycled per staff member compared to 246 kg in 2004–2005). The bulk of recycled material was paper. This increase in the amount of material recycled is an indicator that recycling behaviour is well established among Ministry staff.

Waste to landfill amounted to five tonnes in total or 21 kg per full-time equivalent staff member (FTE). In previous years, this figure was not separated out from total waste generated so there are no comparable figures.

While all Ministry for the Environment offices recycle, there are presently no figures for the amount of recycled and composted waste for the South Island office.

² The composted material was reported in litres and converted to kilograms by a conversion factor taken from the United States Environment Protection Agency guide for the average weight of a litre of food waste being 0.748 kilograms.

Table 2: Benchmarking our performance: Waste generation

	2005/06	2004/05	2003/04	Benchmark*
Total waste generated per staff member (kg)	276	253	215	200
Total waste recycled and composted per staff member (kg)	261	246	206	–
Total waste to landfill per staff member (kg)	21	–	–	–

* UK Environmental Agency good practice benchmark

Key targets and commitments	Progress at 30 June 2006
Address issue of overall waste increasing	Revised commitment: Determine new waste reduction target and identify steps to achieve this.

Energy

The Ministry for the Environment moved into its new head office on Kate Sheppard Place in July 2005. In Environment House, we now record and pay for heating, ventilation and air conditioning (HVAC). Previously, only one of the three Wellington offices, Plimmer Towers, and our Christchurch office had recorded HVAC. At that time, HVAC was paid as a fixed cost as part of the lease arrangements and therefore was not recorded as energy use. This year's electricity use therefore cannot be benchmarked against previous years' figures.

In future, the Ministry for the Environment looks forward to benchmarking its own performance, as in an independent audit, Environment House was rated a highly energy efficient office building.

This energy consumption has been kept low through a careful selection of building materials, roof insulation, sensor lights, smart systems for appliances and air conditioning. There is also a high awareness amongst staff to turn off the lights when they leave meeting rooms, turn off computers when they go home and use the stairs instead of the lifts.

Note that all figures for 2004–2006 exclude Auckland office energy figures. The figures for Auckland have been taken out of the 2003–2005 datasets so comparisons are relevant.

Table 3: Benchmarking our performance: Energy use

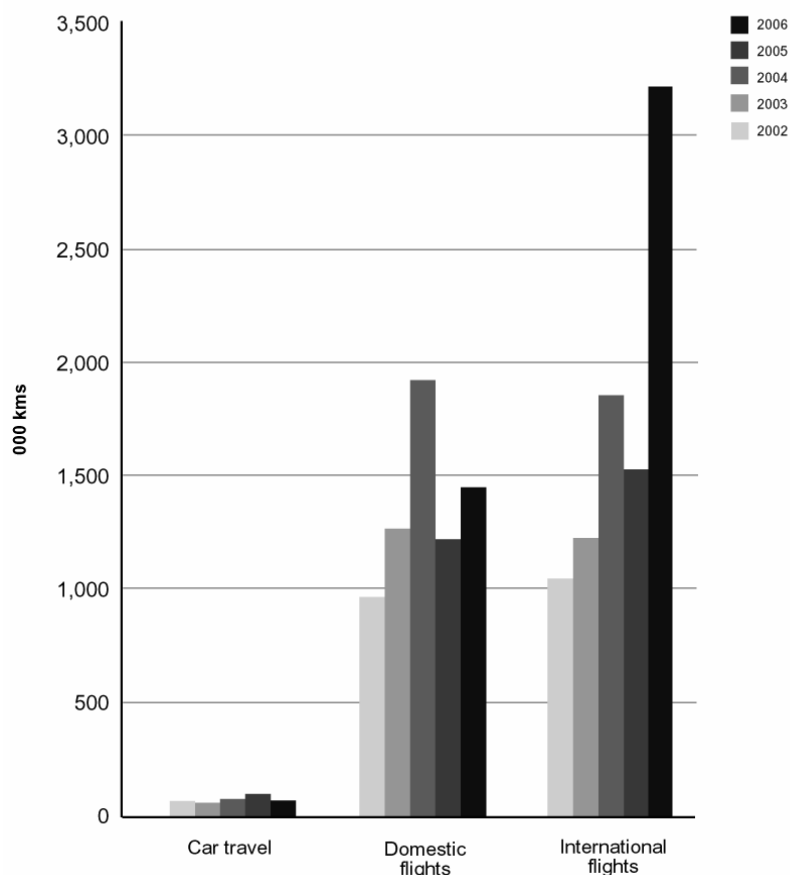
	2005/06	2004/05	2003/04	Low-typical usage benchmark*
Offices – with HVAC (KWh/m ²)	110	112	128	200-280

* Energy Efficiency and Conservation Authority (EECA)

Key targets and commitments	Progress at 30 June 2006
Maintain office energy performance within the low EECA benchmark	Ongoing: Continue monitoring of energy use and measures to maximise energy efficiency.

Business Travel

Figure 3: Ministry for the Environment travel analysis



In 2005–2006, staff flew 1,354,851 km domestically (compared to 1,237,287 km in 2004–2005). With the increase in staff numbers, this represents a decrease in domestic kilometres flown per staff person of two percent to 5,324 km (5,403 in 2004–2005). Ministry for the Environment staff also flew a total of 3,283,391 km on trans-Tasman and long-haul international flights. This was an increase of 118 percent from the previous year (1,508,964 km). This reflects our increasing involvement presenting or representing New Zealand interests in international agreements, including the negotiation of environmental provisions of new free trade agreements.

Staff drove 74,204 km in our three Ministry hybrid cars and rental cars (compared to 93,343 km in 2004–2005). This represents a 20.5 percent decrease in total vehicle travel and a 28.5 percent decrease in kilometres driven per staff member to 292 km (compared to 408 km per staff member in 2004–2005).

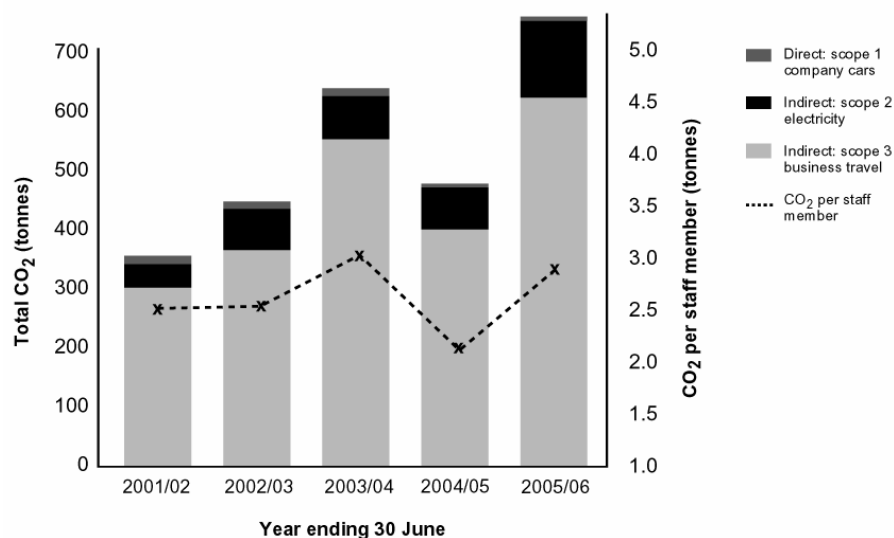
Table 4: Benchmarking our performance: Business travel

	2005/06	2004/05	2003/04	2002/03
Domestic air travel per staff member (km)	5,324	5,403	8,887	7,449
International air travel per staff member (km)	12,901	6,589	9,058	7,256
Ministry and hire car travel per staff member (km)	292	408	388	362

Key targets and commitments	Progress at 30 June 2006
Monitor air travel and understand and report back on the reasons for any fluctuation year to year.	Ongoing: Continue to monitor travel throughout 2006–2007.

Carbon Footprint

Figure 4: Ministry for the Environment CO₂ equivalent emissions



In 2005/06, the Ministry generated a minimum³ of 733.6 tonnes of CO₂ equivalent emissions, a six percent increase on the 2004–2005 figure of 691.2 tonnes. The Ministry’s CO₂ equivalent emissions per staff person decreased by 4.5 percent, to 2.9 tonnes per staff member from the 2004–2005 emissions of three tonnes.

The increase in total emissions is primarily due to the fact that we can now calculate CO₂ emissions from energy use for heating, ventilation and air conditioning (HVAC) in Environment House, where previously we could not measure a significant proportion of our energy use. The increase is due also in part to our increased kilometres travelled in international flights and the addition of a hybrid vehicle to our vehicle fleet.

Table 5: Benchmarking our performance: CO₂ equivalent emissions

	2005/06	2004/05	2003/04	2002/03
CO ₂ equivalent emissions per staff member (tonnes)	2.9	3.0	3.0	2.6

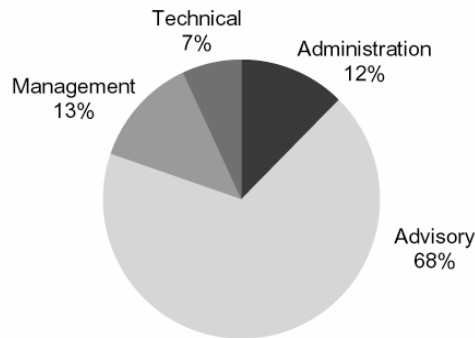
Key targets and commitments	Progress at 30 June 2006
Monitor our CO ₂ equivalent emissions to understand and report back on the reasons for any fluctuation year to year.	Ongoing: Continue to monitor our CO ₂ equivalent emissions throughout 2006–2007.

³ Note that while calculated in accordance with international Greenhouse Gas (GHG) accounting protocols, in common with many organisations reporting on their CO₂ impact, our CO₂ figure represents a minimum only.

In conclusion, it is clear there are definite areas of environmental performance for the Ministry to celebrate. Policies have been developed and implemented and staff awareness raised in key areas resulting in a performance level in these areas we can be proud of. However, there are also areas where our performance could be improved. Attention will be given to these areas in 2006/2007.

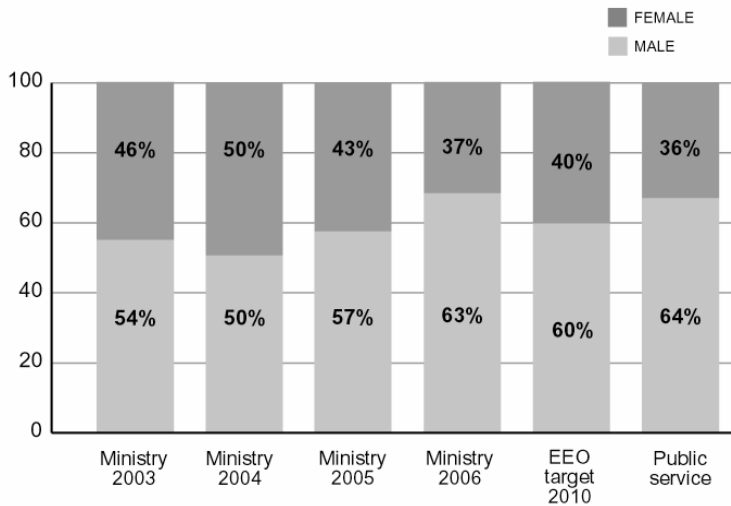
Our Staff

Figure 5: Profile of the Ministry for the Environment at 30 June 2006



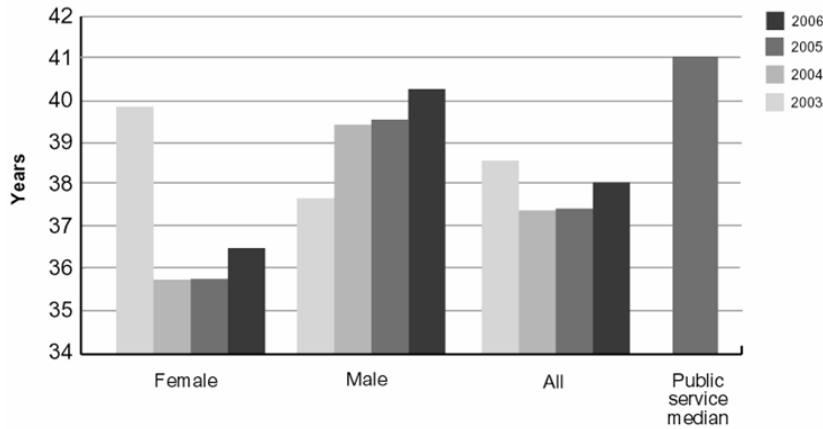
The Ministry's staff numbers have grown from 239 in 2005 to 274 in 2006 due to the Ministry's expanded work programmes for 2005/06. The profile of the Ministry has remained similar to that of previous years with a slight drop in levels of advisers (from 69 percent to 68 percent).

Figure 6: Representation of women in management at 30 June 2006



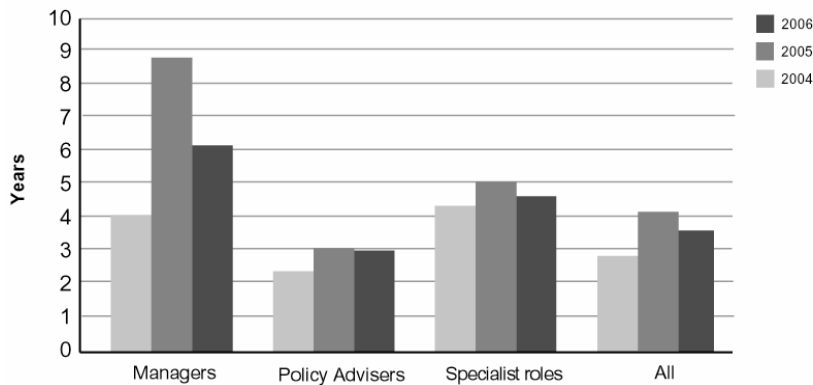
2006 saw a drop in the proportion of women in management, from 43 percent in 2005 to 37 percent in 2006. The Ministry is slightly below the EEO target for 2010 of 40 percent but still ahead of the overall public service representation of women in management.

Figure 7: Average age of Ministry for the Environment staff at 30 June 2006



At 30 June 2006, the average age for all Ministry staff was 38 years. This figure is below the overall 41 years average for the public sector. The Ministry’s average age has increased slightly from last year’s 37.3 years. Ministry staff are still relatively youthful, many of them having joined the Ministry in our graduate recruitment drives. A high percentage of the graduates recruited for the programme have been female, which shows in the youthful average age of female employees compared with that of their male counterparts.

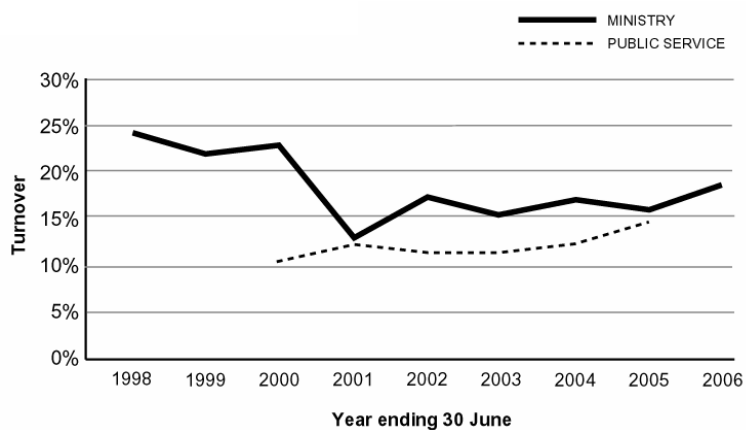
Figure 8: Average length of service at 30 June 2006



The average length of service is 3.62 years, representing a slight decrease from 2005. Those in management positions and, to a lesser extent, those in specialist roles have a longer service record compared with policy advisers.

The decrease in length of service for those in management positions is a reflection of turnover. The 2006 figure of six years of service is still ahead of the four years service in 2004.

Figure 9: Core unplanned turnover



Turnover for this financial year is 18.3 percent, an increase on the previous year’s turnover rate of 15.5 percent. Much of this turnover has been from those in management positions, with some of the senior management team as well as those in middle management moving on in 2005–2006. The lowest levels of turnover have been in the adviser levels, which have remained almost identical to the previous year’s turnover rate.

6 Management of the Ministry

Human Resources

There has been a big effort from the human resources team to support the capability of the organisation through the following initiatives:

- introduction of a new employee kiosk system, enabling staff to access a range of HR systems, such as leave and training
- negotiation with the PSA on a revised performance management system
- introduction of a new recruitment assessment tool to assist with our ongoing recruitment challenges
- completion of a staff climate survey that reaffirmed the Ministry as a friendly and positive work place
- introduction of a new coaching programme for managers
- provision of an extensive in-house training and development programme.

The Staff Climate Survey was conducted in October 2005 and results were compared with those of 2004 and 2003. Staff were provided with 69 positive statements on 13 issues known to impact on staff satisfaction (eg, workload, communication, leadership and management, training and development). For each of these statements, respondents were asked to indicate their level of agreement with the statement. A higher level of agreement with the statements corresponded with a higher level of satisfaction with working at the Ministry.

Overall findings were very positive:

- all 13 factors achieved positive scores of 68 percent or more overall (ie, on all scales an average of over 68 percent of staff agreed or strongly agreed with the statements). This indicates a high level of satisfaction with the Ministry as a place to work
- the highest level of positive ratings was for 'Individual Commitment' to the Ministry (up to 96 percent from 93 percent in 2004). The lowest level of positive ratings was for 'Change Management' (68 percent positive)
- the majority of factors showed an increase in the proportion of positive ratings compared to last year, with the exception of the 'Change Management' factor which reflects a five percent drop in the proportion of positive ratings
- job satisfaction, remuneration and motivation statements were rated positively overall by 82 percent of respondents (up from 70 percent last year).

Equal Employment Opportunities

The Ministry for the Environment is a member of the Equal Employment Opportunities (EEO) Trust Employers Group and works to ensure that procedures for recruitment, selection, promotion, training, career development and conditions of employment are designed to provide equal opportunities and, where appropriate, based on merit.

We aim to ensure that no person is disadvantaged in any way on the basis of sex, marital status, age, religious belief, colour, sexual orientation, race, ethnic or national origins or disability.

The Ministry continues to progress its EEO objectives as set out in the EEO guidelines to 2010 Programme, while plans are underway for the Pay and Equity Review to commence in November 2006.

Stakeholder Relationships

Developing and nurturing relationships with our stakeholders has been a key focus for the Ministry during 2005/06. Through the Talk Environment Roadshow, Chief Executives' Environment Forum and stakeholder liaison meetings, the Ministry has strengthened its relationships and has sought input from stakeholders into the Ministry's work. Internally, the Ministry has aligned its work programmes to strengthen focus on interacting constructively with stakeholders.

The 2005 Talk Environment Roadshow saw close to 2,400 people from various walks of life, industry, local government and the community attend a series of meetings held across New Zealand. The Talk Environment Roadshow is a great opportunity for our stakeholders to provide input into the Ministry for the Environment's current and emerging work programmes. Feedback from the Roadshow meetings was incorporated into current work programmes where appropriate.

The Chief Executives' Environment Forum (CEEF) is a meeting between chief executives from all regional councils, Local Government New Zealand, and central government departments concerned with the environment and resource management. Four CEEF meetings were held in the 2005/06 financial year. The meetings were all well attended, particularly by regional council chief executives. The forum aims to: develop a working partnership between central and regional government; support leadership in areas of mutual interest; undertake joint strategic planning and programmes of action; and encourage open discussion of environmental issues.

Outside the above major events, the Ministry has continued to have regular contact and liaison meetings with its key stakeholders. Feedback received has indicated that the Ministry is accessible and open in relationships with its stakeholders. To continue to support this, the Ministry merged its relationship management and public awareness work programmes with its community funding programme. This has allowed the Ministry to take a multi-tiered approach to its stakeholder relationships, from building initial awareness and fostering new relationships, through to partnering with and supporting stakeholders to achieve improved environmental outcomes. This work area is still developing, and will continue to improve the connection between the Ministry and its stakeholders.

Information Management

The Ministry continued to build on its information management capability during the year. It refined and implemented internal processes to better manage its information technology and information management systems.

A number of significant information initiatives were completed in 2005/06, including:

- the establishment of a Governance Board to oversee all information management and technology related projects
- the successful roll out of the Ministry's electronic document management system, known as SilentOne
- a review of the Ministry's intranet. This included an identification of four key areas for improvement that will be built into the 2006/07 work programme. One of these is to

implement a Content Management System for managing and publishing content on our intranet

- a change control and incident reporting process was put in place to better manage the Ministry's core operations
- the selection of a web-based tool which allows the Ministry to undertake online surveys, instead of contracting external parties or conducting paper-based surveys of our stakeholders and community. We used the tool to run the 2006 Resource Management Act survey
- an upgrade to the e-mail gateway to reduce the amount of SPAM received. This achieved a 35 percent reduction in total e-mail traffic.

Planned initiatives for 2006/07 include a review and update of the Information Management Strategy; the development and implementation of a web strategy for the Ministry that supports the organisation's overall communications strategy; and the development of a Retention and Disposal Schedule for the Ministry that is in line with the Public Records Act 2005.

The information management team will also install video conferencing facilities in all three Ministry offices to facilitate internal and external meetings.

Crown Entity Monitoring

The Environmental Risk Management Authority

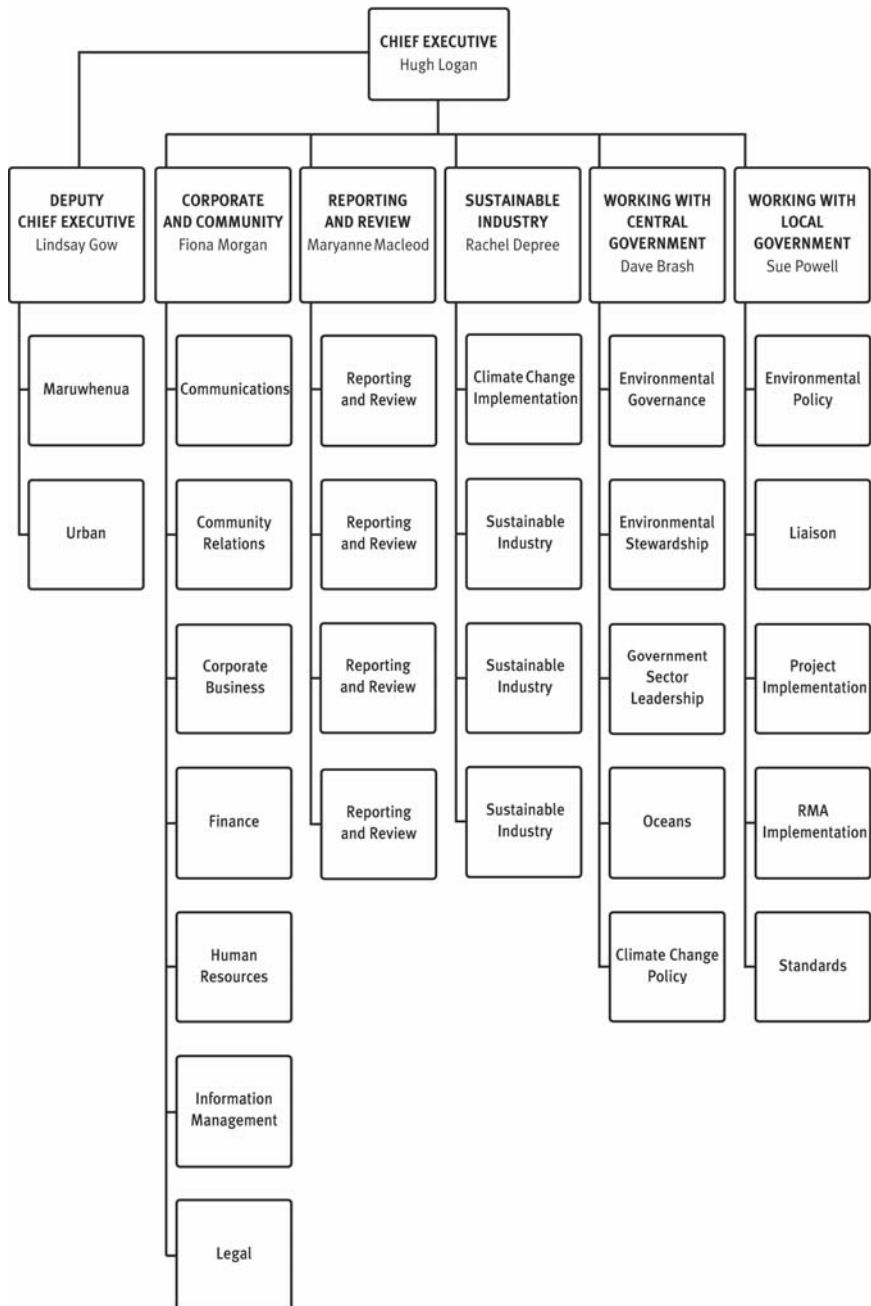
During the 2005/06 financial year, we continued to monitor the performance of the Environmental Risk Management Authority (ERMA), on behalf of the Minister for the Environment. The Ministry held six-weekly liaison meetings with the executive of ERMA to discuss emerging issues, potential risks and progress on matters of relevance to ERMA. Senior Ministry management also maintained regular contact with the Chief Executive of ERMA to ensure any key issues were addressed quickly and effectively. Additional meetings were held as required, both with the Chair of the Authority and with ERMA staff. The Ministry also reviewed quarterly reports and drafts of other key accountability documents received from the Authority, to monitor ERMA's progress against its annual objectives.

The Energy Efficiency and Conservation Authority

During the 2005/06 financial year, we continued to monitor the performance of the Energy Efficiency and Conservation Authority (EECA), on behalf of the Minister of Energy. The Ministry held regular liaison meetings with EECA's management team to discuss emerging issues, potential risks and progress on matters of relevance to EECA. Senior Ministry staff maintained regular contact with EECA's Chief Executive, held weekly informal meetings with senior EECA staff, and attended weekly meetings between the EECA executive and Ms Jeanette Fitzsimons in her role as Government Spokesperson on Energy Efficiency and Conservation. Ministry staff also reviewed quarterly reports and drafts of other key accountability documents received from the Authority, to monitor EECA's progress against its key outputs.

Management Structure

The Ministry comprises six business groups that enable efficient delivery of our work programmes. In 2006, we restructured the climate change group. The functions of this team were absorbed into Working with Central Government and Reporting and Review, with parts remaining in the Sustainable Industry Group.



Advisory Bodies/Ministerial Committees 2005/2006

Bioethics Council

Statutory basis

There is no statutory basis requiring the Council to exist. The Council was established by a Cabinet minute as a ministerial advisory group.

Purpose

To enhance New Zealand's understanding of the cultural, ethical and spiritual aspects of biotechnology and to ensure that the use of biotechnology has regard for the values held by New Zealanders.

Business Compliance and Costs Group

Statutory basis

There is no statutory basis requiring this group to exist.

Purpose

To provide input and advice on the direction, focus, and method of implementation of the resource consent process by members' organisations and colleagues.

Cyanobacteria Issues Discussion Group

Statutory basis

There is no statutory basis requiring this group to exist.

Purpose

This involved a discussion meeting held in response to an increasing number and frequency of cyanobacteria incidents.

Energy and Efficiency and Conservation Authority (EECA)

Statutory basis

Energy Efficiency and Conservation Act 2000.

Purpose

EECA comprises the Authority (a board of six to eight members appointed by the Minister of Energy) and its executive agency (appointed by the Authority and led by a Chief Executive). The Authority's purpose is to encourage, promote and support energy efficiency, energy conservation and the use of renewable resources in New Zealand.

Environmental Legal Assistance Fund Advisory Panel

Statutory basis

There is no statutory basis requiring this group to exist. The Panel was developed due to a Cabinet decision.

Purpose

To advise the Ministry for the Environment on applications to the Environmental Legal Assistance Fund.

Environment Risk Management Authority (ERMA)

Statutory basis

Hazardous Substances and New Organisms Act 1996.

Purpose

ERMA New Zealand comprises three formal elements: the Authority (a board of six to eight members appointed by the Minister for the Environment), Ngā Kaihautū Tikanga Taiao (up to eight members appointed by the Authority who are responsible for advising it about Māori interests and concerns) and an executive agency (appointed by the Authority and led by a Chief Executive). The Authority's responsibilities include assigning controls to manage the risks associated with hazardous substances and new organisms, considering applications for the introduction of new hazardous substances and new organisms, and overseeing the management regime for hazardous substances and new organisms.

Freshwater Indicators Working Group

Statutory basis

There is no statutory basis requiring this group to exist.

Purpose

To assist the Ministry with the development of a core set of freshwater indicators and monitoring protocols to assess the effectiveness of national water management policies and programmes and the health of New Zealand's freshwater resources.

Human Drinking Water Source Standard Reference Group

Statutory basis

There is no statutory basis requiring this group to exist.

Purpose

This is a local government and industry reference group used to develop a favoured option for the human drinking water source standard.

Māori Water Reference Group (Wai Māori)

Statutory basis

There is no statutory basis requiring this group to exist. This group was established upon an agreement by the Water Steering Group.

Purpose

To assist with the development of a policy process within the Sustainable Development Programme of Action.

New Zealand Carbon Accounting System Steering Committee

Statutory basis

Kyoto Protocol and United Nations Framework on Convention Change.

Purpose

To act as a steering committee for the development of the New Zealand Carbon Accounting System. To monitor progress and consider risks.

Professional Development Scheme for RMA Decision-Makers Advisory Board

Statutory basis

There is no statutory basis requiring this group to exist.

Purpose

Responsible for improving the quality and consistency of decision-making on notified consent applications under the Resource Management Act (RMA) 1991, and improving business and public confidence in the credibility of local decision-making. Additionally, this group is responsible for building RMA capacity in local government.

Sustainable Development Water Programme of Action Stakeholder Reference Group

Statutory basis

There is no statutory basis requiring this group to exist. This group was established upon approval by the Water Programme of Action Steering Group.

Purpose

To provide input into the policy. This is developed under the Water Programme of Action.

Urban Design Advisory Group

Statutory basis

There is no statutory basis requiring this group to exist. This group was set up as part of Sustainable Development Programme of Action to produce an Urban Design Protocol for New Zealand.

Purpose

To provide leadership and advice to the Minister with Responsibility for Urban Affairs on the development and successful implementation of initiatives aimed at realising the objectives and anticipated outcomes of the *New Zealand Urban Design Protocol*.

Acts Administered

- Soil Conservation and Rivers Control Act 1941
- Environment Act 1986
- Resource Management Act 1991
- Ozone Layer Protection Act 1996
- Hazardous Substances and New Organisms Act 1996
- The Energy Efficiency and Conservation Act 2000
- Climate Change Response Act 2002.

7 Contact Information

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