



REPORT OF THE MINISTRY FOR THE ENVIRONMENT FOR THE YEAR ENDED 30 JUNE 2015



Published in October 2015 by the
Ministry for the Environment
Manatū Mō Te Taiao
23 Kate Shepard Place, Thorndon
PO Box 10362, Wellington 6143, New Zealand

Publication number: ME 1216

This document is available on the Ministry for the Environment's website: www.mfe.govt.nz

Contents

1	Overview of 2014/15	1
	Introduction from the Chief Executive	1
	Nature and scope of functions	3
	Our work programme highlights for 2014/15	4
2	Outcomes Framework	9
	Progress against our impacts	10
3	Performance against our strategic intentions for 2014/15	14
	Introduction	14
	Outcome: New Zealand's environmental management systems are strengthened and supported so that they can achieve the greatest overall environmental, economic, social and cultural benefits	15
	Outcome: New Zealand's fresh water is well governed and sustainably managed to realise the maximum benefit possible for present and future environmental, cultural, social and economic values	48
	Outcome: New Zealand becomes a successful low-carbon society that is resilient to climate change impacts on its climate, economy and lifestyle	57
	Quality standards for advice	70
4	Our Organisational Health and Capability	73
5	Financial Statements for the Ministry for the Environment	79
	Performance Indicators for the Year Ended 30 June 2015	79
	Statement of Comprehensive Revenue and Expense for the Year Ended 30 June 2015	80
	Statement of Financial Position as at 30 June 2015	81
	Statement of Changes in Equity for the Year Ended 30 June 2015	82
	Statement of Cash Flows for the Year Ended 30 June 2015	83
	Statement of Commitments as at 30 June 2015	84
	Statement of Contingent Liabilities and Contingent Assets as at 30 June 2015	84
	Notes to the Financial Statements	85
6	Non-Departmental Statements and Schedules for the Year Ended 30 June 2015	105
	Schedule of Non-Departmental Revenue for the Year Ended 30 June 2015	105
	Schedule of Non-Departmental Capital Receipts for the Year Ended 30 June 2015	105
	Schedule of Non-Departmental Expenses for the Year Ended 30 June 2015	106
	Schedule of Non-Departmental Assets as at 30 June 2015	107

Schedule of Non-Departmental Liabilities as at 30 June 2015	107
Schedule of Non-Departmental Commitments as at 30 June 2015	108
Schedule of Non-Departmental Contingencies as at 30 June 2015	108
Notes to the Non-Departmental Financial Statements	110
7 Statement of Expenses and Capital Expenditure	124
Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred against Appropriations for the Year Ended 30 June 2015	124
Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of Appropriation or other Authority for the Year Ended 30 June 2015	131
Statement of Departmental Capital Injections for the Year Ended 30 June 2015	131
Statement of Departmental Capital Injections Without, or in Excess of, Authority for the Year Ended 30 June 2015	131
Statement of Responsibility	132
Audit Report	133
Appendix A: Advisory Bodies 2014/15	137
Appendix B: Organisational Chart (as at 30 June 2015)	138
Appendix C: Environmental Protection Authority: Regulatory Functions (Multi-Category Appropriation)	139
Overarching Purpose Statement	139
Scope of Appropriation	139
Activities undertaken by the Environmental Protection Authority within this appropriation	139
What the EPA is aiming to achieve	140
Progress made to achieve this aim	140
How performance will be assessed for this appropriation	140
What is intended to be achieved with each category and how performance will be assessed	141

1 Overview of 2014/15

Introduction from the Chief Executive

At the end of 2014/15, I took up my appointment as Secretary for the Environment. I am delighted to lead the Ministry for the Environment, an organisation that plays an important stewardship role in the environmental management system. The 2014/15 year has seen the Ministry progress several core pieces of policy work, as we work towards improving New Zealand's environmental management system.

Effectively managing our natural resources is critically important to New Zealand's current and future economic, environmental, cultural and social well-being. The development of the resource management reform package, first announced in 2013, has continued during 2014/15, with a focus on refinement, as well as on non-legislative measures that could help support the outcomes of the work.

The Ministry is charged with making improvements to the way fresh water is managed in New Zealand. In August 2014, a framework was introduced into the National Policy Statement for Freshwater Management to enable councils and communities to better manage our freshwater resources. The Ministry continues to work with iwi leaders and the Land and Water Forum to develop options for water allocation, including addressing iwi/hapū rights and interests.

In July 2015, the Government announced that our post-2020 climate change target is to reduce greenhouse gas emissions to 30 per cent below 2005 levels by 2030. The target has been tabled with the United Nations in advance of the Paris meeting in December and will remain provisional until the new international agreement is ratified. The announcement of this target followed the Government's consultation on our contribution between May and June 2015. The consultation and the Government's decision were supported by almost two years cross-agency work building the evidence base and policy for the decision.

A notable aspect of improving New Zealand's environmental management system is improving our information and evidence base. Good information is essential for determining what is working well and what choices may need to be made. During 2014/15, we supported the Select Committee process for the Environmental Reporting Bill. It mandates the provision of comprehensive environmental information for New Zealanders in a way that is easy to understand, independent and relevant. We also worked with councils and others to develop the National Monitoring System, which will provide greater clarity on the implementation and effectiveness of the Resource Management Act 1991. Reporting will begin in 2015/16. Both pieces of work will help New Zealanders to have better informed dialogue on resource use and pressing environmental issues. A strong partnership with local government, who hold much of this information, will drive the success of these initiatives.

In June 2015, the Ministry welcomed Dr David Wratt to the newly-formed position of Departmental Science Advisor. Dr Wratt is one of New Zealand's most distinguished scientists, with international standing and a 30 year career in climate and meteorology. His appointment recognises the Ministry's strong science and evidence focus.

A focus has also been on improving our outcomes framework. Since our follow-up Performance Improvement Framework Review in June 2014 (which recommended that a strategic plan be populated with measurable environmental outcomes) we have undertaken a programme of work to implement that recommendation by refreshing our outcomes framework. Our new environmental outcomes and targets are being developed to help us achieve our mission: *Environmental stewardship for a prosperous New Zealand* and to make clear what is important over the long term for New Zealand's economy and

environment. These will outline the Ministry's view on what we want to achieve over the next 15 to 30 years. The new framework will drive our future planning processes, ensuring the work we undertake is of high value, with our strategic intentions driving our actions.

We will continue to work closely with our Natural Resources Sector government colleagues, the Land and Water Forum, and other organisations and agencies to achieve our goals. I look forward to leading the Ministry in becoming an increasingly outwardly-focused organisation, equipped with a strong evidence base, and well positioned to carry out our role as stewards of the wider environmental management system to deliver better results for all New Zealanders.

A handwritten signature in black ink, appearing to read 'V Robertson', with a stylized, flowing script.

Vicky Robertson
Chief Executive and Secretary for the Environment

Nature and scope of functions

Mission: Environmental stewardship for a prosperous New Zealand Whakatakanga: Tiakina te taiao kia tōnui a Aotearoa

The Ministry for the Environment was established under the Environment Act 1986. We are the Government's primary adviser on the New Zealand environment and international matters that affect the environment.

Our role includes advising the Government on the institutions, laws, regulations, policies and economic incentives that set the framework for environmental management. Currently, these laws, regulations and policies are primarily implemented and enforced through others, especially the Environmental Protection Authority (EPA) and local government. We have a strong focus on understanding and driving good outcomes from the environmental management system. We work in partnership with others (including iwi/Māori as the Crown's Treaty partners) to actively manage the system.

Many international issues and agreements, especially global action on climate change, are connected to environmental management. We have a significant role in providing advice on international negotiations and ensuring New Zealand meets its obligations under international agreements.

Fresh water and other natural resources are important for New Zealand's economic development and prosperity. We work with other government natural resources agencies to give integrated advice on how resources can be used efficiently and to maximum benefit within sustainable limits. We also monitor the activities and performance of the EPA on behalf of the Minister for the Environment.

Legislation administered by the Ministry for the Environment

A number of our work programmes include administering legislation. We are responsible for the following legislation, including amendments and regulations. We also have a number of functions under them, particularly the first six below.

- Resource Management Act 1991
- Hazardous Substances and New Organisms Act 1996
- Climate Change Response Act 2002
- Waste Minimisation Act 2008
- Environmental Protection Authority Act 2011
- Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012
- Soil Conservation and Rivers Control Act 1941
- Environment Act 1986
- Ozone Layer Protection Act 1996
- Aquaculture Reform (Repeals and Transitional Provisions) Act 2004
- Fiordland (Te Moana o Atawhenua) Marine Management Act 2005
- Environment Canterbury (Temporary Commissioners and Improved Water Management) Act 2010.

Our work programme highlights for 2014/15

Resource management reforms

Effective resource management is critically important to New Zealand's current and future economic, environmental, cultural and social well-being. New Zealand needs a resource management framework that is easy to use, provides certainty and predictability, and reduces unnecessary duplication and cost.

In 2014/15, the Government has continued to refine and progress the second phase of its reform programme. These reforms will focus on improving engagement between communities, iwi/hapū and councils in resource management planning; the standardisation of local plan structure, format and content to provide more certainty and predictability for businesses and communities; reducing the costs and time taken to get decisions under the Resource Management Act 1991 (RMA); improving central government tools for providing national direction; and developing a National Monitoring System to track the performance of the resource management system.

The resource management reforms are the subject of political negotiations, and the progression of legislation is now expected to take place towards the end of 2015.

Improving New Zealand's freshwater management

Fresh water is important to all New Zealanders. Like the rest of the world, our freshwater stocks are coming under increased pressure from population growth, increased land-use intensification, and climate change. To manage these pressures New Zealand is putting in place a more effective freshwater management framework.

The Government has already put in place:

- the National Policy Statement for Freshwater Management (NPS-FM) which guides regional council planning for managing freshwater
- an Irrigation Acceleration Fund – this fund provides \$35 million over five years (to 30 June 2016) to develop more effective and efficient water infrastructure, such as storage and distribution lines. A further \$25 million was included in the 2015 Budget for operating funding for five years from 2016/17
- Crown Irrigation Investments Limited (CIIL), which acts as a bridging investor for regional water infrastructure development. \$120 million has been allocated to CIIL, with the potential to provide a further 125,000 hectares of new irrigation
- the Fresh Start for Fresh Water Clean-up Fund – this has allocated \$14.5 million from 2011 to 2014 to seven projects to restore waterways affected by historical pollution. The details and successes of the projects can be found on our website¹
- funding through the Primary Growth Partnership, which invests in long-term innovation programmes in partnership with industry to increase the market success of the primary industries. It aims to deliver long-term economic growth and sustainability across primary industries. For example, a project to transform the dairy chain includes building capability in rural professionals so they can better support farmers to improve their nutrient, effluent and business management.

In addition, Local Government New Zealand's Three Waters Project is establishing a clearer picture of the performance of drinking and waste water assets and services, and a robust framework for building on best practice for managing them.

¹ <http://www.mfe.govt.nz/fresh-water/reform-programme/reforming-how-we-manage-fresh-water>.

Over 2014/2015 the Ministry has supported the new water management regime by putting in place amendments to the NPS-FM (August 2014) which, among other things, have provided a process for councils to use when setting freshwater objectives and limits. Throughout 2014/15 the Ministry has focused on supporting regional council implementation of the NPS-FM 2014. This is being done through dedicated 'relationship managers' and by producing guidance products to help build the capability and capacity of iwi, communities and water users to participate in water management decision-making.

Other initiatives which have begun in 2015 and will continue over the long term are:

- improving the monitoring and reporting of our environmental data
- exploring tools for more efficient use of our water resources, including how we might approach better water allocation
- providing scientific, social, cultural and economic information to support community discussions about managing fresh water
- improving the quality of decision-making through collaborative planning and providing support for those processes
- providing funding to increase the capability and capacity of parties involved in water management.

The Land and Water Forum has been reconvened to provide advice to the Government on how we might maximise the economic benefits of fresh water while managing within water quality and quantity limits. Alongside the Land and Water Forum, the Government is engaged in discussions with the Freshwater Iwi Leaders Group for iwi to provide advice and the Crown to address iwi/hapū rights and interests in fresh water. Both the Land and Water Forum and the Freshwater Iwi Leaders Group will provide recommendations to the Government over the next two years.²

Te Mana o Te Wai Fund

Budget 2014 provided \$5 million (over two years) to create Te Mana o Te Wai Fund. The funding is administered by the Ministry for the Environment. The concept of Te Mana o Te Wai reflects the recognition of fresh water as a natural resource whose health is integral to the social, cultural, economic and environmental well-being of communities. The purpose of Te Mana o Te Wai Fund is to provide funding to enable Māori to improve the water quality of freshwater bodies (including lakes, rivers, streams, estuaries and lagoons) that are of importance to them by:

- supporting iwi/hapū to play an active part in improving the water quality of their local freshwater bodies
- enabling iwi/hapū to actively participate in managing their local freshwater bodies
- helping iwi/hapū and the wider community recognise the importance of fresh water in supporting a healthy ecosystem, including supporting human health.

The first contestable funding round for Te Mana o Te Wai Fund closed on 30 April. Announcements on successful funding bids will be made once decisions are taken.

The total freshwater reform package is an integrated set of institutional changes and tools. The scale of the reforms makes this a 'once in a generation' opportunity. The process of making changes and improvements to New Zealand's freshwater management system will continue to unfold over the next few years.

² <http://www.landandwater.org.nz/>.

New legislative framework for robust environmental reporting

Robust environmental information is key to understanding how our natural resources are changing through time and whether the interventions that have been put in place are effective. The focus of the Ministry's 2014/15 environmental reporting work programme has been to ensure future environmental reporting is robust, balanced and credible.

The passage of the Environmental Reporting Bill will bring us into line with other OECD countries where independent reporting on the state of the environment is legislated. It mandates the provision of comprehensive environmental information for New Zealanders in a way that is easy to understand, independent and relevant. It also provides the Parliamentary Commissioner for the Environment a crucial role in assuring the public of the performance of the environmental management system as a whole, including the quality and balance of environmental reporting.

Mandated reporting must be supported by high quality, consistent and representative data. There are several paths through which we are improving data for environmental reporting. This can be through collaborating with others or through investing directly in data gathering, research or analysis.

Designing a post-2020 climate change agreement

New Zealand needs an effective international climate change agreement in order to avoid the worst effects of climate change and protect our natural resource-based economy.

Parties to the United Nations Framework Convention on Climate Change (UNFCCC) aim to conclude a new global climate agreement in Paris in December 2015, to apply from 2021.

During 2014/15 we, as part of a cross-agency delegation, continued to negotiate to advance New Zealand's interests in a new agreement. We participated in the UNFCCC conference in Lima, Peru, in December 2014 and co-hosted (with the Ministry of Foreign Affairs and Trade) an international informal dialogue on the new agreement in September 2014. Our particular focus has been on designing an agreement that the major emitting countries could sign up to, and ensuring an environmentally robust international carbon market.

We also led a work programme to formulate New Zealand's 'intended nationally determined contribution' (INDC) for the new agreement, to table in 2015 and to apply from 2020. This work programme delivered a draft INDC and recommendations to Ministers in late June.

Marine

Effective management of New Zealand's marine resources is important to ensure current and future sustainable economic growth can occur while also providing for New Zealand's environmental, social and cultural well-being.

The Ministry is now focusing on ensuring the successful implementation of the regulatory framework that underpins the Exclusive Economic Zone (EEZ). We have been working with the Environmental Protection Authority (EPA), Maritime New Zealand, WorkSafe New Zealand and New Zealand Petroleum and Minerals and industry to ensure the EEZ Act is operating effectively.

Review of the Environmental Protection Authority

In 2014/15 we carried out a review of the Environmental Protection Authority (EPA). The Ministry was mandated by Cabinet to initiate a review of “the effectiveness” of the EPA three years after the EPA became operational on 1 July 2011.

The review had two key components:

- evaluating the effectiveness and efficiency of the EPA, including the EPA’s governance and the role of the Māori Advisory Committee (Ngā Kaihautū Tikanga Taiao), and
- reviewing the fiscal sustainability of the EPA, including a high-level assessment of its operational efficiency and the impact of this on funding needs, and an evaluation of its cost recovery practices.

The review found that the EPA plays a critical role in managing New Zealand’s environmental resources. A challenge faced by the EPA is that it is a small entity with large expectations placed on it. The review concludes that despite this challenge, in its first three years of operation the EPA has delivered its statutory functions within the legislated timeframes and within its appropriated budgets. This is a significant achievement given the complexity, diversity, and in some cases newness, of the regulatory processes it must administer. During this time, the EPA has necessarily (and appropriately) been focused on establishing and implementing processes that enable it to deliver robust and objective decisions within legislated timeframes.

The review highlighted that while the EPA’s operating approach has been appropriate for its ‘establishment phase’, a step-change is required for the EPA to continue to deliver quality regulatory services. The review concludes that the EPA needs to be more strategic and future focused, and recommends:

- the Board and management of the EPA develop a more strategic, future-focused approach, developing its strategic capability and longer-term view of what a successful future state would look like and how it should get there
- implementation of an operating model capable of managing shifting demand for resources
- increasing strategic financial planning, moving to a financial planning process that applies over a longer time horizon and having a clear understanding of what a sustainable baseline is for the organisation
- the Ministry and the EPA work together to identify and address legislative or regulatory impediments to operational effectiveness
- the Ministry and the EPA work together to review and make any required changes to the EPA’s cost-recovery regimes
- the Ministry review its monitoring of the EPA.

The Ministry’s review report, along with the related reports by external reviewers, can be found at <http://www.mfe.govt.nz/more/about-us/who-we-work/review-epa>.

The Ministry is now working with the EPA to respond to the review recommendations. We will report back to the Minister for the Environment on progress in October 2016.

Responding to the infant formula contamination threat

In 2015 we became involved in Operation Concord – the response to a threat to contaminate infant milk formula with Sodium Fluoroacetate (commonly known as 1080). Use of 1080 is controlled via regulations under the Hazardous Substances and New Organisms Act 1996, which is administered by the

Ministry. The purpose of these regulatory controls is to prevent or manage the adverse effects of a hazardous substance. Controls are placed on 1080 throughout its lifecycle to ensure it is transported, stored, used and disposed of safely.

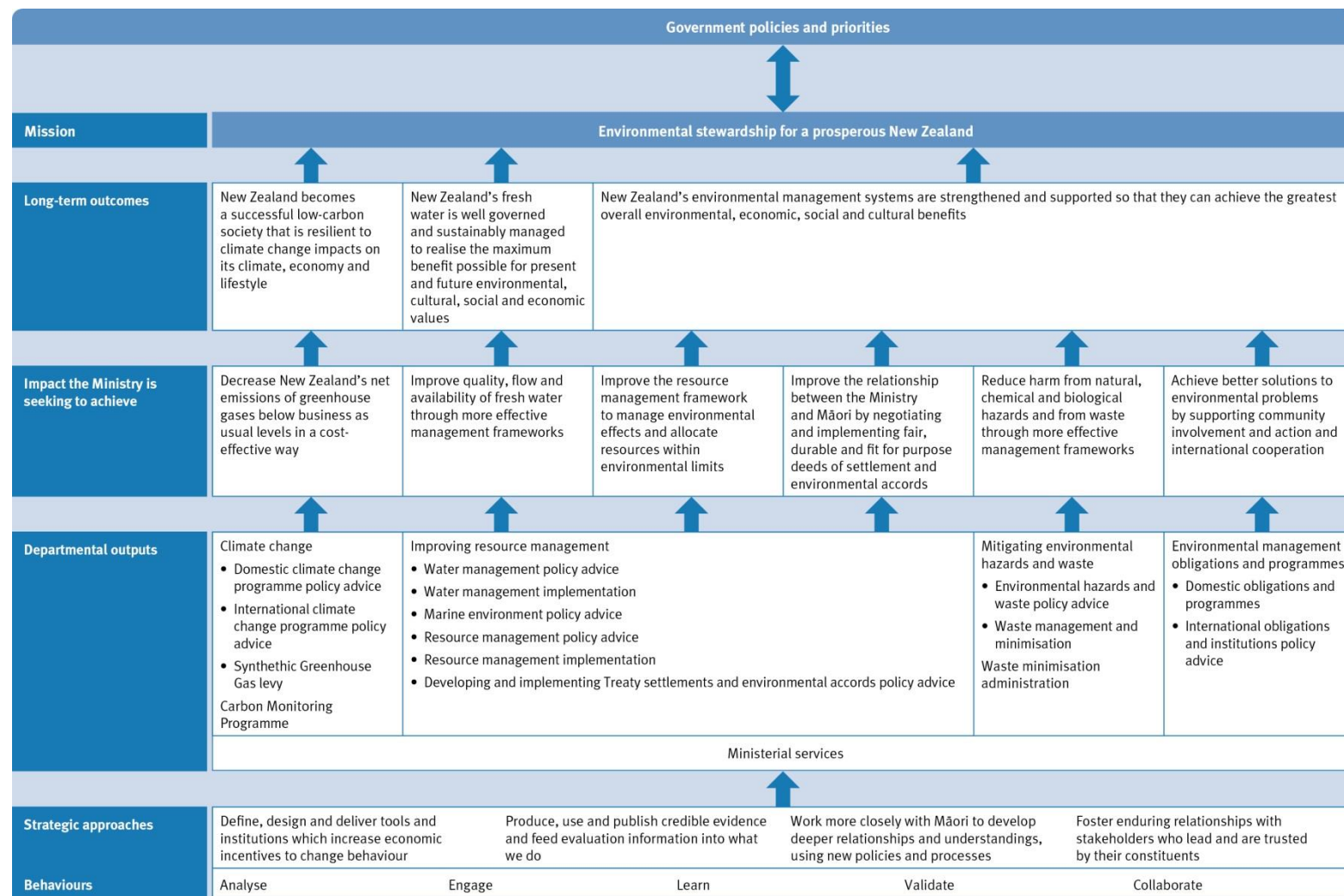
In conjunction with the EPA, the Ministry for Primary Industries, and Worksafe, we made changes to the regulations to tighten the controls even further on the use of commercial and high purity 1080. We introduced a requirement into the regulations that anyone in possession of commercial or high purity 1080 notify the EPA of that fact. The new requirements also tightened security on the storage of 1080, and introduced a requirement that EPA certification be obtained before its importation. The changes will ensure that regulators are better able to monitor possession and use of 1080 in the future.

Ensuring HSNO regulations remain fit for purpose

In 2014, the Ministry for the Environment and the EPA began a review of the Hazardous Substances and New Organisms (Organisms not Genetically Modified) Regulations 1998. These regulations provide that certain organisms derived from specified processes are not to be considered as genetically modified for the purposes of the Hazardous Substances and New Organisms Act 1996 (HSNO Act). Accordingly, such organisms do not require an approval under the HSNO Act as genetically modified organisms.

In 2013, the EPA determined that organisms resulting from the use of two new techniques were exempted from being classed as genetically modified organisms under the regulations. An appeal of this determination was lodged. The resulting High Court judgment in 2014 upheld the appeal and stated that the techniques listed in the regulations were to be interpreted as an exhaustive list. Accordingly, the organisms in question required approval under the HSNO Act as genetically modified organisms. The decision also identified grammatical errors in the regulations that resulted in ambiguity.

2 Outcomes Framework



Progress against our impacts

Outcome: New Zealand's environmental management systems are strengthened and supported so that they can achieve the greatest overall environmental, economic, social and cultural benefits			
Impact: Improve the resource management framework to manage environmental effects and allocate resources within environmental limits			
Impact measure	Target	2014/15 result	2013/14 result
1. Trends in EPA and local government compliance with resource consent processing times under the RMA 1991	Upward trend (councils) / 100% (EPA)	Data for reporting on this measure has not yet been produced. It will be published in December 2015.	Councils: Upward trend – 97% compliance in 2012/13, compared to 82% compliance in 2001/02. EPA: 100%
2. Improvement in customer satisfaction with resource management decisions	Upward trend	Data for reporting on this measure has not yet been produced. It will be published in December 2015.	New measure
3. Improvement in the quality of analysis and community involvement in plan-making, including s32 analysis and Māori engagement	Upward trend	An evaluative framework (including criteria) has been developed to provide a baseline qualitative assessment of plan making, including the quality of s32 analysis and Māori engagement. See page 17 for more detail.	New measure
4. Number of appeals to the Environment Court and objections to decisions by local authorities	Downward trend	Data for reporting on this measure has not yet been produced. It will be published in December 2015.	New measure
Impact: Reduce harm from natural, chemical and biological hazards and from waste through more effective management frameworks			
Impact measure	Target	2014/15 result	2013/14 result
1. Changes in the incident data compiled by the Environmental Protection Authority and enforcement agencies under the Hazardous Substances and New Organisms Act	Reduced number of incidents	Hazardous substances: 15% decrease in total number of reported incidents since 2009/10. No level 4 or 5 incidents since 2009/10. New organisms: 77% increase in total number of reported incidents since 2009/10, due to better reporting and increased inspections. All incidents with adverse effects on human health since 2009/10 were caused by zoo animals.	Hazardous substances: 16% decrease in total number of reported incidents since 2009/10. 13% increase in level 2 and 3 incidents since 2009/10. No level 4 and 5 incidents since 2009/10. New organisms: 82% increase in total number of reported incidents since 2009/10, likely due to better reporting. All incidents with adverse effects on human health since 2009/10 were caused by zoo animals.
2. Trends in the tonnage of waste disposed of at waste disposal facilities per unit of GDP	Downward trend	Upward trend (19.3 tonnes per \$1 million GDP (projected) for the year ending 30 June 2015 versus 18.6 tonnes per \$1 million GDP (projected) for the year ending 30 June 2010).	Static trend (18.6 tonnes per \$1 million GDP (projected) for the year ending 30 June 2014 versus 18.6 tonnes per \$1 million GDP for the year ending 30 June 2010).

Outcome: New Zealand's fresh water is well governed and sustainably managed to realise the maximum benefit possible for present and future environmental, cultural, social and economic values			
Impact: Improve quality, flow and availability of fresh water through more effective management frameworks			
Impact measure	Target	2014/15 result	2013/14 result
1. Proportion ³ of water allocated for consumptive purposes that is subject to measurement and reporting	Increasing proportion	Increasing proportion The Resource Management (Measurement and Reporting of Water Takes) Regulations 2010 came into force on 10 November 2010 and provided for a staged implementation. Consents for taking water at a rate of 20 litres per second or higher. Recent analysis has shown an increase in the number of water consents of 20 litres per second or higher metered; from an estimated 25% in June 2010 to an estimated 85% in October 2014. Based on a case study in the Canterbury region (46% of consents by volume), the proportion of water allocated that is subject to measurement and monitoring has increased by 49% between 2010 and 2014.	Benchmark information provided (one data point only from 2010/11) – 31% of resource consents for consumptive purposes is subject to measuring and reporting. (The measure 'proportion of resource consents subject to measuring' has been used as an interim proxy for 'the proportion of water allocated that is subject to measurement'. This measure was not remeasured in 2013/14. It will be remeasured in 2014/15.)
2. Proportion ⁴ of large surface water catchments that have quantified flow regimes in place that set limits	Increasing proportion	Increasing proportion Rivers and streams: increased to 78% (or 20,588,307 ha) Wetlands: no increase, remains at 0% (or 99 ha) Lakes: increased to 36% (or 139,264 ha)	Increasing proportion from 2012/13 benchmark Rivers and streams: increased to 59% (or 15,562,501 ha) Wetlands: negligible increase to 0% (or 99 ha) Lakes: increased to 33% (or 125,669 ha)⁵

³ The wording of this impact measure and associated target has been changed to refer to the proportion, rather than the number, of large surface water catchments to be consistent with the change in methodology used to measure results.

⁴ Ibid

⁵ Reference to BPS (or Basis Points) was removed to provide greater clarity on results.

3. Proportion of significant catchments that have quantified policy for land and water management that sets surface water quality limits	Increasing proportion	Increasing proportion Rivers and streams: increased but remains at 8% (2,229,117 ha) Wetlands: small increase but remains at 8% (19,353 ha) Lakes: small increase but remains at 24% (92,159 ha)	Increasing proportion from 2012/13 benchmark Rivers and streams: increased to 8% (or 2,101,777 ha) Wetlands: increased to 8% (or 19,122 ha) Lakes: increased to 24% (or 92,131 ha) ⁶
4. Number of monitored sites showing maintained or improved water quality	Increasing proportion of monitored sites improving	No change in the benchmark data provided last year. This information is scheduled to be updated on 21 October 2015 as part of the Environment Aotearoa 2015 report, currently being coproduced between the Ministry for the Environment and Statistics New Zealand.	Benchmark information provided due to a change in methodology.
Impact: Achieve better solutions to environmental problems by supporting community involvement and action and international cooperation			
Impact measure	Target	2014/15 result	2013/14 result
1. Progress in investigation, remedial planning or remediation of priority contaminated sites in conjunction with regional councils and/or landowners – increasing percentage managed or remediated. (Also contributes to the 'Reduce harm' impact above)	Increasing proportion of priority contaminated sites remediated and/or managed	Total priority sites identified = 75 Remediated priority sites = 21 Managed priority sites = 6 Percentage remediated/managed = 36%	Total priority sites identified = 72 Remediated priority sites = 20 Managed priority sites = 5 Percentage remediated/managed = 35%
2. Level of community involvement in projects funded by the Community Environment Fund (CEF)	Increasing community involvement	\$19.1 million of in-kind contributions for \$7.5 million of government funding committed to 57 CEF projects.	\$13.7 million of in-kind contributions for \$7.4 million of government funding committed to 73 CEF projects.
3. Percentage of Community Environment Fund and Waste Minimisation Fund projects that report full achievement against objectives	100% of objectives met by 80% of projects	100% of objectives met by 86% of CEF projects and 69 % of WMF projects.	100% of objectives met by 75% of projects.

⁶ Ibid

Impact: Improve the relationship between the Ministry and Māori by negotiating and implementing fair, durable and fit-for-purpose deeds of settlement and environmental accords			
Impact measure	Target	2014/15 result	2013/14 result
1. Percentage of Māori partners in deeds of settlement and environmental accords satisfied or very satisfied with Ministry implementation of obligations	80% satisfied or very satisfied	Not specifically measured in 2014/15	95% satisfied or very satisfied
2. Percentage of relevant Ministry obligations under deeds of settlement and environmental accords met	100% compliance	90% compliance	90% compliance
Outcome: New Zealand becomes a successful low-carbon society that is resilient to climate change impacts on its climate, economy and lifestyle			
Impact: Decrease New Zealand's net emissions of greenhouse gases below business as usual levels in a cost effective way			
Impact measure	Target	2014/15 result	2013/14 result
1. Trends in greenhouse gas emissions and removals in the annual greenhouse gas inventory	Downward trend in net emissions	Net emissions under the Kyoto Protocol were slightly higher in 2013 than they were in 2008. 2008: 68.4 Mt CO ₂ -e ⁷ 2013: 68.8 Mt CO ₂ -e	Net emissions under the Kyoto Protocol were lower in 2012 than they were in 2008 2008: 61.6 Mt CO ₂ -e 2012: 61.1 Mt CO ₂ -e.
2. Trends in greenhouse gas intensity of the economy by emissions per unit of GDP and emissions per capita	Downward trends	Downward trends Per unit of GDP: decrease of 33% since 1990; Per capita: decrease of 6.4% since 1990.	Downward trend Per unit of GDP: decrease of 29.2% since 1990 Per capita: decrease of 2.7% since 1991
3. Divergence between forecast net position and Kyoto Protocol obligations	Decreasing liability / increasing asset	Increase in the surplus of units, but decreased in the bookable value of the asset due to a fall in the carbon price.	Increased surplus of units, but decreasing bookable value of the asset due to a fall in carbon price.

⁷ The main reasons for the difference in emissions estimates between the 2014/15 and 2013/14 result is due to changes in the internationally agreed methodologies with which emissions are estimated annually by countries. More information about these new methodologies can be found in the section *Trends in greenhouse gas emissions and removals in the annual greenhouse gas inventory* on page 57.

3 Performance against our strategic intentions for 2014/15

Introduction

Section two presented our current Outcomes Framework, which sets out the longer-term outcomes needed to carry out our mission of 'environmental stewardship for a prosperous New Zealand'. Because we are committed to strengthening our environmental stewardship role and strategy, we have been improving our outcomes framework. It will drive our planning processes in 2015/16 and be published as part of statutory reporting requirements in 2016.

Section three describes the Ministry's strategic intentions (using our current Outcomes Framework) and our progress towards them. We measure our progress by showing.

- what we are aiming to achieve under each outcome
- progress on our impacts (which contribute to our outcomes)
- performance against the output measures we set in the Estimates 2014/15
- performance against our quality advice and ministerial servicing measures
- the costs of delivering our work programme.

'Agreed deliverables' in this section refer to those agreed with Minister through the Output Plan 2014/15.

Summary of performance

The table below provides a summary of our performance against our targets set out in the Estimates 2014/15. For more information on our performance, refer to the pages indicated.

Outcome	Work programme	See page	Targets achieved
New Zealand's environmental management systems are strengthened and supported so that they can achieve the greatest overall environmental, economic, social and cultural benefits.	Resource management	18	4 of 8
	Environmental reporting	24	1 of 3
	Marine	26	1 of 1
	Environmental hazards	30	0 of 1
	Waste management	32	11 of 11
	Domestic obligations	39	4 of 6
	International obligations	41	0 of 1
	Treaty commitments	45	2 of 2
New Zealand's fresh water is well governed and sustainably managed to realise the maximum benefit possible for present and future environmental, cultural, social and economic values.	Freshwater	51	6 of 6
New Zealand becomes a successful low-carbon society that is resilient to climate change impacts on its climate, economy and lifestyle.	Climate change	62	6 of 7
All three outcomes above	Quality of advice	70	0 of 3
All three outcomes above	Ministerial servicing	72	3 of 7

Outcome: New Zealand's environmental management systems are strengthened and supported so that they can achieve the greatest overall environmental, economic, social and cultural benefits

New Zealand's environmental management systems must maintain the environment's capacity to generate benefits for succeeding generations. This does not imply an unaltered environment. It means natural resources should be allocated efficiently, used sustainably and managed so the environment is not exposed to excessive risk.

As our contribution to this outcome there are four impacts we want to achieve in the shorter term. These impacts are:

- improve the resource management framework to manage environmental effects and allocate resources within environmental limits
- reduce harm from natural, chemical and biological hazards and from waste through more effective management frameworks
- achieve better solutions to environmental problems by supporting community involvement and action and international cooperation
- improve the relationship between the Ministry and Māori by negotiating and implementing fair, durable and fit-for-purpose deeds of settlement and environmental accords.

Each impact is reported separately below.

Impact: Improve the resource management framework to manage environmental effects and allocate resources within environmental limits

What we are aiming to achieve

The resource management system enables the sustainable management of New Zealand's natural and physical resources, leading to better environmental, social, cultural and economic outcomes as New Zealand's communities grow and change.

Effective resource management is critically important to New Zealand's current and future economic, environmental, cultural and social well-being. Resource decisions need to ensure our natural and built resources are used and protected in a way that meets our needs now and into the future.

The Resource Management Act 1991 (RMA) is now 24 years old. It is timely to look again at whether the framework it establishes remains fit for the task of managing New Zealand's natural and built resources, and planning for the needs of its communities.

The Government has already embarked on a multi-phase programme of resource management reform. The first phase included streamlining and simplifying the RMA. The Environmental Protection Authority (EPA) was also established to enable the efficient processing of major projects of national significance.

The second phase made improvements to the resource consent regime; a streamlined process for the delivery of Auckland's first unitary plan; improved the information basis for local decision-making; and improved the workability of the RMA through minor and technical amendments.

The next phase of reforms is focused on improving our resource management system more broadly. The proposed amendments to the planning process and delivery of national direction are designed to provide greater certainty for local government, businesses and communities.

Understanding how decisions made under the RMA impact on our resource use and environment is important. The Environmental Reporting Bill mandates the provision of comprehensive environmental information in a way that is easy to understand, independent from the government of the day and relevant. Once implemented, decision makers will have access to consistent and representative information to inform the debate about the interface between environmental, economic, cultural and social dimensions so resources can be allocated to the best use. Also, over time, decision makers will be able to assess the impact of their decisions and make informed adjustments to policies and plans.

Progress we have made towards achieving the impact

National environmental standards (NESs) and national policy statements (NPSs) are key tools for central government to provide direction to local government. We monitor the implementation of NESs and NPSs to assess whether they are effective. The first of these standards dealt with air quality and has been in place long enough for trends to be seen.

Under the resource management reforms, a forward agenda is being developed to clarify when and how national instruments, including NESs, will be used in the future and which subject areas will be a priority. Once the forward agenda has been developed, local government (as well as the business and industry sectors) will have greater clarity and direction on the national priorities and the future policies and rules they are likely to face.

We also monitor local government performance across a number of RMA processes to ensure they are complying with statutory requirements and recommended good practice. For further information on the biennial survey, see <http://www.mfe.govt.nz/publications/rma/annual-survey/>.

The Government has undertaken a number of initiatives to ensure consistent high performance among local authorities, including the improvement of accountability measures and the introduction of a National Monitoring System.

1. Trends in EPA and local government compliance with resource consent processing times under the RMA

Target: Upward trend (councils) / 100 per cent (EPA)

Results: Upward trend (councils) / 100 per cent (EPA)

In 2014/15, the EPA-administered boards of inquiry complied with the statutory resource consent timeframes for all the resource consents it processed in relation to nationally significant proposals (100%) including those with extensions of time approved by the Minister for the Environment. The table below shows the trend in EPA administered board of inquiry compliance over the past five years.

Trend	2009/10	2010/11	2012/13	2013/14	2014/15
EPA administered board of inquiry compliance with mandatory resource consent processing times under the RMA	100%	100%	100%	100%	100%

The table below shows the trend in local authority compliance with mandatory resource consent processing timeframes under the RMA over the past six surveys of local authorities. Surveys occur every

two years, apart from 2010/11 which was deferred to a year later than scheduled to capture the effects of the RMA reforms⁸ which took effect on 1 October 2009. Information for 2014/15 will be available in December 2015 and captured as part of the National Monitoring System.

Trend	2001/02	2003/04	2005/06	2007/08	2010/11	2012/13	2013/14	2014/15
Local authority compliance with mandatory resource consent processing times under the RMA	82%	77%	73%	69%	95%	97%	n/a (next survey in 2014/15)	Data to be published December 2015

One of the key objectives of the resource management reforms is to provide more proportional resource consenting tracks which will lead to a reduction in processing times for simple consents. It is expected that, over time, we should see consistently high levels of compliance with statutory timeframes for resource consents and that overall lapsed working days will also decrease. We have been working closely with Christchurch City Council since 2013 to ensure it is able to meet the resource consenting demands of the Christchurch rebuild. Improvements in Christchurch City Council's processes have been and continue to be made; ensuring Christchurch City Council has and continues to perform well in relation to the performance of other councils.

2. Improvement in customer satisfaction with resource management decisions

Target: Upward trend

Results: Data for reporting on this measure has not yet been produced. It will be produced through the National Monitoring System later this year.

3. Improvement in the quality of analysis and community involvement in plan-making, including s32 analysis and Māori engagement

Target: Upward trend

Results: An evaluative framework (including criteria) has been developed to provide a baseline qualitative assessment of plan making, including the quality of s32 analysis and Māori engagement. The evaluation of 12 RMA plans provides initial evidence on which future trends and improvements in the quality of early community involvement and analysis can be assessed. Councils consistently exceed consultation requirements under the RMA in terms of consulting with the community before notification. Section 32 reports are well structured and presented. However, the underlying methodologies and assumptions for the analysis are not generally communicated clearly. While the qualitative assessment is done well, the extent and detail of the costs and benefits analysis is generally quite variable

4. Number of appeals to the Environment Court and objections to decisions by local authorities

Target: Downward trend

Results: Data for reporting on this measure has not yet been produced. It will be published in December 2015.

⁸ As enacted under Resource Management (Simplifying and Streamlining) Amendment Act 2009.

What we did and how we performed this year

Output Class: Resource Management Policy Advice

Resource management reforms

The development of the current resource management reform package, first announced in 2013, has continued through 2014/15. Over the past year, this package has been further refined and has been discussed by Cabinet on several occasions. While final policy decisions on the package are still pending, the introduction of legislation has been delayed, and is now expected by the end of 2015.

Key elements of the proposed reforms include:

- improving engagement between communities, iwi/hapū and councils in resource management planning
- standardising local plan structure, format and content to provide more certainty and predictability for businesses and communities
- reducing the costs and time taken to get decisions under the RMA
- improving central government tools for providing national direction
- developing a National Monitoring System to track the performance of the resource management system.

National instruments

Under the wider resource management reforms, a forward agenda is being developed to clarify when and how national instruments will be used in the future and which subject areas will be a priority. We are also investigating what further guidance is required on managing natural hazards and residential development capacity issues. Timeframes for providing advice on these matters are tracking those for passage of the Reform Bill.

Working with the Ministry for Primary Industries, we finalised a revised proposal for a National Environmental Standard for Plantation Forestry, ready for consultation in July 2015.

Our work programme to ensure the policy settings under existing national instruments are appropriate has continued. Working with the Ministry of Business, Innovation and Employment we consulted on amendments to the National Environmental Standards for Telecommunication Facilities (NESTF) to keep the NESTF up to date with developments in telecommunications technologies and ensure it will continue to achieve its objectives.

We completed evidence gathering for an interim review of the performance of the National Environmental Standards (NES) on Assessing and Managing Contaminants in Soil to Protect Human Health, which has been in place since 1 January 2012. The scope of the review included the Hazardous Activities and Industries List classification requirements, the activities for which the NES requires resource consent (for example, soil disturbance threshold) and management outcomes for contaminated sites (whether contamination is being managed on site or removed).

Developing a National Monitoring System

A well-functioning resource management system requires credible, robust information about how that system is working. Effectively monitoring how the RMA is being implemented and working in practice is critical to understanding whether its various functions, tools and processes are achieving their intended purpose, and what changes and support might be necessary to ensure the best outcomes are achieved. Since 1995, the RMA Survey of Local Authorities provided the national information about the RMA implementation but after a number of years it was increasingly recognised that this survey had several limitations which impacted on its effectiveness and usefulness. The Ministry has been working with

councils and other organisations to develop the National Monitoring System (NMS). The NMS has been introduced and replaces the RMA Survey of Local Authorities.

The NMS builds on the former survey by covering what is already captured but including additional scope and information requirements to provide more comprehensive, detailed and complete information so there is greater clarity on the implementation and effectiveness of the RMA. For example, where the RMA survey collected data on the number of resource consents processed within the statutory timeframe, the NMS tracks every resource consent a council processes from lodgement date through to the decision date including the dates and durations of requests for further information, extensions to time, hearings and whether objections and appeals were lodged. This enables the Ministry to have greater certainty about the quality of the data provided and provides an indication of which aspects of the resource consent processes may need to be investigated further. A similar level of detail is captured for plan-making processes.

As the NMS has been designed to improve the quality and relevance of information generated, its successful implementation requires adjustments to local, regional and national monitoring and reporting systems. Therefore, implementation has needed to be carefully considered in order to minimise adverse effects on councils and central government.

To try and minimise these effects, the NMS is being implemented progressively. This allows for existing processes to be advanced in the short term, and newer and more unknown elements to be tested, developed and agreed over a longer timeframe, to enable councils to change or adapt (or both) their monitoring systems and processes to meet the requirements of the NMS.

The information requirements for 2014/15 were due to be reported to the Ministry by 31 July 2015 and data validation has begun. Once this process has been completed data analysis will be undertaken prior to reporting in late 2015.

The NMS will need to adapt to remain relevant and useful as new information emerges or needs change (or both). As such, further work will be undertaken to scope the collection of other information proposed for capture as part of the NMS, and to assess the ability and impact on local authorities of collecting this information. In parallel, the Ministry will also advance work on an outcomes-based monitoring system for the RMA which can show how resource management decisions are contributing to the environmental, social and economic outcomes.

Air quality

We have undertaken monitoring on the progress of councils towards complying with the particulate matter (PM₁₀) standard in the National Environmental Standards for Air Quality. The report on findings will be released in the first quarter of 2015/16. Monitoring showed that 11 monitored airsheds required to comply with the PM₁₀ standard by 2013 did so. Of the remaining 26 airsheds monitored in 2013, 12 need to meet the standard by 2016 and 14 have a timeframe of 2020. Of these 26 airsheds, five had levels that met the 2016 requirement in 2013.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables to support the drafting and parliamentary process for the 2014 Resource Management Bill (excluding water reform) that are completed within agreed timeframes	100%	100%	50%
Advice on further resource management reforms that may be required following the passing of the 2014 Resource Management Reform Bill is provided within agreed timeframes	Not achieved	Achieved	50%
Provide advice to Minister on forward agenda of priorities for national direction under the Resource Management Act 1991	New measure	30 June 2015 ⁹	87% of advice provided

Commentary on targets not achieved:

The introduction of the legislation has been deferred and is now not expected until the end of 2015. This has also delayed additional targets that are contingent on the passing of the legislation, including some advice on broader urban planning.

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables relating to the development of the National Monitoring System (NMS), implementation of the Christchurch and Auckland district plans process, and other material as required, that are completed within agreed timeframes	New measure	100%	100% (Auckland) 80% (Christchurch)

Commentary on targets not achieved:

One deliverable was not achieved because the method of monitoring changed.

Output Class: Resource Management Implementation

Implementation of 2015 Resource Management Reform Package

In August 2013, the Government announced the next phase of the reforms which will make further improvements to the RMA, and resource management more broadly, including how fresh water is managed and used and the development of a new national planning template. In 2014/15, this package of reforms has continued to be developed and refined. Introduction of the legislation on the Resource management reforms has been deferred, pending final policy decisions on the package. It is now expected to be progressed towards the end of 2015.

Implementation of Resource Management Amendment Act 2013

On 3 March 2015, the remaining provisions of the Resource Management Amendment Act (RMAA) 2013 came into force. RMAA is part of the Government's multi-phase reform programme, which began with the Resource Management (Simplifying and Streamlining) Amendment Act 2009. It has contributed improvements to the resource consent regime; a streamlined process for the delivery of Auckland's first unitary plan; an improved information base for local decision-making; and improved workability of the RMA through minor and technical amendments.

We are committed to ensuring the success of these reforms and therefore have played, and will continue to play, a more collaborative hands-on role by providing active support to councils and others, including iwi.

⁹ This target was changed from 30 September 2014 to 30 June 2015 via the Supplementary Estimates of Appropriations 2014/15.

Plan evaluation reports (section 32)

In December last year, the Ministry published a final section 32 guide incorporating changes as a result of the Resource Management Amendment Act 2013. The guide helps practitioners and decision-makers undertake good practice section 32 evaluations, and in doing so, improve planning practice across New Zealand. The guide focuses on local authority plans and policies, including regional policy statements, plans, and plan changes. It covers proposals on any RMA planning issue of any scale or significance. This final guide was developed after seeking feedback on an interim guide, including written comments and two practitioner focus groups. The Ministry also undertook during July–November eight section 32 training workshops in partnership with the New Zealand Planning Institute and the Resource Management Law Association and provided an online webinar.

We have also developed an evaluative framework (including criteria) to provide a baseline qualitative assessment of plan making, including the quality of section 32 analysis and Māori engagement.

Consenting guidance

Also in December, the Ministry published guidance to help applicants, council officers and commissioners understand and implement amendments to the consent process that came into effect on 3 March 2015. The new consent provisions in the RMAA focus on improving certainty for councils and applicants in two significant ways:

- refining information requirements for applicants and councils to follow when applications are lodged
- introducing a new six-month timeframe for decision-making on notified and limited notified applications.

These documents were written to guide practice to achieve nationally-consistent implementation. The Ministry has also presented to the Ministry's Graduate Group (a group of junior-intermediate council planners who meet quarterly to discuss relevant resource management and practice issues) and updated Quality Planning guidance notes. A series of seminars across New Zealand is being planned that will further strengthen the Ministry's messaging surrounding the implementation of RMAA.

Regulations:

All RMA regulations, forms and supporting implementation guidance relevant to the 3 March 2015 amendments have been updated, ensuring proper implementation of the changes are possible.

Council engagement

Our council engagement project has focused on building stronger relationships with every council in New Zealand. Through dedicated relationship managers we have been able to provide direct support to individual councils and advise on resource management and fresh water.

The Auckland Unitary Plan

The Auckland Unitary Plan (AUP) is the largest resource management plan in New Zealand and once operative will replace one regional policy statement and 11 district and regional plans. Under the existing plan-making process it could have taken 10 years to become operative. Given the scale and significance of the AUP, a one-off streamlined process was established to help deliver it in approximately three years.

Hearings on the AUP began in September 2014 and are making good progress. By the end of April 2015 hearings for the regional policy statement and the regional coastal plan were complete and the regional and district plan sections were almost 40 per cent complete.

The Ministry is working closely with the Auckland Council and AUP Hearings Panel (the Panel) to monitor progress and respond to requests for additional support or guidance. In September 2014, the terms of reference were agreed and joint steering and working groups were established to provide oversight and deliver the work programme. Since that time the Ministry has supported the Panel to deliver interim guidance on its position and gathered the views of lay-submitters who have been involved in the process which has resulted in small improvements to the process.

Christchurch District Plan Review

In collaboration with the Christchurch Earthquake Recovery Authority (CERA), we have developed a process to provide a truncated RMA planning process for the review of Christchurch's district plans to facilitate the rebuild and recovery of the district following the Canterbury Earthquakes. In July 2014, an Order in Council came into effect under the Canterbury Earthquake Recovery Act 2011 which enabled the truncated process.

The Order in Council is novel in that provision is made for ministerial comments on draft proposals before public notification, truncated submissions, and hearings by an independent panel. The Order in Council stipulated the appointment of the Chairperson, Sir John Hansen, and the remainder of the panel was appointed in late 2014.

Subsequent amendments to the Order and appointment of additional panel members throughout 2014/15 have helped ensure the effective implementation of the Order.

Statutory functions under the Resource Management Act

We advise and assist the Minister for the Environment with their responsibilities under the RMA. Some of these functions have statutory timeframes which must be met, while others have non-statutory timeframes, which are either agreed with Ministers or agreed internally.

We assist Ministers by:

- Assessing applications for requiring authority status. Requiring authority status gives entities the ability to have areas of land designated for a particular purpose or project such as network utilities or large public works. These functions do not have a statutory timeframe, however, we have a 65-day internal key performance indicator for processing these applications, excluding periods when awaiting further information.
- Assessing applications for water conservation orders. These orders recognise the outstanding amenity or intrinsic values that water provides and can place restrictions on water 'takes', discharges and other uses of the water. Any person may apply to the Minister for a water conservation order. We provide advice to the Minister on the completeness of the application. Like requiring authority applications, water conservation orders do not have a statutory timeframe. Based on our advice the Minister must then either appoint a special tribunal to hear and report the application, or reject the application, 'as soon as practicable'.
- Providing advice, in conjunction with the EPA, on nationally significant proposals or applications for nationally significant proposals within the required statutory timeframes.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables in relation to the implementation of the Resource Management Amendment Act 2013 and the 2014 Resource Management Reform Bill (including amendment of current regulations, and development of guidance material and roadshows, improved council engagement, update of Quality Planning guidance notes, and Making Good Decisions accreditation material) that are completed within agreed timeframes	New measure	100%	100%
Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of demand driven requests for Resource Management Act processes that the Ministry has responsibility for that are completed within statutory timeframes	100%	100%	100%
Percentage of demand driven requests for Resource Management Act processes that the Ministry has responsibility for and do not have statutory timeframes, that are completed within other agreed timeframes	100%	100%	100%

Monitoring the Environmental Protection Authority

During 2014/15, we monitored the performance of the Environmental Protection Authority (EPA) on behalf of the Minister for the Environment. We are responsible for advising the Ministers on the EPA's leadership, capability, financial performance, and progress towards achieving its agreed output measures.

We undertook a number of activities as part of our monitoring role, including:

- reviewing the EPA's six-monthly reports and drafts of key accountability documents to monitor the EPA's progress against its annual outputs and expectations
- preparing a Letter of Expectations from the Minister for the Environment to the EPA Board
- running a Board appointments process on behalf of the Minister for the Environment
- briefing the Ministers on risks, issues and matters of interest.

In 2014, we undertook a review of the effectiveness of the EPA, which was required three years after the EPA became operational. The review evaluated the effectiveness and efficiency of the EPA, including the EPA's governance and the role of the Māori Advisory Committee (Ngā Kaihautū Tikanga Taiao). The review also considered the fiscal sustainability of the EPA, including a high-level assessment of its operational efficiency and the impact of this on funding needs, and an evaluation of its cost recovery practices.

Overall, the review found the EPA to be an effective organisation but it did make a number of recommendations for both the Ministry and the EPA to ensure continued and improved effectiveness. We are now working closely with the EPA to respond to the review recommendations. We will report back to the Minister for the Environment on progress against the implementation of the review recommendations in October 2016.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables in relation to monitoring relevant Crown entities that are completed within agreed timeframes	100%	100%	100%

Environmental Reporting Bill

Until 2015, New Zealand was one of only a few OECD countries that did not have legally-mandated independent reporting on the state of the environment even though we, more than any, depend on our natural environment for so much of our wealth and economic success.

To address this, an Environmental Reporting Bill was introduced to Parliament in February 2014. This Bill mandates the provision of comprehensive environmental information for New Zealanders in a way that is easy to understand, independent and relevant. Good information on the state of our environment allows us to fully understand both natural occurrences and the impact that humans are having on the environment. Most importantly, it helps to highlight the key choices and trade-offs New Zealanders face in the use of our natural resources.

The key elements of the Bill are to:

- establish an environmental reporting system that provides comprehensive information on five key environmental domains – air, atmosphere and climate, fresh water, marine and land, with biodiversity as a theme across all domains
- require the Secretary for the Environment and the Government to carry out regular environmental reporting, at arms' length from the government of the day, on a three-year cycle
- give the Parliamentary Commissioner for the Environment a legislative mandate to provide expert commentary and independent opinion on the quality of the underlying data and robustness of the analysis, as well as the substance of the report and any concerns it may raise.

The Bill passed its first reading in March 2014 and we supported the Select Committee process in 2014/15. The focus of the environmental reporting work programme for 2014/15 was to continue to support the parliamentary and select committee process for the Environmental Reporting Bill; start to implement the provisions under the Environmental Reporting Bill (including the development of, and consultation on, regulations); and work with data providers to improve the availability of consistent and representative data to underpin national environmental reporting. Most importantly however, 2014/15 has been used to prepare the first synthesis report under the new regime. This is due for release on 21 October 2015.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables in relation to the implementation of the 2014 Environmental Reporting Bill (including development of new regulations) that are completed within agreed timeframes.	New measure	100%	75%

Commentary on targets not achieved:

This measure contained three deliverables. Those relating to the departmental report for the Select Committee's consideration were met. However, the deliverable on developing regulations within the second half of the year was not, as it is dependent on the Bill being passed in 2014/15.

Improving environmental reporting

The next environmental report, to be released in October 2015, will be a synthesis report that aims to provide a complete picture of cross-domain issues by summarising trends across all environmental domains. While early domain and synthesis reports will build on currently available data, the quality and representativeness of these reports will improve with investment over time.

To improve the quality and consistency of data on the state of our environment, we have been working with local government on an Environmental Monitoring and Reporting (EMaR) initiative to develop integrated regional and national environmental data collection networks. The EMaR initiative will build on the Land Air Water Aotearoa website.¹⁰

While it is important to understand the state of the environment at any one time, we also need to understand how that state changes over time or how it compares between regions, which means data must be collected consistently. Standards and guidance are being developed by the National Environmental Monitoring Standards (NEMS) group (a collaboration between regional councils and ourselves). The NEMS that have been developed to date are available on the LAWa website.

The Ministry has been investing in research to acquire and improve the datasets available. We have commissioned modelling to improve the integration of water information into Environmental Reporting, both for water quantity and quality.

There are several other projects that are being commissioned to improve environmental reporting data. For example, we are:

- infilling some gaps in climate data
- looking at the value and benefits of citizen science by analysing data from the annual garden bird survey (which was established to monitor the population trends of common garden birds in New Zealand)
- investigating biodiversity hotspots.

Further work to identify and prioritise data improvement needs will happen at the same time the 2015 synthesis report is produced.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Publication of first synthesis report under new environmental reporting regime	New measure	30 June 2015	Not achieved
Percentage of agreed deliverables in relation to improving environmental reporting so that reporting is credible, fairly represents the overall position in New Zealand, and provides an integrated picture of environmental and economic performance that are completed within agreed timeframes	33%	100%	100%

Commentary on targets not achieved:

The synthesis report was originally scheduled to be published in June 2015. The publication date was deferred to take into account the progress of the Environmental Reporting Bill and ensure the report is of a high quality. It will now be published in October 2015.

¹⁰ See <http://www.lawa.org.nz/>.

Output Class: Marine Environment Policy Advice

Exclusive Economic Zone

New Zealand's Exclusive Economic Zone (EEZ) is the area of sea and seabed that extends from 12 nautical miles off the coast to 200 nautical miles. Together with our continental shelf, its area is about 20 times the size of our land mass, making it one of the largest EEZs in the world. This zone not only supports highly diverse marine ecosystems and species, but also provides New Zealand with significant economic opportunities through fishing, petroleum mining and shipping. It also connects us to the rest of the world through undersea telecommunication cables, and ships and aircraft passing through the zone.

While the RMA regulates activities on land and in the territorial sea out to 12 nautical miles, there has been limited ability to regulate activities beyond 12 nautical miles. This gap in New Zealand's environmental management regime was filled when the EEZ and Continental Shelf (Environmental Effects) Act 2012 and regulations came into effect.

In February 2014, the Government released supporting information for the exposure draft of regulations for the discharge of harmful substances and the dumping of waste under the EEZ Act. During the consultation period 22 submissions were received. Final targeted consultation on a second exposure draft of these regulations closed in August 2014. The Government is still to make final decisions on the proposed regulations.

The Ministry is now focusing on ensuring the successful implementation of the regulatory framework that underpins the EEZ. Gaining a better understanding of New Zealand's marine environment, particularly for the location of sensitive environmental and extractive resources will become increasingly important over the next four years to ensure the EEZ framework remains fit for purpose over time. Improving the understanding of the marine environment and taking a broader, more integrated and strategic approach to resource management across marine interests (for example, fishing, minerals mining, and conservation) will be an increasing focus.

Marine protection legislation

The Ministry is currently leading work to develop marine protection legislation.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Provide advice on the implementation of the Exclusive Economic Zone and Continental Shelf regulatory regime, within agreed timeframes	New measure	Achieved	Achieved

What it cost

The resource management and marine work programmes are funded by output classes from the *Multi-Category Appropriation: Improving Resource Management*.

This multi-category appropriation contains six output classes that contribute to the outcome of strengthening and supporting New Zealand's environmental systems so they can achieve the greatest overall environmental, economic and social benefits with a shared focus on resource management. Of these five appropriations, three contribute to our aim of improving the resource management framework to manage environmental effects and allocate resources within environmental limits:

- Departmental Output Class: Resource Management Policy Advice
- Departmental Output Class: Resource Management Implementation
- Departmental Output Class: Marine Environment Policy Advice.

Departmental Output Expense: Resource Management Policy Advice

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to the management of natural and physical resources in New Zealand.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Revenue					
Crown	4,243	4,797	7,567	7,567	7,730
Departmental	23	–	66	78	–
Other	20	–	43	43	–
Total revenue	4,286	4,797	7,676	7,688	7,730
Total expenses	4,188	4,797	7,676	7,224	7,730
Net surplus/(deficit)	98	–	–	464	–

At Main Estimates, the 2014/15 budget for this output class was \$4.797 million. During the year, this increased by \$2.879 million due to the reprioritisation of funding from *Departmental Output Class: Resource Management Implementation* to progress work on the 2014 Resource Management Reform Bill and developing a National Monitoring System to track the performance of the resource management system.

Departmental Output Expense: Resource Management Implementation

This category is limited to the implementation of tools, frameworks and institutions and provision of advice, support, information, and guidance to the public, practitioners and wider natural resource sector in relation to resource management policy and practices.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Revenue					
Crown	8,950	11,685	8,910	8,910	11,985
Departmental	45	–	65	85	–
Other	26	–	43	43	–
Total revenue	9,021	11,685	9,018	9,038	11,985
Total expenses	8,967	11,685	9,018	8,370	11,985
Net surplus/(deficit)	54	–	–	668	–

At Main Estimates, the 2014/15 budget for this output class was \$11.685 million. During the year, this decreased by \$2.667 million due to the reprioritisation of funding to *Departmental Output Class: Resource Management Policy Advice* to progress work on the resource management reforms.

Departmental Output Expense: Marine Environment Policy Advice

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to the marine environment.

	2013/14	2014/15	2014/15	2014/15	2015/16
	Actual \$000	Budget \$000	Revised Budget \$000	Actual \$000	Unaudited Forecast \$000
Revenue					
Crown	1,601	1,316	1,616	1,616	1,216
Departmental	2	–	14	18	–
Other	5	–	9	9	–
Total revenue	1,608	1,316	1,639	1,643	1,216
Total expenses	1,594	1,316	1,639	1,645	1,216
Net surplus/(deficit)	14	–	–	(2)	–

At Main Estimates, the 2014/15 budget for this output class was \$1.316 million. During the year, this was increased by \$323,000 primarily to progress work on Marine and Exclusive Economic Zone legislative and regulatory policy work.

Non-departmental funding

We are the monitoring department for the Environmental Protection Authority. The EPA's operating funding (related to this impact) is provided for under Vote Environment from *the Multi-Category Appropriation, Environmental Protection Authority: Regulatory Functions*. The overarching purpose of this appropriation is to provide advice and other support to Ministers focusing on the regulatory functions carried out by the Environmental Protection Authority, related to compliance and enforcement, and decision-making.

	2013/14	2014/15	2014/15	2014/15	2015/16
	Actual \$000	Budget \$000	Revised Budget \$000	Actual \$000	Unaudited Forecast \$000
Expenditure					
Environmental Protection Authority: Regulatory functions multi-category appropriation:					
Supporting Environmental Management	4,655	–	–	–	–
Other expense					
Exclusive Economic Zone Major Prosecutions Fund	–	–	500	–	–
Total expenditure	4,655	–	500	–	–

During 2014/15, the non-departmental output class: Supporting Environmental Management was merged within the other two categories of the Environmental Protection Authority: Regulatory Functions Multi-Category Appropriation to reduce the ambiguity between costs allocated to decision-making process and supporting processes.

Impact: Reduce harm from natural, chemical and biological hazards and from waste through more effective management frameworks

What we are aiming to achieve

New Zealand, like other countries, is exposed to hazards that can be potentially damaging to our health, well-being or prosperity. These hazards can include risks from using, handling, transporting, storing or disposing of hazardous substances inappropriately, as well as risks from introducing new plants, animals or micro-organisms into the environment. However, if managed well, many of these substances or organisms can help us achieve important economic goals and improve our well-being.

Our environment can also become contaminated from the unwise use and disposal of hazardous substances in industrial processes and from accidents (such as the grounding of the *Rena* container ship). New Zealand has government agencies and laws that help prevent contamination or remediate the environment after contamination has occurred.

We ensure management frameworks designed to protect people and the environment from environmental risks are effective, without unnecessarily constraining economic growth.

New Zealand is party to multilateral environmental agreements that help manage the risks posed by certain hazardous substances, hazardous waste and new organisms. Participation in these agreements offer advantages to New Zealand's trading environment (for example, consistency of classification and labelling) and management of environmental hazards.

Waste means different things to different people. As one of a suite of indicators the production of waste can indicate that we are not optimising our resources. The more efficient the manufacturing process, the less waste created. Encouraging producers, brand owners, importers, retailers, consumers and other parties to accept responsibility for the environmental effects of their products (from the time they are produced until they are disposed of) creates business opportunities for New Zealand companies to develop innovative product design, efficient manufacturing, and resource recovery technologies.

Progress we have made towards achieving the impact

The Environmental Protection Authority (EPA) is responsible for decision-making under the Hazardous Substances and New Organisms Act (HSNO Act). The EPA also reports annually on the HSNO Act's effectiveness, which helps us monitor the management framework for chemical and biological hazards. We collect data on waste disposal at facilities subject to the Waste Disposal Levy. This helps us monitor the effectiveness of the Waste Minimisation Act 2008 in reducing waste.

1. Changes in the incident data compiled by the Environmental Protection Authority and enforcement agencies under the Hazardous Substances and New Organisms Act

Target:	Reduced number of incidents
Results:	Hazardous substances: Fifteen per cent decrease in total number of reported incidents since 2009/10. No level four or five incidents have been reported. New organisms: Seventy-seven per cent increase since 2009/10, likely due to better reporting rather than an actual increase in incidents.

To monitor the effectiveness of the HSNO Act, the EPA reports on three broad outcome areas: people are protected from harm; the environment is protected from harm; and the operation of the HSNO system is efficient and cost-effective. The June 2013 monitoring report was the first to use a revised set of indicators. Incident data is only one indicator area. This data is the number of incidents reported to the EPA, not all incidents that have occurred.

There are five categories of incidents, ranging from minimal (level one) to massive (level five). There have been no level four or five incidents since reporting began. Level one (minimal) incidents cause no

or minimal harm. The table below summarises the number of incidents, reported to the EPA, involving hazardous substances and new organisms and how many incidents had an adverse effect on the environment and/or human health.

Trend	2010/11	2011/12	2012/13	2013/14	2014/15
Total number of incidents involving hazardous substances	1,460	599*	929	1,100	938
Incidents involving hazardous substances where adverse effects to the environment were known	419	144	417	464	424
Incident levels 2 and 3 only	7	1	2	7	4
Incidents involving hazardous substances where adverse effects on human health were recorded	52	49	39	45	36
Incident levels 2 and 3 only	21	16	23	38	25
Total number of incidents involving new organisms	24	32	35	31	55
Incidents involving approved new organisms where adverse effects to the environment were recorded	0	0	0	0	0
Incidents involving approved new organisms where adverse effects on human health were recorded	5	9	5	5	8

* Figure is significantly under-reported, due to industrial action by the NZ Fire Service, the main data source.

Hazardous substances incidents: Reporting on the adverse effects to the environment involving hazardous substances continues to be challenging. The total number of incidents involving hazardous substances where adverse effects to the environment were known shows a decrease in 2011/12 but this is likely due to greater caution in describing whether environmental effects were known or not known, as well as under-reporting by the NZ Fire Service due to industrial action.

New organisms: The total number of reported incidents has doubled since 2010/11. This is most likely due to better reporting and recording of incidents. Since 2009/10, all new organisms incidents causing adverse effects on human health have involved zoo animals.

2. Trends in the tonnage of waste disposed of at waste disposal facilities per unit of GDP

Target: Downward trend
Results: Upward trend (19.3 tonnes per \$1 million GDP (projected) for the year ending 30 June 2015 versus 18.6 tonnes per \$1 million GDP (projected) for the year ending 30 June 2010)

Trend	2010/11	2011/12	2012/13	2013/14	2014/15
Tonnes of waste disposed at facilities per unit of GDP	18.9	17.9	17.6	18.6	19.3

What we did and how we performed this year

Output Class: Environmental Hazards and Waste Policy Advice

Hazardous Substances and New Organisms Act 1996

While fundamental to our economy and environmental management, the use and management of hazardous chemicals and the introduction of organisms pose risks to New Zealand's environment, people's health and our economy. The Hazardous Substances and New Organisms Act 1996 (HSNO Act) provides a policy framework designed to manage these risks while ensuring New Zealand gets the benefits delivered by the use of hazardous substances and new organisms.

A 2012 survey of 400 businesses that handle hazardous substances found that only 25 per cent of these businesses were fully compliant with eight key HSNO Act controls. Thirty per cent of those responsible for hazardous substances management on site had never heard of the HSNO Act, or had heard of it but did not know much about it. Non-compliance contributes to between 440 and 680 deaths per year from chronic exposure to hazardous substances in New Zealand.

To help reduce harm in the workplace we have been working with the Ministry of Business, Innovation and Employment and the Environmental Protection Authority (EPA). Part of this includes reforming the hazardous substances policy framework to ensure businesses are better able to understand how to keep safe in the workplace, and are incentivised to comply with safety requirements. These changes to the hazardous substances policy framework have been incorporated into the Health and Safety Reform Bill that was introduced into Parliament in March 2014. Once enacted, this Bill will create the Health and Safety at Work Act.

The key HSNO-related changes proposed are:

- Workplace hazardous substances regulations will be transferred to the new Health and Safety at Work Act. This Act will be implemented and enforced by WorkSafe New Zealand. This will reduce complexity and uncertainty for businesses because there will be one clear regulator who will implement and enforce the new Act.
- Many non-workplace hazardous substances regulations within the HSNO regime will be shifted to tertiary legislation, empowering the EPA to manage hazardous substances through new 'EPA notices'. This will simplify the regulatory requirements and make them more flexible, adaptive and in keeping with current international best practice.
- The enabling of infringement notice regulations within the HSNO regime.

The Government's intention is that the Bill will be passed in the last quarter of 2015, with the new Act coming into force in 2016. We continue to look for additional improvements to both the hazardous substances' and new organisms' regulatory regimes to reduce harm and compliance costs, and to improve administrative efficiency.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables in relation to the chemical and biological risk management framework that are completed within agreed timelines	67%	100%	62.5%

Commentary on targets not achieved:

1. Policy work on the new organisms regime was completed and a briefing note prepared. This work was however put on hold as the review of the Organisms Not Genetically Modified Regulations took priority.
2. Initial policy work on developing new HSNO infringement regulations has been carried out and a Cabinet paper prepared. Specific advice to the Minister on the infringement regulations is still ongoing due to the Health and Safety in the Workplace Bill not yet having been reported back to the House of Representatives.
3. The Secretary for the Environment was not advised on a small number of applications that fell within the Minister's statutory call-in powers, due to workload constraints. None of the applications were applications we were recommending the Minister call in. To date the Minister has not yet called in any applications.

Output Class: Waste Minimisation Administration

Waste Minimisation Act 2008

We are responsible for the administration of the Act. The aim of the Waste Minimisation Act 2008 is to encourage waste minimisation and decrease waste disposal in New Zealand.

To help achieve this, the Act:

- puts a levy (of \$10 per tonne plus GST) on all waste disposed of in landfills to generate funding to help local government, communities and business reduce the amount of waste
- helps, and where necessary makes, producers, brand owners, importers, retailers, consumers, and other parties take responsibility for their products through product stewardship schemes
- allows for regulations to be made making it mandatory for certain groups (for example, landfill operators) to report on waste to improve information on waste minimisation
- clarifies the waste minimisation roles and responsibilities of territorial authorities
- establishes the Waste Advisory Board to give independent advice to the Minister for the Environment on waste minimisation issues.

Administering the Waste Minimisation Act

Through the Waste Disposal Levy are able to recover the costs of certain administration functions up to an amount agreed by Cabinet (in 2014/15, this amount was \$2.061 million). In 2014/15, we recovered \$1.368 million from the levy.

Ongoing administration functions include:

- collection of the levy from disposal facility operators (including collection returns, issuing invoices, receiving payments, processing applications, compliance reviews, and collecting debts)
- payment of 50 per cent of levy revenue to territorial authorities and monitoring territorial authorities to ensure that funds are being used to deliver their Waste Management and Minimisation Plans
- managing the Waste Minimisation Fund and oversight of projects funded
- administering the assessment of voluntary product stewardship applications for accreditation and monitoring of accredited schemes
- provision of secretariat function to the Waste Advisory Board to help them fulfil their statutory role.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Administration costs of the Waste Disposal Levy (including levy collection, administration of Waste Minimisation Fund projects and payments to territorial authorities) are not more than 5% of the total levy collected	4.81%	No more than 5%	2.40%
Percentage of instances when successful action is taken against disposal facility operators who have outstanding levy payments (over 120 days)	No action required to be taken	100%	100%
Percentage of Disposal Facility Operators satisfied (or better) with the timeliness and quality of advice received from the Ministry through the course of the year	92% satisfied	70% satisfied or better	100%

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of territorial authorities satisfied (or better) with the timeliness and quality of advice received from the Ministry throughout the course of the year	93% satisfied	70% satisfied or better	82%
The Waste Minimisation Fund eligibility and assessment criteria are aligned with the requirements of the Waste Minimisation Act 2008	Achieved	Achieved	Achieved
Percentage of funding rounds for the Waste Minimisation Fund that proceed through Stage I in under 12 weeks per round (standard term: 60 working days)	0% (based on one funding round)	100%	100%
Percentage of completed Waste Minimisation Fund projects administered within acceptable timeframes (after funding agreement signed)	83%	80%	94%
Percentage of Waste Minimisation Fund applicants whose projects are completed are satisfied (or better) with the timeliness and quality of advice received from the Ministry throughout the course of their project	83% satisfied	80% satisfied or better	94%

Output Class: Waste Management and Minimisation

Product stewardship

Product stewardship is a tool that encourages producers, brand owners, importers, retailers, consumers and other parties to take responsibility for the environmental effects of their products through the entire life cycle of those products. Mitigating the environmental effects a product can have throughout its life cycle can mean resources are used more efficiently and responsibly and the product's end-of-life impacts are minimised.

Under the Waste Minimisation Act, product stewardship schemes can apply for formal accreditation which means that their scheme is recognised and endorsed by the Government. We are responsible for assessing these applications and, once accredited, monitoring their progress against their objectives and targets.

Waste Advisory Board

The Waste Advisory Board was established in 2008 under the Waste Minimisation Act to provide independent advice to the Minister for the Environment on request, on matters such as the declaration of priority products, product stewardship scheme guidelines, funding criteria, effectiveness of the waste disposal levy, and regulations under the Act.

Appointees to the Board are selected for their knowledge, skills and experience on the Waste Minimisation Act, community waste minimisation projects, business/industry (including the commercial waste industry), local government, and tikanga Māori. Board members serve for three years, unless a shorter term is stated in their notice of appointment. We provide secretariat support to the Waste Advisory Board to help them fulfil their statutory role.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
An increase in the total number of voluntary product stewardship schemes that have sought accreditation from the Minister for the Environment	Upward trend (additional three schemes accredited)	Upward trend	Upward trend (additional two schemes accredited)
Percentage of product stewardship scheme applicants satisfied (or better) with the timeliness and quality of advice received from the Ministry throughout the course of their application	100% satisfied	80% satisfied or better	100%
Secretariat functions for the Waste Advisory Board are undertaken in accordance with the Board's terms of reference and their annual work programme	Achieved	Achieved	Achieved

What it cost

The environmental hazards and waste work programme is funded by the *Multi-Category Appropriation: Mitigating Environmental Hazards and Waste* under Vote Environment.

The two output classes in the multi-category appropriation contribute to the outcome of strengthening and supporting New Zealand's environmental systems so they can achieve the greatest overall environmental, economic and social benefits. They focus on reducing harm from natural, chemical and biological hazards and from waste through more effective management frameworks. They are:

- Environmental Hazards and Waste Policy Advice
- Waste Management and Minimisation.

The costs of administering the Waste Minimisation Act 2008 are funded by *Departmental Output Class: Waste Minimisation Administration* under Vote Environment.

Departmental Output Expense: Environmental Hazards and Waste Policy Advice

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to the risks posed by environmental hazards and waste, including international agreements, conventions and obligations.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Revenue					
Crown	1,488	1,365	1,890	1,890	1,365
Departmental	35	–	18	19	–
Other	2	–	11	11	–
Total revenue	1,525	1,365	1,919	1,920	1,365
Total expenses	1,502	1,365	1,919	1,781	1,365
Net surplus/(deficit)	23	–	–	139	–

At Main Estimates, the 2014/15 budget for this output class was \$1.365 million. During the year, this was increased by \$554,000 due to the reprioritisation of funding from *Departmental Output Class: Waste Management and Minimisation* for progressing policy work in relation to a product stewardship scheme.

Departmental Output Expense: Waste Management and Minimisation

This category is limited to operational advice, implementation of tools, frameworks and institutions, and support, information and guidance to stakeholders in relation to waste management and minimisation.

	2013/14	2014/15	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Forecast \$000
	Actual \$000	Budget \$000			
Revenue					
Crown	2,409	2,085	1,560	1,560	2,085
Departmental	4	–	16	16	–
Other	3	–	9	9	–
Total revenue	2,416	2,085	1,585	1,585	2,085
Total expenses	2,301	2,085	1,585	1,531	2,085
Net surplus/(deficit)	115	–	–	54	–

At Main Estimates, the 2014/15 budget for this output class was \$2.085 million. During the year, this was decreased by \$500,000 due to the reprioritisation of funding to *Departmental Output Class: Environmental Hazards and Waste Policy Advice* for progressing policy work in relation to a product stewardship scheme.

Departmental output expense: Waste Minimisation Administration

This appropriation is limited to the collection and administration of the waste levy and assessing and monitoring costs relating to projects considered or approved for funding from the waste levy.

	2013/14	2014/15	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
	Actual \$000	Budget \$000			
Revenue					
Crown	2,218	1,714	1,714	1,714	1,714
Departmental	3	–	11	10	–
Other	3	–	5	7	–
Total revenue	2,224	1,714	1,730	1,731	1,714
Total expenses	2,062	1,714	1,730	1,375	1,714
Net surplus/(deficit)	162	–	–	356	–

In 2014/15, we carried out our functions under the Waste Minimisation Act at a cost that was \$362,000 lower than Supplementary Estimates. Under the Waste Minimisation Act, this underspend must be returned to the Waste Minimisation Fund.

The actual expenditure was lower in 2014/15 compared to the Main Estimates due to fewer audits of landfills undertaken than expected.

Non-departmental funding

We manage a number of non-departmental appropriations on behalf of the Crown that contribute to reducing harm from chemical and biological hazards and from waste through more effective management frameworks. These appropriations are shown in the table below.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Income					
Waste Disposal Levy collected from disposal facility operators	27,855	28,000	32,000	30,650	32,000
Total income	27,855	28,000	32,000	30,650	32,000
Expenses					
Waste Disposal Levy disbursement to territorial local authorities	13,928	14,000	16,000	15,340	16,000
Contestable Waste Minimisation Fund	8,484	15,752	12,583	8,361	12,583
Impairment of debt relating to environment activities	–	1,500	1,500	–	1,500
Environmental Protection Authority: Regulatory functions multi-category appropriation:					
Compliance and enforcement	3,722	8,404	8,404	8,404	5,944
Decision-making	7,723	10,181	9,631	9,631	13,481
Total expenses	33,857	49,837	48,118	41,736	49,508

Rena Long-term Environment Recovery

Rena Long-term Environment Recovery – appropriations, adjustments and use	\$000
Original appropriation	2,872
Adjustment for 2013/14	(453)
Total adjusted appropriation	2,419
Actual expenses to 2011/12 year end	–
Actual expenses to 2012/13 year end	1,877
Actual expenses to 2013/14 year end	426
Actual expenses to 2014/15 year end	84
Total actual expenses	2,387
Balance of appropriation remaining after projected expenses	32

Impact: Achieve better solutions to environmental problems by supporting community involvement and action and international cooperation

What we are aiming to achieve

This outcome is mainly operational, with a focus on administering government funding, coordinating activities with partner countries, and on projects with other organisations.

In providing advice to the Government, we generally work with others, both domestically and internationally, to find solutions to environmental problems. Community involvement and international cooperation can often achieve solutions and results we could not deliver alone.

At a domestic level, we support environmental projects led by others and can leverage significant contributions of funding or community hours of work that achieves more than either party could do by themselves.

At the international level, we are involved in negotiating and implementing environmental cooperation agreements associated with free trade agreements. These provide for New Zealand to share with, and learn from, other countries about best practice in environmental management and to advance our common interests.

Some measures below contribute to other impacts. For example, the remediated sites target also contributes to the impact 'reduce harm from natural, chemical and biological hazards and from waste through more effective management frameworks'.

Progress we have made towards achieving the impact

Central government supports environmental projects led by others. The types of projects supported are varied. They include cooperation with local government on remediation of priority contaminated sites identified by regional councils, as well as support for community projects. The measures below help us monitor what was achieved with the Crown funding invested.

1. Progress in investigation, remedial planning or remediation of priority contaminated sites in conjunction with regional councils and/or landowners – increasing percentage managed or remediated

Target: Increasing proportion of priority contaminated sites remediated¹¹ and/or managed¹²
Results: Total priority sites identified = 75 sites; Remediated priority sites = 21; Managed priority sites = 6; Percentage remediated/managed = 36%

Since 2003/04, 43 contaminated sites projects have received funding from the Contaminated Sites Remediation Fund (CSRF). During 2014/15, work has been undertaken on seven projects (four of which are multi-year projects). In 2013/14, we developed the CSRF Priority List that identifies 10 confirmed contaminated sites as priority sites for funding. All priority sites on the list must meet the eligibility criteria of the CSRF. Of these, four sites received funding from the CSRF in 2014/15. The allocation of any CSRF funding is informed by the priority list so sites of greatest risk are given priority for funding. This list is subject to change, as it will be updated every six months based on information supplied by regional councils.

Our ability to meet this measure is dependent on regional councils submitting applications to the CSRF and their willingness to provide us with details of their priority sites.

Trend	2011/12	2012/13	2013/14	2014/15
Total priority sites identified	67	71	72	75
Remediated priority sites	14	19	20	21
Managed priority sites	10	6	5	6
Percentage remediated/managed	36%	35%	35%	36%

¹¹ Remediated sites are sites where the contamination has been remediated or is subject to site management procedures to ensure the site is suitable for its intended use and no further controls are required to manage risk to any residual contamination. It also includes sites where contaminated materials are isolated using an on-site technique such as capping and encapsulating. The site is suitable for its intended use but is subject to ongoing site management controls to monitor and maintain the capping or encapsulation that mitigates any risk from contaminants present on the site.

¹² Managed sites are sites that are currently subject to detailed site investigations, remedial planning, and/or remediation.

2. Level of community involvement in projects funded by the Community Environment Fund (CEF)

Target: Increasing community involvement

Results: \$19.1 million of in-kind contributions projected for the \$7.5 million of government funding committed to 57 CEF projects
\$9.6 million of actual in-kind contributions for the \$5.2 million of government funding paid to 29 completed CEF projects.

Projected in-kind contributions: The overall performance against this measure is based on the predicted information contained in the 57 approved (CEF) project proposals active in 2014/15. Community involvement is measured by in-kind contributions made to projects per dollar of government funding committed. A total of approximately \$7.5 million in CEF funding has been allocated to date, towards estimated total project costs of \$19.1 million.

Actual in-kind contributions: Actual in-kind contributions are reported against once the projects are completed. This year, 29 CEF projects were completed. In-kind contributions of \$4.4 million have been made towards these 29 projects, against an actual CEF contribution of \$3.6 million and an actual project cost of \$8.5 million.

Trend based on predicted information	2011/12	2012/13	2013/14	2014/15
Projected in-kind contributions (\$ million) – cumulative	2.7	14.4	13.7 ¹³	19.1
Government funding committed (\$ million) – cumulative	1.3	7.5	7.4	7.5
Ratio of projected in-kind contributions to committed government funding	2.08 : 1	1.92 : 1	1.85 : 1	1.55 : 1

Trend based on actuals from completed projects	2011/12	2012/13	2013/14	2014/15
Actual in-kind contributions (\$ million) – cumulative	–	1.6	2.8	4.4
Government funding spent (\$ million) – cumulative	–	1.3	1.9	3.6
Ratio of actual in-kind contributions to spent government funding	–	1.23 : 1	1.47 : 1	1.2 : 1

3. Percentage of Community Environment Fund and Waste Minimisation Fund (WMF) projects that report full achievement against objectives

Target: 100 per cent of objectives met by 80 per cent of projects

Results: 100 per cent of objectives met by 69 per cent of WMF and 86 per cent of CEF projects

Trend	2011/12	2012/13	2013/14	2014/15
Percentage of CEF and WMF projects that report full achievement against objectives [Target: 80%]	97%	82%	75%	WMF 69% CEF 86%

Commentary on targets not achieved:

Sixteen WMF projects were completed in 2014/15. Of these, 11 achieved their stated project objectives. The remaining five only partially achieved their stated project objectives for a number of reasons including:

- the targets set at the beginning of the project being too ambitious and not achieved within the funded period

¹³ The 2013/14 projected in-kind contributions is lower than the value projected in 2012/13 due to two projects not proceeding past Stage I.

- the scope of the project changing during the life of the project resulting in the original objectives not being met in full
- recipients not delivering their projects as expected, particularly legacy projects that have taken three or more years to complete.

The Ministry is now much more aware of the risks around project delivery and has adjusted its processes accordingly.

What we did and how we performed this year

Output Class: Domestic Obligations and Programmes

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Administration costs are no more than 12% of the total funds being allocated	8.98%	Not more than 12%	12.24%

Commentary on targets not achieved:

Funds included within this measure (Contaminated Sites Remediation Fund, the Community Environment Fund, Environmental Legal Assistance Fund) decreased during the year under review, contributing to the increase in the costs compared to the level of funding allocated.

Managing the Community Environment Fund

The CEF provides funding to support practical environmental initiatives in the community. The Fund has been particularly focused on supporting community initiatives that contribute to improved freshwater management, protecting biodiversity, improved coastal management, and some air quality, waste management, and community education initiatives.

Since the fund was established in 2010, \$16.6 million has been allocated to 93 projects with the equivalent of \$11.8 million of in-kind contributions¹⁴ projected.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
The Community Environment Fund eligibility and assessment criteria is aligned with the Ministry's Outcomes Framework	Achieved	Achieved	Achieved
Percentage of completed Community Environment Fund projects administered within acceptable timeframes (after funding agreement signed)	91%	80%	93%
Percentage of Community Environment Fund applicants whose projects are completed are satisfied (or better) with the timeliness and quality of advice received from the Ministry throughout the course of their project	100% satisfied	80% satisfied or better	96%
Percentage of funding rounds for the Community Environment Fund proceed through Stage I in under 12 weeks per round (standard term: 60 working days)	0% (based on one funding round)	100%	0%

¹⁴ An in-kind contribution is a cash-equivalent form of support that is donated and helps with project costs, including the use or donation of equipment, facilities and community volunteer time.

Commentary on targets not achieved:

We have endeavoured to complete Stage I of each funding round (application receipt, assessment and approval) within 12 weeks (60 working days) for the past two financial years. Our experience has been that this does not allow enough time for the decision process and the time required to negotiate measurable milestones with project applicants. Accordingly, this measure will not be used in subsequent years.

Managing the Environmental Legal Assistance Fund

The Environmental Legal Assistance Fund (ELA) provides financial assistance to not-for-profit groups so they can advocate for an environmental issue of high public interest in resource management cases at the Environment Court and at boards of inquiry constituted under the 'call-in' provisions of the Resource Management Act. The funding covers the cost of engaging legal counsel and expert witnesses. We receive about 53 applications to the fund each year with an average of 40 successful applications and an average of \$20,000 being awarded to successful applicants.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of Environmental Legal Assistance grants administered within acceptable timeframes	100%	80%	78%
Percentage of completed Environmental Legal Assistance grants reporting that the quality of advice received from the Ministry throughout the course of their project as satisfactory or better	New measure	80% satisfied or better	97%

Commentary on targets not achieved:

The results were obtained from final reports received from recipient groups in 2014/15. The groups measured the timeframes and quality of advice on a scale of 5. Due to Court proceedings lasting up to several years, the reports received in 2014/15 may be from funding grants administered in previous years. The Ministry has improved its processing timeframes over the last year and the effects of these improvements may not be felt until final reports are received when on-going Court proceedings are concluded. The Principal Environment Court Judge commended the improved administration and timeliness of the Fund at the ELA Annual Workshop 2014.

Managing the Contaminated Sites Remediation Fund

The Contaminated Sites Remediation Fund funds up to 50 per cent of the costs of the investigation, remedial planning and remediation of sites that pose a risk to human health and the environment. Since the establishment of the Fund in 2003, \$52 million has been allocated to 43 projects with 21 sites remediated.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of contestable funding allocated according to Contaminated Sites Remediation Fund eligibility and assessment criteria within agreed timeframes	100%	100%	100%
Percentage of Contaminated Sites Remediation Fund applicants whose projects are completed are satisfied (or better) with the timeliness and quality of advice received from the Ministry throughout the course of their project	100% satisfied	80% satisfied or better	100%

Green Ribbon Awards

The 2015 Green Ribbon Awards¹⁵ were held on 4 June and recognised the outstanding contributions of individuals, organisations, businesses and communities to protect and enhance New Zealand's environment. This year's Green Ribbon Awards were also particularly special as we celebrated its 25th anniversary. This year also marked the first year where the awards were jointly run by the Ministry for the Environment and the Department of Conservation. The awards attracted 70 nominations across 10 categories.

Project Janszoon was named the 2015 Supreme Winner. Project Janszoon in Abel Tasman National Park is the first, and as yet only, ecological restoration project to sign a Tomorrow Accord with the Government. The accord commits the Government to securing the gains achieved by this 30-year philanthropic project into the future. The project works in close collaboration with the Department of Conservation, the Abel Tasman Birdsong Trust, and the community. Phase one seeks to secure the Park's ecology with large scale pest and weed control. Phase two involves the return of species such as kaka, robin, tuatara, pāteke, rata and mistletoe. The third key element is future proofing through education and community engagement. A smartphone app and school programme help connect young people with the park. The project also supports research into new predator control methods.

Output Class: International Obligations and Institutions

Environmental cooperation agreements and multilateral environmental agreements

New Zealand's environment is affected not only by what we do within our borders but increasingly by what other countries do within and beyond their borders. New Zealand's aim, both domestically and internationally, is to develop sound trade and environment policies that mutually support the goal of sustainable development.

The Ministry of Foreign Affairs and Trade is the lead agency for negotiating free trade agreements with other countries. The Ministry for the Environment's role is to support the negotiation of environment provisions associated with those agreements and to encourage our bilateral partners to improve market access for environmental goods and services.

Environment provisions in the context of free trade agreements provide a platform for international cooperation between trading partner countries. Much of the work under these agreements focuses on improving knowledge, strengthening environmental policies, and building capacity and capability to implement such measures.

In 2014/15, nine cooperation activities with six environment cooperation agreement (ECA) partners (China, Indonesia, Chile, Singapore, Philippines and Taiwan) were successfully completed. A priority for this year has been continued engagement with China on issues such as water quality in rural areas and chemicals management. Other activities included discussions around climate change issues, particularly carbon markets (including the informal Asia-Pacific Carbon Market Roundtable, which brings together many ECA partner countries). Officials met with China's Ministry of Environmental Protection in Beijing in December 2014 to discuss the progress of the Collaboration Project on Water Quality with Fonterra, and to broach potential areas for future cooperation. At the same time, they travelled to Chinese Taipei for the first face-to-face Meeting of the Parties to the Trade and Environment Chapter of the newly signed ANZTEC¹⁶ Agreement. The prioritisation of engagement with China has resulted in a reduction in the scope and volume of cooperation activities with other ECA partner countries. However, this cooperation continues in the form of *ad hoc*, small-scale activities that are oriented toward departmental priorities.

¹⁵ A full list of the 2015 winners is available on our website. <http://www.mfe.govt.nz/more/awards/green-ribbon-awards/past-winners/2015-green-ribbon-award-winners>.

¹⁶ Agreement between New Zealand and the separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation

We also provided advice on, and ensured that New Zealand met, obligations arising from the following multilateral environment agreements: the Basel, Waigani, Rotterdam and Stockholm Conventions, and the Montreal Protocol. We led New Zealand's engagement in conferences of the parties, meetings of the parties, and open ended working groups to ensure New Zealand's interests are protected and promoted in these forums. We also continued work on New Zealand's domestic policies and their operation to ensure they reflect our international obligations under these agreements.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables in relation to international obligations completed within agreed timeframes	86%	100%	86%

Commentary on targets not achieved:

Six of our seven deliverables were met. For the seventh, the deliverable was dependent upon the timing of the Minamata Convention guidelines being produced by February 2015. However, the United Nations did not produce them until June 2014. Therefore this will now be delivered in 2015/16.

What it cost

The domestic and international obligations work programme is funded by *Multi-Category Appropriation: Environmental Management Obligations and Programmes* under Vote Environment.

Two output classes in this multi-category appropriation contribute to the outcome of strengthening and supporting New Zealand's environmental systems so they can achieve the greatest overall environmental, economic and social benefits. They focus on achieving better solutions to environmental problems by supporting community involvement and action, and international cooperation. They are:

- Domestic Obligations and Programmes
- International Obligations and Institutions Policy Advice.

Departmental Output Class: Domestic Obligations and Programmes

This category is limited to contributing to and monitoring of domestic environmental management programmes and educational programmes promoting awareness of environmental issues.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Revenue					
Crown	2,021	1,700	1,550	1,550	1,376
Departmental	48	–	12	17	–
Other	5	5	8	9	5
Total revenue	2,074	1,705	1,570	1,576	1,381
Total expenses	2,056	1,705	1,570	1,577	1,381
Net surplus/(deficit)	18	–	–	(1)	–

At Main Estimates, the 2014/15 budget for this output class was \$1.705 million. During the year, this was decreased by \$135,000 due to the reprioritisation of funding to *Departmental Output Class: Marine Environment Policy Advice* to progress work on Marine and Exclusive Economic Zone (EEZ) legislative and regulatory policy work.

Departmental Output Class: International Obligations and Institutions

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to advice on international environmental arrangements, agreements and partnerships; contributing to negotiations with international parties on environmental issues in line with international arrangements, agreements and partnerships.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Revenue					
Crown	1,576	1,630	1,350	1,350	1,630
Departmental	2	–	55	66	–
Other	3	–	19	5	–
Total revenue	1,581	1,630	1,424	1,421	1,630
Total expenses	1,564	1,630	1,424	1,353	1,630
Net surplus/(deficit)	17	–	–	68	–

At Main Estimates, the 2014/15 budget for this output class was \$1.630 million. During the year, this was decreased by \$206,000 due to the reprioritisation of funding to *Departmental Output Class: Marine Environment Policy Advice* to progress work on Marine and Exclusive Economic Zone (EEZ) legislative and regulatory policy work.

Non-departmental funding

We manage a number of non-departmental appropriations on behalf of the Crown that contribute to achieving better solutions to environmental problems by supporting community involvement and action and international cooperation. These appropriations are shown in the table below.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Expenses					
Promotion of Sustainable Land Management	800	800	800	533	800
Environmental training programmes	1,900	1,900	1,900	1,900	1,900
Community Environment Fund	1,770	4,872	2,397	2,090	5,372
Environmental Legal Assistance Fund	555	800	680	281	600
Climate Change Development Fund	290	300	300	298	300
Contaminated Sites Remediation Fund	344	4,628	524	301	6,021
United Nations Environment Programme	320	393	393	388	393
International subscriptions	75	117	117	86	117
Total expenses	6,054	13,810	7,111	5,877	15,503

During the year, the Ministry spent \$2.8 million less than the original budget at Mains Estimates on the Community Environment Fund. This is primarily due to the delays in the delivery of milestones and to match the amount of funding with the revised timing of deliverables for the committed projects.

The Ministry spent \$2.8 million less than original budget at Mains Estimates in the Contaminated Sites Remediation Fund. The Ministry sought an expense transfer of funding to 2015/16 due to the delay in the Kopeopeo Canal project start date and to 2016/17 to support the remedial work in relation to the Calwell Slipway project. Further, the Ministry also transferred \$1.5 million to the Department of Conservation for the remediation of the Prohibition and Alexander Mines.

Impact: Improve the relationship between the Ministry and Māori by negotiating and implementing fair, durable and fit-for-purpose deeds of settlement and environmental accords

What we are aiming to achieve

The Crown and iwi both have a strong interest in the use and management of natural resources. Virtually all Treaty of Waitangi settlements now have some natural resource component. This requires us to be involved in negotiating Treaty settlements and relationship agreements, and to implement obligations under these agreements.

Our aim is to ensure that settlements provide appropriate redress but do not conflict with or undermine existing natural resources policy objectives. We have ongoing post-settlement obligations with 30 iwi and hapū. The most significant is in relation to the Waikato River.

We are also focusing on developing a stronger working relationship with Māori to ensure effective natural resource management.

Progress we have made towards achieving the impact

We have had a significant role in negotiating several Treaty settlements and environmental accords and in implementing obligations under these agreements. We are monitoring both our progress with implementation and iwi satisfaction regarding our work on these obligations.

1. Percentage of Māori partners in deeds of settlement and environmental accords satisfied or very satisfied with Ministry implementation of obligations

Target: 80 per cent satisfied or very satisfied
Results: Not specifically measured in 2014/15

We currently have post-settlement relationships with 30 iwi and are actively engaged with all of them. We did not survey Māori partners in 2014/15 as we work towards developing a more robust way of evaluating performance in this area. We maintain continued engagement and provide opportunities for feedback. While we did not specifically measure satisfaction, we have received feedback through a recent wananga that suggests that most of our iwi partners are satisfied with our implementation of obligations. We are developing a plan to implement some changes based on the feedback we received. We are also developing a monitoring framework to ensure a more consistent and effective approach.

Trend	2011/12	2012/13	2013/14	2014/15
Percentage of Māori partners in deeds of settlement and environmental accords satisfied or very satisfied with Ministry implementation of obligations	100%	95%	95%	Not measured

2. Percentage of the relevant Ministry obligations under deeds of settlement and environmental accords met

Target: 100 per cent compliance

Results: 90 per cent compliance

We currently have post-settlement relationships with 30 iwi and are actively engaged with all of them. Having considered each settlement obligation and work programme, we consider 90 per cent would be a fair reflection of the obligations met.

Trend	2011/12	2012/13	2013/14	2014/15
Percentage of the relevant Ministry obligations under deeds of settlement and environmental accords met	80%	90%	90%	90%

What we did and how we performed this year

Output Class: Developing and Implementing Treaty Settlements and Environmental Accords

Treaty settlements and environmental accords

We work closely with the Office of Treaty Settlements (the Crown agency charged with negotiating Treaty of Waitangi claim settlements) to negotiate settlements and other agreements that involve natural resources. In 2014/15, we provided advice on 17 Treaty negotiations.

Treaty settlement milestones achieved include:

- agreements in principle or high level agreements signed with Ngati Whātua and Tūwharetoa
- deeds of settlement initialed with Ahuriri Hapū and Ngāi Tai ki Tāmaki
- deeds of settlement signed with Ngāti Hineuru, Taranaki iwi, Te Atiawa and Ngā Ruahine.

We have also been contributing to negotiations of relationship agreements with Ngāi Tai ki Tāmaki, Te Ākitai Waiohua, Ngāti Tūwharetoa, Te Atiawa, Taranaki, Ngā Ruahine, Ngāti Hineuru, Mana Ahuiriri, Ngāti Kahungunu ki Wairarapa Tamaki Nui-ā-Rua, Rangitāne o Wairarapa, Rangitāne o Wairarapa Tamaki Nui-ā-Rua, He Toa Takitini, and Te Tira Whakaemi.

Feedback received suggests that the overwhelming majority (more than 90 per cent) of iwi actively engaged in post-settlement relationships with us are satisfied or very satisfied with the implementation of obligations. Significant milestones include the:

- development of environment accord implementation plans with Maniapoto, Raukawa and Waikato Tainui
- review of the Maniapoto Iwi Management Plan 'Mahere Taiao'
- contribution to the Ministry Wananga Tūhono on Māori
- delivery of 'RMA 101' training for Ngāti Manawa and Ngati Whare contributed to the Ministry Wananga Tūhono on Māori
- engagement and the implementation of the NPS-FM.

Due to the circumstances of particular iwi, some obligations were deferred by agreement in 2014/15. Invitations are left open for iwi to meet when they are ready or available to do so.

Waikato River Co-management

We have delivered on annual priorities agreed with iwi partners under the Waikato River Environment Portfolio Accords. These obligations include engagement on freshwater policy development, providing assistance with developing iwi environment management plans, information sharing and building resource management capability.

Whanganui River Settlement

The Whanganui River Deed of Settlement was signed by Whanganui Iwi and the Crown on 5 August 2014. We are currently engaged in the Bill drafting process for the Settlement legislation. We are also developing guidance on how the Ministry can best implement our obligations and make use of the opportunities presented by the settlement.

Performance against Estimates 2014/15 measures

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables relating to Treaty settlements and environmental accords negotiations are completed within agreed timeframes	100%	100%	100%
Percentage of obligations met in accordance with the Waikato River Co-management deeds	100%	100%	100%

What it cost

The Treaty Settlements and Environmental Accords work programme is funded by *Departmental Output Class: Developing and Implementing Treaty Settlements and Environmental Accords* under Vote Environment.

This output class is one of five output classes within *Multi-category Appropriation: Improving Resource Management*. All five output classes contribute to the outcome of strengthening and supporting New Zealand's environmental systems so they can achieve the greatest overall environmental, economic and social benefits with a shared focus on improving resource management. However, *Departmental Output Class: Developing and Implementing Treaty Settlements and Environmental Accords* has a particular focus on improving the relationship between the Ministry and Māori by negotiating and implementing fair, durable and fit-for-purpose deeds of settlement and environmental accords.

Departmental Output Class: Developing and Implementing Treaty Settlements and Environmental Accords

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to environmental accords with Māori and Treaty settlements involving natural resources; contributing to negotiations with iwi and affected parties on environmental issues as part of developing deeds of settlement.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Revenue					
Crown	1,233	1,224	1,274	1,274	1,224
Departmental	2	–	16	17	–
Other	2	–	10	9	–
Total revenue	1,237	1,224	1,300	1,300	1,224
Total expenses	1,233	1,224	1,300	1,183	1,224
Net surplus/(deficit)	4	–	–	117	–

Non-departmental funding

As part of our Treaty settlement implementation role, we manage non-departmental appropriations related to Treaty settlements ensuring the Crown meets its obligations under these settlements.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Expenses (see note one)					
Waikato River Co-management	2,810	2,873	2,873	2,873	2,868
Waikato River Co-governance	910	910	910	910	1,195
Transitional support for local government and iwi	787	–	17	17	521
Te Awa Tupua Putea	28,000	–	882	882	1,118
Te Pou Tupua	2,490	96	96	96	100
Te Awa Tupua Whole of River Strategy	401	–	13	13	16
Total expenses	35,398	3,879	4,791	4,791	5,818

Note:

In accordance with New Zealand Financial Reporting Standards the Ministry has recognised the full obligation of some of these settlements as an expense in net present value terms in the year the obligation arises. The expenses recognised annually since represent the unwinding of the discount recognised. It does not represent the cash payments made each year. The settlement, year it was recognised as an expense in net present value terms, and cash payment profile are detailed below:

- Te Awa Tupua Putea: one-off contribution of \$30 million (expected in 2015/16) recognised as an expense in net present value terms in 2013/14.
- Te Pou Tupua: \$4 million over 20 years recognised as an expense in net present value terms in 2013/14. Cash payment profile is \$200,000 per year between 2014/15 and 2033/14.
- Te Awa Tupua Whole of River Strategy: one-off contribution of \$430,000 (expected in 2015/16) recognised as an expense in net present value terms in 2013/14.

Outcome: New Zealand's fresh water is well governed and sustainably managed to realise the maximum benefit possible for present and future environmental, cultural, social and economic values

Impact: Improve quality, flow and availability of fresh water through more effective management frameworks

What we are aiming to achieve

Fresh water is important to all New Zealanders – to our environment, our economy and our identity. For Māori, it is taonga, essential to life and identity.

In a world that is becoming increasingly resource-constrained, New Zealand is fortunate to have a relatively abundant supply of fresh water. However, New Zealand's freshwater stocks are coming under pressure from increased demands caused by a growing population and land-use intensification.

The Government is putting in place a freshwater management system that encourages collaboration and engagement between local authorities, communities, iwi/hapū, and resource users. The system is designed to enable collaboration at the start of the decision-making process where decision-makers must consider the impacts (economic, environmental and social) of their decisions. The reform of New Zealand's freshwater management system is a once-in-a-generational reform. It is a work in progress and is currently at a critical stage.

Over recent years the Ministry has worked in partnership with the Ministry for Primary Industries on amending the National Policy Statement for Freshwater Management (NPS-FM) and funding clean ups of priority water bodies. The amendments to the NPS-FM were necessary to improve direction for the objective setting requirements and contributed to implementing recommendations from the Land and Water Forum about adopting national bottom lines for water quality. The Ministry is now focused on ensuring that councils have the support they need to implement the NPS-FM and provide tools for efficient use of our water resources within environmental limits. With that as a focus, the Ministry has two additional work packages.

The first is supporting councils, iwi and other stakeholders, to ensure successful implementation of the NPS-FM. We are providing a package of guidance resources to grow the capability of councils to successfully implement the NPS-FM, and to support other groups (such as iwi/hapū, water users, and the wider community) to engage in local freshwater planning. Our programme of developing guidance products is based on what users have told us about their highest priorities and we will continue to refine this as the needs of users evolve.

In recognition of the scale and importance of the freshwater reforms, a new hands-on approach to support implementation is happening. The new approach involves a dedicated team within the Ministry (and other central government agencies) to support implementation of the NPS-FM and water reforms throughout the country. In this way we are able to identify issues as they arise in conjunction with councils, iwi and other stakeholders and address them together.

In 2014/15, \$1.1 million from the Community Environment Fund was targeted at regional councils for activities that support regional planning and community participation in freshwater management. More information is available on our website.¹⁷

¹⁷ <http://www.mfe.govt.nz/publications/rma/nps-freshwater-management-2014/index.html>.

The second work package is for further policy development, focused on developing tools for more efficient use of our freshwater resources and addressing iwi/hapū rights and interests. These two workstreams are indivisible.

Improving how we manage fresh water will secure and heighten the many benefits water brings to our environment, economy and our identity as New Zealanders.

Progress we have made towards achieving the impact

Key elements of the water reforms are now in place, for example the NPS-FM and clean-up funds. The next important step is to gain an understanding of the progress being made towards achieving the outcomes. Progress is monitored via the following measures:

1. Proportion¹⁸ of water allocated for consumptive purposes that is subject to measurement and reporting

Target: Increasing proportion

Results: Increasing proportion nationwide

The Resource Management (Measurement and Reporting of Water Takes) Regulations 2010 came into force on 10 November 2010 and provided for a staged implementation. Consent holders for water takes over 20 litres per second are now subject to measurement and reporting. By November 2016, all water takes of 5 litres per second or more, will be subject to the regulations.

Recent analysis has shown an increase in the number of water consents of 20 litres per second or higher metered from an estimated 25 per cent in June 2010 to an estimated 85 per cent in October 2014.

Based on a case study in the Canterbury Region (46 per cent of consents by volume), the proportion of water allocated that is subject to measurement and monitoring has increased by 49 per cent between 2010 and 2014.

Changes in recorded takes in Canterbury	Number of consents with records	Sum of current maximum consented volume that had records (m ³ s ⁻¹)*
November 2010	1076	171
June 2014	2522	255
Percent change between 2010 and 2014	(2522-1076)/1076 = 134% increase	(255-171)/171 = 49% increase

* This is the total volume that could be taken on average across a year provided that no environmental flow restrictions were in place based on consent conditions from 2013/14.

2. Proportion¹⁹ of large surface water catchments that have quantified flow regimes in place that set limits

Target: Increasing proportion

Results: Increasing proportion for rivers and streams, and lakes
(Rivers and streams: increased by 5,025,806 ha; wetlands: no increase; lakes: increased by 13,595 ha)

¹⁸ The wording of this impact measure and associated target has been changed to refer to the proportion, rather than the number, of large surface water catchments to be consistent with the change in methodology used to measure results.

¹⁹ Ibid

The National Policy Statement for Freshwater Management 2014 (NPS) requires regional councils to set freshwater objectives and limits in their regional plans. The NPS must be fully implemented as soon as reasonably practicable, or no later than 31 December 2025 (whichever is earlier). This measure provides a high level indication of regional plan and water conservation order provisions as at the end of April 2015, that have flow regimes and allocation limits in accordance with the NPS.

The percentage of New Zealand's total catchment surface area for rivers and streams, wetlands and lakes with set surface water quantity limits is included in the table below. The increase in the total catchment surface area reported for rivers and stream for 2014/15 results from the inclusion of limits set in the West Coast Land and Water Plan and the proposed Canterbury Land and Water Regional Plan.

Quantity limits	Rivers and streams		Wetlands		Lakes	
	%	Hectares	%	Hectares	%	Hectares
2014/15	78	20,588,307	0	99	36	139,264
2013/14	59	15,562,501	0	99	33	125,669
2012/13 (benchmark)	58	15,401,438	0	5	6	23,812

There is no data currently available for groundwater. The complex three-dimensional nature of groundwater systems means, although some councils hold regional data, there is no national dataset for these water bodies.

3. Proportion of significant catchments that have quantified policy for land and water management that sets surface water quality limits²⁰

Target: Increasing proportion

Results: Increasing proportion for all water body types
(Rivers and streams: increased by 127,341 ha; wetlands: increased by 231 ha; lakes: increased by 28 ha)

This measure provides a high level indication of regional plan and water conservation order provisions as at the end of April 2015. Since 2011, surface water quality limits have been defined within the NPS as 'the maximum amount of resource use available, which allows a freshwater objective to be met'.

The percentage of New Zealand's total catchment surface area for rivers and streams, wetlands and lakes where surface water quality limits are set is included in the table.

Quality limits	Rivers and streams		Wetlands		Lakes	
	%	Hectares	%	Hectares	%	Hectares
2014/15	8	2,229,118	8	19,353	24	92,159
2013/14	8	2,101,777	8	19,122	24	92,131
2012/13 (benchmark)	4	1,046,251	6	14,823	18	69,445

4. Number of monitored sites showing maintained or improved water quality

Target: Increasing proportion of monitored sites improving

Results: No change in the benchmark data provided last year.

This information is scheduled to be updated on 21 October 2015 as part of Environment Aotearoa 2015, currently being coproduced between the Ministry for the Environment and Statistics New Zealand.

²⁰ Under the NPS-FM, a 'limit' is the maximum amount of resource use available. In terms of surface water quality, a limit could be the maximum amount of nutrients or sediment that can be used (or discharged) in the catchment without frustrating the achievement of the agreed freshwater objectives.

What we did and how we performed this year

Output Class: Water Management Policy Advice

Amending the National Policy Statement for Freshwater Management

The first National Policy Statement for Freshwater Management (NPS-FM) was released in 2011. It requires regional councils to manage water in an integrated and sustainable way, while providing for economic growth within set water quantity and quality limits. To help councils achieve this, the Government recognised that further guidance and support would be necessary to assist with setting the freshwater objectives and limits required by the NPS-FM. On 1 August 2014 the NPS-FM was amended. It now:

- contains the National Objectives Framework (NOF) for setting freshwater objectives in plans; based on robust science, its aim is to help councils and communities consistently and transparently set freshwater objectives and limits
- requires councils to account for all freshwater takes and sources of contaminants. This information will be used by councils in establishing freshwater objectives and limits, and managing resource consent applications
- sets national bottom lines for two compulsory values – ‘ecosystem health’ and ‘human health for recreation’ – and minimum acceptable states for other values
- expects councils to take reasonable steps to work with iwi and hapū to identify tāngata whenua values for fresh water and ensure that these values are reflected in the decision-making on managing fresh water
- requires councils to develop plans to monitor the quality of fresh water against freshwater objectives.

Additional attributes are being worked on by freshwater scientists and these will be added to the NOF as they are finalised. At the same time, the Ministry is working on listing some hydro-generating infrastructure in the NPS-FM so that we can balance water quality with renewable electricity generation. We are also looking at ways of including the macroinvertebrate community index as a measure of stream health in the NPS-FM.

Successful NPS-FM implementation will also be supported by monitoring and evaluation frameworks. This involves establishing assessment criteria and a methodology to evaluate whether, and how, council plans and planning processes give effect to the NPS-FM. In addition, an independent review of the implementation and effectiveness of the NPS-FM is scheduled for 2016. The Ministry is gathering data and laying the groundwork for that review. Further refinements to the NPS-FM may be made in the future depending on the findings of the review.

Output Class: Water Management Policy Advice

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables in relation to the development of the freshwater reforms (not related to the 2014 Resource Management Bill) that are completed within agreed timeframes	New measure	100%	100%
Percentage of agreed deliverables to support the drafting and parliamentary process for the 2014 Resource Management Bill, specifically in relation to water reform, that are completed within agreed timeframes	New measure	100%	100%
Percentage of Fresh Start for Fresh Water Clean-up Fund projects and other freshwater clean ups that are managed and monitored appropriately	New measure	100%	100%

Managing the clean up of fresh water

Since 2000, the Crown has committed close to \$400 million to cleaning up and protecting New Zealand water bodies. This includes \$210 million for the Waikato River, \$72 million for the Rotorua Lakes Restoration Programme, \$14.5 million for the Fresh Start for Fresh Water Clean-up Fund, and \$35.6 million for the Lake Taupō Protection Programme.

We partner with others (such as councils, iwi/hapū, sector groups, and communities) to support the clean up of waterways. As well as contributing funding, we engage with project partners in a variety of ways, including providing support and advice for project managers and representation within project governance structures. More information on the freshwater clean ups underway is provided below.

Freshwater Iwi leaders group for fresh water

We continue to work together with the Freshwater Iwi Leaders Group on the freshwater reform process and the development of options to address iwi/hapū rights and interests.

Ministers have signalled to Māori and to the public our commitment to further freshwater law reform. Successful option and policy development to address iwi/hapū rights and interests in fresh water will require ongoing consultation and discussions with iwi/hapū and Maori, with a range of interested parties, and with the general public.

In January 2015, the Crown and the group agreed to a work plan to guide the work on developing options to address iwi/hapū rights and interests in fresh water. This work plan sets out key dates and milestones for developing options to address iwi/hapū rights and interests.

The work plan was endorsed by iwi leaders at the Iwi Chairs Forum in Kerikeri on 5 February 2015. To assist the policy development process, the Crown and the group agreed to work together over 2015 to develop options for the recognition of iwi/hapū rights and interests in fresh water. Those options will inform consultation and discussion with iwi/hapū and with other communities.

Waikato River Clean-up Fund

The Waikato River Authority administers the Waikato River Clean-up Fund which was established under the Waikato and Waipa co-governance framework. The fund provides \$220 million over 30 years on a contestable basis for the restoration and protection of the health and well-being of the Waikato and Waipa Rivers and its catchments for present and future generations. Since the fund was established in 2011, over \$22 million has been allocated to 137 clean-up projects. The fifth funding round opened in June 2015 with up to \$6 million available. More information on the projects funded to date is available on the Waikato River Authority's website: www.waikatoriver.org.nz.

Fresh Start for Fresh Water: Rotorua Lakes Restoration Programme

The Fresh Start for Fresh Water: Rotorua Lakes Restoration Programme (established as a multi-year appropriation and renamed Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme in Budget 2015) is a partnership between the Crown, Rotorua District Council, Bay of Plenty Regional Council, and Te Arawa Lakes Trust. The Programme focuses on the restoration of lakes in the Rotorua District, with Crown interest in lakes Rotorua, Rotoiti, Rotoehu and Ōkāreka. The aim of the programme is to improve water quality through short term interventions, while addressing the sources of nutrients in the catchment in the long term.

The programme success to date includes:

- Of the 460 tonnes of nitrogen and 33 tonnes of phosphorous required to be recovered from the four priority lake catchments to reach the agreed water quality, 100 tonnes of nitrogen and 9.8 tonnes of phosphorous have been permanently secured as at 31 December 2014.

- Water quality in Lake Rotoiti continues to improve and has surpassed its water quality target for the past two years.
- Lake Ōkāreka's water quality is stable with all funded interventions complete and nutrient targets met.
- Lake Rotorua has met its water quality target as a result of programme interventions to date, including in stream phosphorus-locking.
- For Lake Rotorua, a long-term integrated framework to address pastoral sector nutrients has begun implementation, including independent advice and support to farmers, setup of land-use change incentives, and gorse removal. The integrated framework has been developed in consultation with community and ensures water quality while retaining a viable rural economy.

Hawke's Bay Rivers Clean-up Fund

The deed of funding between the Crown, Ngāti Pahauwera, and the Hawke's Bay Regional Council, establishing the Hawke's Bay Rivers Clean-up Fund, was signed in October 2013. The purpose of this Fund is to clean up the Mohaka, Waikari and Waihua Rivers under the Ngāti Pahauwera settlement. It is currently being implemented.

Provision of a new water source for Rotorua

To help negotiate the Ngāti Rangiwewehi settlement, the Crown agreed to make a limited one-off contribution to Rotorua District Council to help with the costs of locating and establishing an alternative water source to Taniwha Springs. This funding is only available if the Council agrees to fund the remaining costs. In 2014/15, the Council and Ngāti Rangiwewehi explored a new approach for managing Taniwha Springs. The new approach would still require a Crown contribution.

Lake Taupō Protection Project

This is a partnership between the Crown, Waikato Regional Council, and Taupō District Council. The aim of this project is to reduce the amount of manageable nitrogen entering the lake by 20 per cent by 2020. This equates to a total target reduction of 170 tonnes of nitrogen. As at 30 June 2015, the project has met its target of 170 tonnes three years ahead of schedule. The project will now transition into a monitoring phase to ensure water quality is sustained in the catchment and protect both the Crown's and the community's significant financial investment in the Project (\$79.2 million total, Crown \$35.6 million, Community \$43.6 million). Waikato Regional Council will assume the primary role for monitoring, while Taupō District Council and the Ministry will have a supporting role.

Output Class: Water Management Implementation

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables in relation to the implementation of the freshwater reforms that are completed within agreed timeframes	New measure	100%	100%
Percentage of agreed pieces of guidance or direction that are completed within agreed timeframes	New measure	100%	100%

Output Class: Water Science and Economics (Non-Departmental)

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Number of attributes progressed for population in the National Objectives Framework, based on the investment	New measure	3	6*

* Progressed work on dissolved oxygen and phormidium. Also progressing a further four attributes relating to sediment.

What it cost

The freshwater programme is funded by two departmental output classes within the *Multi-category Appropriation: Improving Resource Management*:

- Water Management Policy Advice
- Water Management Implementation.

These output classes contribute to the outcome of strengthening and supporting New Zealand's environmental systems so they can achieve the greatest overall environmental, economic and social benefits with a shared focus on improving resource management. Their emphasis is on improving the quality, flow and availability of fresh water through more effective management frameworks.

Departmental Output Class: Water Management Policy Advice

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to the quality, flow and availability of fresh water.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Revenue					
Crown	8,424	8,818	8,048	8,048	10,785
Departmental	184	–	63	78	–
Other	292	–	152	127	–
Total revenue	8,900	8,818	8,263	8,253	10,785
Total expenses	8,707	8,818	8,263	8,385	10,785
Net surplus/(deficit)	193	–	–	(132)	–

At Main Estimates, the 2014/15 budget for this output class was \$8.818 million. During the year, this was reduced by \$555,000 due to delays in the National Policy Statement – Freshwater Management (NPS-FM) amendments consultation and the processing of applications for water conservation orders. This funding was reprioritised to *Departmental Output Class: Water Management Implementation* to progress work in relation to the National Policy Statement for Freshwater Management.

Departmental Output Class: Water Management Implementation

This category is limited to activities associated with the implementation of water management policy and practices.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Revenue					
Crown	–	3,000	4,700	4,700	3,200
Departmental	–	–	47	55	–
Other	–	–	24	24	–
Total revenue	–	3,000	4,771	4,779	3,200
Total expenses	–	3,000	4,771	4,542	3,200
Net surplus/(deficit)	–	–	–	237	–

At Main Estimates, the 2014/15 budget for this output class was \$3 million. During the year, the budget was increased by \$1.771 million to progress work in relation to the national reporting template on water quality and quantity, identifying future information needs for future research, evidence to support policy processes and measuring, monitoring and evaluation framework and developing a pressure, state and impact model for fresh waters.

Non-departmental funding

Since 2000, the Crown has committed close to \$400 million to the clean up of New Zealand water bodies. We manage this funding on behalf of the Crown.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Expenses					
Fresh Start for Fresh Water Fund: New initiatives	6,257	1,700	2,429	2,429	355
Fresh Start for Fresh Water: Waikato River Clean-up Fund ²¹	5,065	5,291	5,291	5,291	5,403
Fresh Start for Fresh Water: Rotorua Lakes Restoration Programme	–	–	298	298	–
Hawke's Bay Rivers Clean-up Fund	2,000	–	–	–	–
Provision of a new water source for Rotorua	–	–	–	–	1,075
Te Mana o Te Wai – restoring the life-giving capacity of fresh water	–	2,500	470	400	2,500
Water science and economics	–	2,000	500	136	3,500
Total expenses	13,322	11,491	8,988	8,554	12,833

Fresh Start for Fresh Water Clean-up Fund

This fund was established in 2011 to help communities clean up waterways that are affected by historical water quality issues. The Crown has allocated \$14.525 million to seven priority projects. This funding has leveraged an additional \$34.1 million of investment by local government, industry and iwi. The following projects have been funded.

²¹ In accordance with New Zealand Financial Reporting Standards, the Ministry recognised a payment of \$210 million over 30 years to the Waikato River Clean-up Trust as an expense in 2009/10 in net present value terms and an additional \$10 million for the Waipa River extension clean-up as an expense in 2011/12 in net present value terms. The expense recognised annually since, represents the unwinding of the discounts recognised in 2009/10 and 2011/12. It does not represent the cash payments made each financial year; these remain unchanged from what was agreed under the deeds of settlement. The cash payment profile as per the deeds of settlement is an annual payment of \$7.333 million until 2036/37 and \$7.342 million in 2037/38.

Water body	Purpose of the project	Funding allocated \$000	Total spend to 30 June 2015 \$000
Te Waihora/Lake Ellesmere (Selwyn, Canterbury)	The restoration and rejuvenation of mauri and ecosystem health of Te Waihora.	6,000	5,686
Manawatu River	To restore the health of the river by improving water quality, enhance habitats for native fish species, and involve the community in restoration activities.	5,200	5,200
Wairarapa Moana	To restore the wetland habitat around the edge of Lake Wairarapa and Lake Onoke (collectively known as Wairarapa Moana).	1,000	1,000
Wainono Lagoon	To improve water quality in Wainono Lagoon and minimise further contamination of the lagoon by reducing sediment inflows. Restore water quality to enable mahinga kai (customary food and resource gathering).	800	800
Waituna Lagoon	To restore the water quality of the Waituna Lagoon to a level sufficient to maintain a healthy seagrass dominated ecosystem.	785	785
Lake Horowhenua	To improve the health of the lake through reduction of sediment and nutrient input. The aim is to make the lake fit for recreational purposes, a better habitat for native fish.	540	499
Lake Brunner	To improve the water quality of Lake Brunner through community environmental projects and farm environmental planning.	200	200
Total		14,525	14,170

Lake Taupō Protection Programme – Appropriations, adjustments and use		\$000
Total appropriation		10,668
Actual expenses to 2010/11 year end		–
Actual expenses to 2011/12 year end		4,829
Actual expenses to 2012/13 year end		3,688
Actual expenses to 2013/14 year end		2,085
Actual expenses to 2014/15 year end		66
Total actual expenses		10,668
Balance of appropriation remaining after projected expenses		–

Outcome: New Zealand becomes a successful low-carbon society that is resilient to climate change impacts on its climate, economy and lifestyle

Impact: Decrease New Zealand's net emissions of greenhouse gases below business as usual levels in a cost effective way

What we are aiming to achieve

Climate change is a problem with global consequences, requiring collective action on a global scale. New Zealand must contribute to coordinated international action to reduce greenhouse gas emissions in the atmosphere and adapt to changes in climate.

In absolute terms, New Zealand's emissions are low compared with its major trading partners. However, New Zealand's emissions intensity by population is amongst the highest for developed countries. This is largely due to the contribution to emissions of the agricultural sector (notably the high number of livestock) and the large contribution of transport (as a result of New Zealand's geography, infrastructure, low population density, and consequent relatively low use of public transport).

To become a successful low-carbon society, New Zealand must reduce its emissions in a cost-effective way and manage the risks posed by climate change impacts.

New Zealand has set an unconditional responsibility target of a five per cent reduction in emissions below New Zealand's 1990 greenhouse gas emission levels by 2020, managed using the Kyoto Protocol's second commitment period framework of rules. New Zealand has also set a long-term emission reduction target of a 50 per cent reduction in greenhouse gas emissions from 1990 levels by 2050 (in short 50 by 50).²²

New Zealand will take responsibility for meeting its commitments for emissions reductions from 1990 levels through a combination of:

- domestic emissions reductions
- removal of carbon by forests
- participation in international carbon markets
- surplus achieved during the first Commitment Period of the Kyoto Protocol (for the purpose of meeting the unconditional 2020 responsibility target).

The main government policy to reduce New Zealand's greenhouse gas emissions is the New Zealand Emissions Trading Scheme (NZ ETS). All significant sources of emissions, other than agriculture, have both reporting and surrender obligations under the NZ ETS (such as energy, industry, and waste disposal sectors). The agriculture sector has reporting-only obligations for methane from livestock and nitrous oxide from soils.

²² The 1990 level is based on New Zealand's greenhouse gross gas emissions as per the agreed accounting rules of the Kyoto Protocol. The 2050 target is based on New Zealand's net greenhouse gas emissions and will take into account any removals or emissions arising from afforestation or deforestation since 1990 consistent with the Kyoto Protocol.

Progress we have made towards achieving the outcome

Decreasing the greenhouse gas emissions intensity of the economy is essential if New Zealand is to become a successful low-carbon society. The measures below help us understand if New Zealand is on track to meet its international obligations and the level of emissions compared with growth in population and gross domestic product.

1. Trends in greenhouse gas emissions and removals in the annual greenhouse gas inventory

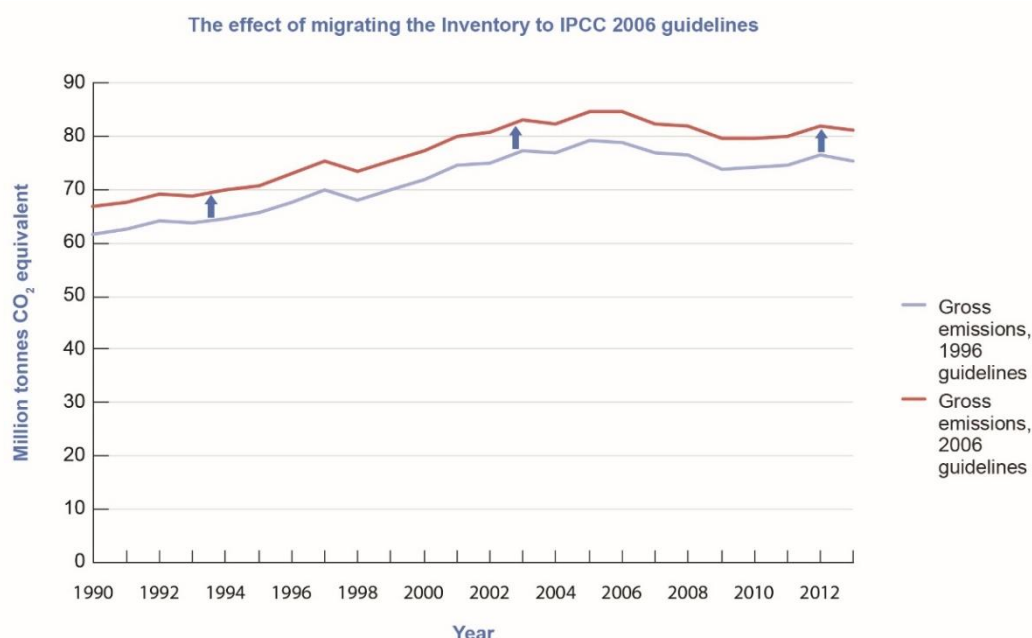
Target: Downward trend in net emissions

Results: Net emissions²³ were slightly higher in 2013 (68.8 Mt CO₂-e²⁴) than they were in 2008 (68.4 Mt CO₂-e)

New Zealand's Greenhouse Gas Inventory 1990–2013

In April 2015 New Zealand submitted its annual national greenhouse gas inventory for the period 1990–2013 to the UNFCCC. This is the first inventory to be published for the period 2013–2020 (ie, the first inventory tracking our progress towards meeting our unconditional responsibility target of reducing emissions to 5 per cent below 1990 levels by 2020).

This was the first inventory for which New Zealand and other countries were required to use new reporting guidelines developed by the Intergovernmental Panel on Climate Change (IPCC) (the IPCC 2006 guidelines, which update the IPCC 1996 and IPCC 2003 guidelines used previously). One of the main implications of the use of the IPCC 2006 guidelines is that New Zealand has adopted new global warming potentials (GWPs, used to determine the relative measure of how much heat a greenhouse gas traps in the atmosphere relative to carbon dioxide). As a result of this, the entire time series for gross emissions from 1990 to 2013 has shifted, as illustrated in the figure below. The main driver of this shift is a change to the GWP of methane, which has increased by 19 per cent.

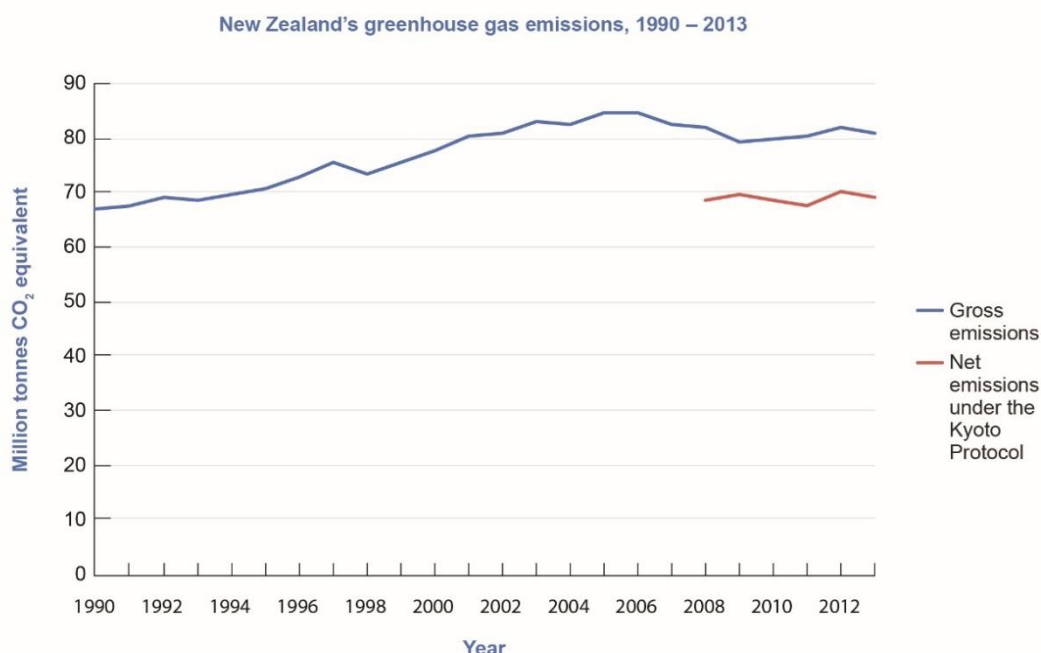


Source: New Zealand's Greenhouse Gas Inventory 1990–2013

²³ Net emissions measured using comparable methodologies to those used for the first commitment period of the Kyoto Protocol.

²⁴ Million tonnes of carbon dioxide equivalent.

Net emissions are gross emissions less removals of greenhouse gases by activities reported under the Kyoto Protocol. Net emissions as measured under the Kyoto Protocol are only applicable to be reported from 2008. Gross emissions²⁵ since 1990 and net emissions under the Kyoto Protocol since 2008 are provided in the graph below. This graph shows that while net emissions have decreased since 2012, net emissions were slightly higher in 2013 (68.8 Mt CO₂-e) than they were in 2008 (68.4 Mt CO₂-e).



Source: New Zealand's Greenhouse Gas Inventory 1990–2013

The trend in net emissions between 2008 and 2013 is governed by the trend in gross emissions, and by the trend in removals from activities under Article 3.3 of the Kyoto Protocol (afforestation, reforestation and deforestation since 31 December 1989). In 1990, New Zealand's gross greenhouse gas emissions were 66.7 Mt CO₂-e. In 2013, this total had increased by 14.2 Mt CO₂-e (21.3 per cent) to 81.0 Mt CO₂-e. This represents an average increase in gross emissions of 0.9 per cent per annum since 1990.

The five emission sources that contributed the most to this increase in gross emissions were emissions from road transport, public electricity and heat production, agricultural soils, enteric fermentation (methane emissions produced from ruminant livestock), and the release of hydrofluorocarbons from industrial and household refrigerant and air-conditioning systems.

External factors influencing the trend in gross emissions in recent years have included oil prices, the global financial crisis, and growth in key sectors of the economy. Policy impacts on emissions are harder to identify and include initiatives that support energy efficiency and renewable energy as well as, from 2008, the NZ ETS.

Reporting of net emissions under the Kyoto Protocol changed in 2013 as a result of changes to the guidelines for reporting on these activities. For the period 2008–2012 this included just emissions and removals from new forest planting and deforestation (conversion of forest land to other land uses) since 1990, as well as emissions from biomass burning, and soil disturbance associated with land-use conversion to cropland. One of the major changes was that from 2013 New Zealand is also required to report for Forest Management under Article 3.4 of the Kyoto Protocol. The new guidelines also altered the coverage of reporting so harvested wood products (carbon stored within wood products), and soil

²⁵ Gross emissions exclude any removals and emissions through Land Use, Land-Use Change and Forestry.

disturbance associated with land-use conversion are now reported. These changes mean that net removals as reported under the Kyoto Protocol for 2013 are not directly comparable with net removals as reported under the Kyoto Protocol for 2012. For this reason removals from Article 3.4 of the Kyoto Protocol are excluded from the estimate of net removals under the Kyoto Protocol presented in the table below.

	Gross emissions (Mt CO ₂ -e)	Net emissions (Mt CO ₂ -e)	Net removals (Mt CO ₂ -e)
2013	81.0	68.8	12.1
2012	82.1	70.1	12.0
2011	80.1	67.5	12.6
2010	79.7	68.3	11.4
2009	79.4	69.4	10.0
2008	81.8	68.4	13.4

Source: New Zealand's Greenhouse Gas Inventory 1990–2013

2. Trends in greenhouse gas intensity of the economy by emissions per unit of GDP and emissions per capita

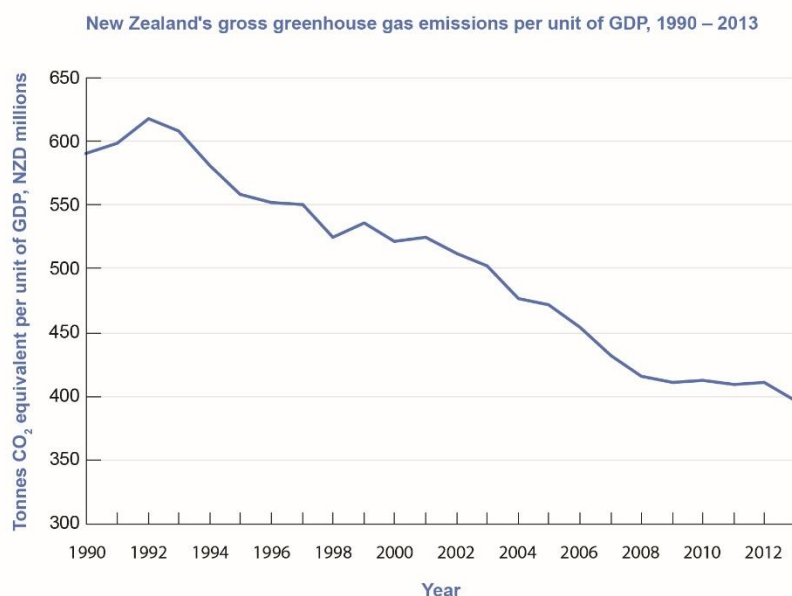
Target: Downward trends

Results: Downward trends:

Emissions per unit of GDP have decreased by 33 per cent since 1990

Emissions per capita have decreased by 6.4 per cent since 1991

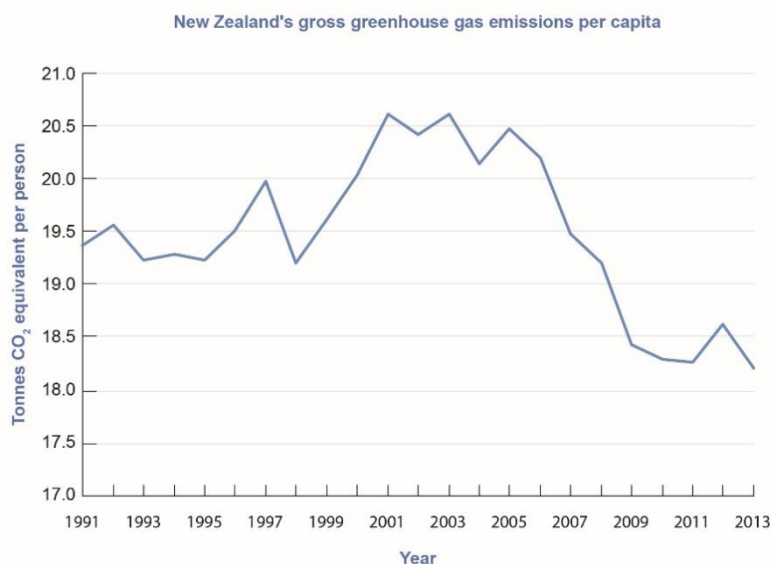
The graph below shows New Zealand's gross greenhouse gas emissions²⁶ divided by GDP (product measure)²⁷ from 1990–2013. New Zealand's greenhouse gas emissions per unit of GDP have decreased by 33 per cent since 1990, indicating that New Zealand is successfully decoupling its greenhouse gas emissions from economic growth.



²⁶ From New Zealand's Greenhouse Gas Inventory 1990–2013.

²⁷ Statistics New Zealand official series – GDP (Production), Chain volume, Actual, Total (Annual-Mar), 2009/10 prices; 24 June 2015.

In 2013, New Zealand's emissions per capita²⁸ were 18.2 tonnes of carbon dioxide equivalent per person. Emissions per capita have decreased by 6.4 per cent since 1991. New Zealand's high emissions per capita are due to its widely distributed population, geography, and high levels of agricultural production. These national circumstances mean that New Zealand has fewer low-cost options to reduce emissions compared with most other developed countries.



3. Divergence between forecast net position and Kyoto Protocol obligations

Target: Decreasing liability / increasing asset

Results: New Zealand will meet its obligations for the first commitment period of the Kyoto Protocol with a surplus of units

Over the 2014/15 year, there has been an increase in the surplus of units, but a decreased bookable value of the asset due to a fall in the carbon price

New Zealand's greenhouse gas emissions and removals over the first Commitment Period of the Kyoto Protocol were confirmed in 2015 with the UNFCCC review of *New Zealand's Greenhouse Gas Inventory 1990–2012*. This review confirms New Zealand's surrender obligations for the first Commitment Period, which New Zealand will need to fulfil during the true-up period.²⁹ Compliance will be achieved when New Zealand's true-up report has been submitted and approved by a team of international experts appointed by the UNFCCC. The confirmation of these surrender obligations and the net position (as explained below) also show that New Zealand is likely to comfortably meet its CP1 obligations following the true-up period.

New Zealand's net position under the Kyoto Protocol

Under the Kyoto Protocol, New Zealand has committed to return emissions to 1990 levels on average over the first Commitment Period (2008–2012) or otherwise take responsibility for the excess.

New Zealand's net position is a balance of the nation's greenhouse gas emissions over the first Commitment Period against the Kyoto Units the Crown holds to account for those emissions. It is

²⁸ Statistics New Zealand –Total estimated resident population, mean year ended 31 December; 15 May 2015. Note that measure of population using this particular methodology only starts in 1991.

²⁹ A period of 100 days following the completion of the Kyoto Protocol reviews of greenhouse gas emissions information relating to the First Commitment Period (2008–2012). The true-up period is expected to take place from 10 August 2015 to 18 November 2015. Transfers of units may still take place until the end of this period, allowing Annex I parties to trade and retire units to comply with their emissions obligations.

reported as a surplus if the Government holds more Kyoto Units than are needed to account for the nation's emissions.

As at 30 June 2015, New Zealand's net position under the Kyoto Protocol is a surplus of 123.7 million units. The net position has increased by 9.3 million units, from 114.4 million units in June 2014.

The largest contribution of 65.3 million units to the increase was due to Kyoto Units that were surrendered to the Government in 2013/14 by participants under the New Zealand Emissions Trading Scheme (NZ ETS). Kyoto Units surrendered under the NZ ETS contribute to the net position, but New Zealand Units do not. The provision for surrenders of Kyoto Units into the NZ ETS was stopped after 31 May 2015, with the exception of approximately 3 million Assigned Amount Units in privately held accounts that may still be used for surrender obligations.

The Kyoto Financial Position is the asset or liability that sits on the Government's financial accounts as a result of the Kyoto Protocol. It is calculated by taking the net position (measured in Kyoto Units), and converting it into dollars using the current trading price for emissions units and the current exchange rate. This asset or liability must be reported in the Government's financial accounts for CP1. It also takes account of Kyoto Units that have been received by the Government under the NZ ETS or transferred out of the Government account. Although the net surplus of units has increased by 9.3 million units since June 2014, the bookable value of the asset has decreased to nil due to a fall in the global carbon price.

The table below presents the forecast net position as at 30 June of each year.

Financial statements period ended	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Net position excluding transfers	8.4	8.4	23.1	27.6	25.3	13.5	9.6	(21.7)
Net transfers from the assigned amount in million units	(115.3)	(106.0)	(40.9)	(7.8)	3.5	2.3	0.0	0.0
Net position in million units	123.7	114.4	64.0	35.4	21.8	11.2	9.6	(21.7)
Carbon price EURO	0	0.16	0.49	3.6	10.95	10.75	10.00	12.50
Exchange rate	0.60880	0.64215	0.59630	0.63185	0.57335	0.5677	0.4628	0.4829
Carbon price NZD	0	0.25	0.82	5.70	19.10	18.94	21.61	25.89
Value of the net asset/(liability) NZD	0	29	53	202	417	212	207	(562)

More information on New Zealand's net position under the Kyoto Protocol and changes from year to year is available on our website: www.mfe.govt.nz/issues/climate/greenhouse-gas-emissions/net-position/index.html.

What we did and how we performed this year

Output Class: Domestic Climate Change Programme

Implementing legislative changes to the New Zealand Emissions Trading Scheme

Further technical amendments were made to ETS regulations for the smooth operation of the ETS. The amended regulations make the following changes for NZ ETS participants:

- give effect to the prohibition on international units from 1 June 2015
- adjust two allocative baselines
- adjust some default emission factors for diesel, natural gas and geothermal

- update New Zealand Aluminium Smelters (NZAS) baseline and account for new NZAS energy supply contract
- update the rate of synthetic greenhouse gas levies.

The change decided in 2013/14 to restrict NZ ETS participants' access to international units, which was creating fiscal and economic risks both for present and future Governments and for the integrity of the NZ ETS, took effect from June 2015.

In 2014/15 we began consideration of how to ensure the NZ ETS has an appropriate supply of units in the medium to long term through development of a supply management strategy. The supply management strategy would include exploring whether and when an auctioning system should be implemented, and what shape this could take. No decision has been made on whether to proceed. Development of any supply management strategy or an auctioning mechanism is a medium-to-long-term prospect. In Budget 2015, \$4.1 million over the next four years was allocated for the Ministry to further develop policy thinking in this area.

The Government has scheduled the second review of the NZ ETS to begin in late 2015 to help assess whether the NZ ETS is fit for purpose to operate in the 2013–2020 period and beyond. It is likely that any further thinking on supply management will be done in the context of the review.

Developing national and international carbon markets

We remain active in the development of the international carbon market, of which the NZ ETS is a part. This is implemented through a strategy of pursuing carbon market engagement opportunities simultaneously at multilateral, regional and bilateral levels.

As part of New Zealand's approach, we provide secretariat support for the Asia Pacific Carbon Markets Roundtable which we initiated in 2011. The purpose of the Roundtable is to build relationships with countries in the region, provide updates and share experiences on the development of market mechanisms, and progress technical discussions and practical solutions to facilitate the development of a regional carbon market.

Bilaterally, New Zealand works closely with a number of countries, such as Australia, Thailand, China and Korea, to collaborate on developing domestic and international carbon markets. In the UNFCCC negotiations, New Zealand has proposed the development of a framework. The framework will facilitate the interaction between the UNFCCC and existing and emerging national and regional carbon markets and ensure units being traded have environmental integrity, double-counting is avoided, and countries are transparent about their actions.

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables in relation to the domestic climate change work programme completed within agreed timeframes	75%	100%	90%

Commentary on targets not achieved:

An evaluation of the NZ ETS before the review (originally scheduled to take place in 2014/15) was completed after the end of the financial year.

Output Class: International Climate Change Programme

Providing advice on New Zealand's negotiating position for international climate change negotiations

New Zealand participates in multilateral agreements to address the mitigation and adaptation challenges of climate change. International climate change discussions and negotiations are held primarily under the UNFCCC and its Kyoto Protocol.

We play an important role in New Zealand's international climate change negotiations. We work collaboratively with the Ministry of Foreign Affairs and Trade, the Treasury, the Ministry for Primary Industries, the Ministry of Transport, the Department of Prime Minister and Cabinet, and the Ministry of Business, Innovation and Employment to develop New Zealand's international climate change policy.

In 2014/15, we supported Ministers and officials before and during the 20th Conference of the Parties in Lima, Peru. These negotiations focused on pushing towards a climate change agreement that is legally binding on all countries post-2020, with negotiations scheduled to conclude by December 2015. New Zealand's priority for these negotiations was ensuring that work towards the legal framework was on track. We also promoted proposals on information sharing regarding carbon markets and worked to ensure New Zealand, as a Party to the Kyoto Protocol but with a target under the UNFCCC rather than in the second commitment period of the Kyoto Protocol, is not inadvertently disadvantaged during this period.

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of agreed deliverables in relation to international negotiating positions and resulting submissions completed within agreed timeframes	100%	100%	100%

New Zealand's Greenhouse Gas Inventory

New Zealand's Greenhouse Gas Inventory is the official annual report of all human-caused emissions and removals of greenhouse gases in New Zealand. The Inventory measures New Zealand's progress against its obligations under the Kyoto Protocol as well as the UNFCCC.

New Zealand's Greenhouse Gas Inventory 1990–2012 was submitted to the UNFCCC and published in April 2014. The report was reviewed and accepted by international institutions during 2014/15. The review acknowledged that the Inventory met UNFCCC and Kyoto Protocol reporting requirements.

New Zealand's Greenhouse Gas Inventory 1990–2013 was submitted to the UNFCCC and published on 10 April 2015. This is New Zealand's first Inventory for the period 2013–2020. The report was submitted on time and will be reviewed at a time to be determined by the UNFCCC.

New Zealand's Sixth National Communication on Climate Change and First Biennial Report

In addition to the National Inventory Report, New Zealand must produce a national communication every four years and a biennial report (a new requirement under the UNFCCC) every two years. These reports describe a wide range of information, including:

- the sources of our emissions, and projections of emissions and removals up to 2030
- the broad range of measures underway to reduce emissions further
- a description of the expected impacts of climate change on New Zealand and our approach to adapting to these impacts
- information on the provision of financial, technological and capacity-building support to developing countries.

The biennial report also presents New Zealand's progress towards meeting our targets under the UNFCCC. New Zealand released its first biennial report in December 2013, and its second biennial report is due to be submitted to the UNFCCC by 1 January 2016.

New Zealand's Sixth National Communication and First Biennial Report were both reviewed by international expert teams, and no major issues of implementation were identified. New Zealand also successfully underwent the multilateral assessment of its progress towards meeting its targets at the 20th Conference of the Parties in Lima, Peru, in December 2014.

The Sixth National Communication and First Biennial Report can be found at www.mfe.govt.nz/publications/climate/nz-sixth-national-communication/index.html.

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
New Zealand's annual greenhouse gas inventory meets agreed deadlines and is accepted by international institutions as meeting UNFCCC and Kyoto Protocol reporting requirements	Achieved	100%	100%

Commentary:

New Zealand's Inventory was submitted on time, however, the Common Reporting Format (CRF) tables were not submitted alongside the annual greenhouse gas inventory this year due to the CRF software not being made available by the UNFCCC secretariat on time. The review of the inventory by the UNFCCC has not yet been scheduled, but will occur either during 2015/16 or 2016/17.

Output Class: Synthetic Greenhouse Gas Levy

In November 2012, an amendment to the Climate Change Response Act 2012 removed the NZ ETS obligation from the importation of synthetic greenhouse gases (SGGs) in goods and motor vehicles and replaced it with a SGG levy linked to the NZ ETS emission price. This change is expected to significantly reduce compliance costs for the sector.

From 1 July 2013, the levy on motor vehicles was collected by the New Zealand Transport Agency when a vehicle is first registered in New Zealand. The levy on all other goods that contain hydrofluorocarbons and perfluorocarbons applies at the point of import and is collected by the New Zealand Customs Service.

As the agency responsible for the NZ ETS, we were also responsible for administering the funding for implementing the levy and for ensuring the collecting agencies comply with the conditions agreed under the Memoranda of Understanding.

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Administer the funding for the implementation of the Synthetic Greenhouse Gas Levy Collection System by New Zealand Transport Agency and New Zealand Customs Service in accordance with respective memoranda of understanding	Achieved	Achieved	Achieved

Land Use and Carbon Analysis System

The Land Use and Carbon Analysis System (LUCAS) tracks forestry and land use to meet the UNFCCC and Kyoto Protocol reporting requirements for the Land Use, Land-Use Change and Forestry (LULUCF) sector. This information is reported annually in New Zealand's Greenhouse Gas Inventory (or, the National Inventory Report).

To do this, LUCAS:

- maps and tracks all land-use change since 1990
- calculates the carbon stock changes occurring in forests and other land uses.

Key achievements in 2014/15 include:

- providing the information required for the 2013 National Inventory Report
- initiating the re-measurement of the pre-1990 planted and natural forests.

When completing the 2013 National Inventory Report draft chapters, the following quality specifications were complied with:

- draft chapters, data and supporting documentation were completed to schedule
- all improvements were approved by the Reporting Governance Group
- peer review change forms, peer review checklists, and the related recalculation change forms were completed
- uncertainties were provided
- Tier 1 Quality Control documentation was provided.

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
The LUCAS Programme is completed successfully and transitioned to business as usual	New measure	Achieved	Achieved
The LUCAS system is available for use by the Ministry for the Environment and the Ministry for Primary Industries (as provided for in the Memorandum of Understanding)	Achieved (Availability 100% over the year)	99% during business hours	Achieved
The land use and land-use change and forestry, and Kyoto Protocol portions of the National Inventory Report are completed to quality specifications and submitted on time	Achieved	Achieved	Achieved

What it cost

The Ministry's domestic and international climate change work programme is funded by the *Multi-category Appropriation: Climate Change* under Vote Environment.

This multi-category appropriation contains three output classes that contribute to the outcome of ensuring New Zealand becomes a successful low-carbon society that is resilient to climate change impacts on its climate, economy and lifestyle. These output classes share a particular focus on decreasing New Zealand's net emissions of greenhouse gases below business as usual levels in a cost-effective way:

- Domestic Climate Change Programme
- International Climate Change Programme
- Synthetic Greenhouse Gas Levy.

The Carbon Monitoring Programme is funded through a separate appropriation and reported below.

Departmental Output Expense: Domestic Climate Change Programme Policy Advice

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to domestic climate change.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Revenue					
Crown	2,897	3,462	3,462	3,462	5,229
Departmental	21	–	34	40	–
Other	11	–	25	25	–
Total revenue	2,929	3,462	3,521	3,527	5,229
Total expenses	3,037	3,462	3,521	3,412	5,229
Net surplus/(deficit)³⁰	(108)	–	–	115	–

Departmental Output Expense: International Climate Change Programme Policy Advice

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to international climate change issues, negotiating positions for climate change agreements, and development of carbon markets.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Revenue					
Crown	3,577	3,550	4,300	4,300	3,550
Departmental	30	–	30	36	–
Other	9	–	36	24	–
Total revenue	3,616	3,550	4,366	4,360	3,550
Total expenses	3,258	3,550	4,366	4,380	3,550
Net surplus/(deficit)	358	–	–	(20)	–

At Main Estimates, the 2014/15 budget for this output class was \$3.550 million. During the year, the budget was increased by \$816,000 to progress continuing international negotiations for climate change agreements.

³⁰ Parliamentary authority is given at the multi-class appropriation level rather than at an individual output class level.

Departmental Output Class: Synthetic Greenhouse Gas Levy

This category is limited to the implementation and collection of the Synthetic Greenhouse Gas Levy.

	2013/14	2014/15	2014/15	2014/15	2015/16
	Actual \$000	Budget \$000	Revised Budget \$000	Actual \$000	Unaudited Forecast \$000
Revenue					
Crown	49	49	49	49	49
Departmental	–	–	–	–	–
Other	78	–	–	–	–
Total revenue	127	49	49	49	49
Total expenses	45	49	49	45	49
Net surplus/(deficit)	82	–	–	4	–

Departmental Output Expenses: Carbon Monitoring Programme

This appropriation is limited to the development of a national carbon accounting system that will contribute to the meeting of New Zealand's greenhouse gas reporting obligations under the Kyoto Protocol and the UNFCCC.

	2013/14	2014/15	2014/15	2014/15	2015/16
	Actual \$000	Budget \$000	Revised Budget \$000	Actual \$000	Unaudited Forecast \$000
Revenue					
Crown	–	4,275	3,175	3,175	4,842
Departmental	–	–	10	12	–
Other	–	–	5	5	–
Total revenue	–	4,275	3,190	3,192	4,842
Total expenses	–	4,275	3,190	3,176	4,842
Net surplus/(deficit)	–	–	–	16	–

At Main Estimates, the 2014/15 budget for this output class was \$4.275 million. During the year, the budget was decreased by \$1.085 million. The funding of \$875,000 and \$210,000 were reprioritised towards progressing work in relation to international climate change negotiations within the Climate Change Multi-category Appropriation and water management reforms within the Improving Resource Management Multi-category Appropriation respectively.

Note: The multi-year appropriation below expired on 30 June 2014. \$2 million of the balance of appropriation remaining has been transferred across 2015/16 and 2016/17 to contribute to the continuing costs of our international climate change reporting requirements. This funding has been transferred to *Departmental Output Class: Carbon Monitoring Programme* above. The table below has been retained to report previous years' expenditure.

Multi-year Appropriation: Land Use and Carbon Analysis System

This appropriation is limited to the development of a national carbon accounting system that will contribute to the meeting of New Zealand's greenhouse gas reporting obligations under the Kyoto Protocol and the UNFCCC.

Appropriations, adjustments and use	\$000
Original appropriation	15,843
Adjustment for 2011/12	–
Adjustment for 2012/13	1,078
Total adjusted appropriation	16,921
Actual expenses to 2011/12 year end	–
Actual expenses to 2012/13 year end	7,889
Actual expenses to 2013/14 year end	6,880
Total actual expenses	14,769
Balance of appropriation remaining	2,152

Non-departmental funding

As the Ministry responsible for the NZ ETS, we manage the NZ ETS non-departmental appropriations on behalf of the Crown. We are also responsible for ensuring New Zealand's financial obligation to the UNFCCC is met each year.

	2013/14	2014/15	2014/15	2014/15	2015/16
	Actual \$000	Budget \$000	Revised Budget \$000	Actual \$000	Unaudited Forecast \$000
Revenue					
Emissions trading	13,410	46,140	83,031	134,656	143,650
NZ ETS penalty revenue	129	–	171	171	–
Synthetic Greenhouse Gas Levy	357	500	500	134	500
Total revenue	13,896	46,640	83,702	134,961	144,150
Expenses					
Allocation of New Zealand Units	46,223	164,710	149,820	132,999	159,800
Administration of New Zealand Units held on trust	177	177	177	157	177
Revision in carbon units ³¹	9,506	–	–	–	–
Net changes in carbon price of New Zealand Units including foreign exchange movements ³²	284,693	–	311,008	339,340	–
Net changes in carbon price of Kyoto Units including foreign exchange movements ³³	39,461	–	21,402	27,095	–
Purchase of Projects to Reduce Emissions Units	486	–	–	–	–
Emissions Trading Scheme ³⁴	6,392	6,392	6,092	6,092	6,692
Framework Convention on Climate Change	103	127	127	101	127
Impairment of debt relating to climate change activities	–	8,700	8,700	–	12,200
Total expenses	387,041	180,106	497,326	505,784	178,996

³¹ This is a remeasurement under the Public Finance Act 1989 and therefore does not require an appropriation.

³² Ibid (page 79, 65)

³³ Ibid

³⁴ This is the operating funding provided to the Environmental Protection Authority to administer the NZ ETS.

Quality standards for advice

The Ministry for the Environment is the Government's primary adviser on the New Zealand environment and international matters that affect the environment. We take very seriously our role of providing quality policy advice to help decision-makers make decisions.

Since 2010/11, we have implemented new quality standards for policy advice and made improvements to the frameworks and guidance for delivering advice. We set ourselves a very high standard to aspire towards. We also set a target that the large majority of papers meet that high standard. As an example, a common benchmark used by New Zealand Institute of Economic Research implies a target of only 50 per cent of papers meeting the quality standard versus our target of 70 per cent.

Because we want to continue to improve, we have also:

- established a Quality of Advice Community of Practice to coordinate and drive quality improvement and support a culture of challenge and debate, supported by a peer review community and integrated with our Regulatory Impact Analysis Panel
- refreshed our quality guidance and increased the visibility of quality scores across the Ministry
- analysed the papers which were assessed and identified particular weaknesses and opportunities for improvement which have been reflected in specific feedback on papers, targeted messaging to each directorate, and general messages to the Ministry
- based on lessons learned redesigned our advice templates and commissioning processes, updated our guidance on commissioning and peer review, and developed new policy training models through a quality academy group made of staff from across the Ministry.

We have undertaken nine formal assessments of policy advice from August 2014 to July 2015 which considered advice submitted from July 2014 to June 2015. The internal panel is chaired by an external independent chair, Howard Fancy, a former public sector chief executive. The quality assessment criteria and the methodology for randomly sampling papers remained the same as those used since November 2010, which enables year-on-year comparison.

Each assessment looked at 10 briefing notes and Cabinet papers randomly selected across all of the Ministry's advice.

Regulatory impact analysis

Regulatory impact analysis is fundamental to high quality advice. The Government wants to ensure that proposals involving regulatory options are subject to careful and robust analysis. To help ensure the regulatory process is open and transparent, regulatory impact statements (RISs) are prepared to support the consideration of regulatory proposals, including the potential introduction of new legislation (Bills or regulations), changes to / the repeal of existing legislation, and discussion documents which propose legislative or regulatory change.

Depending on the significance of the proposal, RISs are assessed by the Ministry's Regulatory Impact Analysis Panel or The Treasury to ascertain the quality of the analysis underpinning the proposal and recommendations. The criteria for assessment are:

- complete
- convincing
- consulted
- clear and concise.

Where all criteria are fully met, a RIS is deemed to ‘meet’ the quality assurance criteria. A ‘partially meets’ is given where the RIS does not meet one of the criteria (eg, there has been no or limited consultation). A ‘does not meet’ is given where the RIS is weak in multiple areas.

All Vote Environment Output Classes

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Technical quality of policy advice papers assessed by a survey with a methodical robustness of 100%	49%	At least 70% of policy advice papers sampled are of a high quality ³⁵	54%
Percentage of all regulatory impact statements that fully or partially meet quality assurance criteria (see note 1)	100% of the RIS assessed fully or partially met the quality assurance criteria. Of these, 64% fully met the criteria and 36% partially met the criteria	At least 90% (with 70% of RISs fully meeting quality assurance criteria)	83% fully or partially met the quality assurance criteria (67% fully met the quality assurance criteria)
The total cost per hour of producing outputs (see note 2)	\$160.68	At most \$150	\$183

Note 1: In 2014/15 year, six RISs developed by the Ministry were subject to quality assessment. Of these, four RISs were assessed by the Ministry’s internal assessment panel and two by The Treasury. One of these RISs was developed retrospectively to Cabinet’s policy decisions, due to the urgency of the policy proposal and was quality assessed by the Ministry’s internal panel. The regulatory impact statement performance measures exclude two papers which required a RIS and accompanying independent assessment but were not submitted due to the urgency associated with policy proposals.

Note 2: In 2014/15, the Ministry refined the methodology for calculating the cost per output hour. Data from the Ministry’s time recording system is used for reporting on this measure. In September 2014, a codes refresh was undertaken to improve the consistency of time recording across the policy functions. We are continually monitoring and reviewing our methodology as we get more data for analysis.

Trends over time in the quality of advice and regulatory impact statements

Trend	2011/12	2012/13	2013/14	2014/15
Percentage of policy advice papers assessed as high quality (Target: at least 70% of policy advice papers sampled are of a high quality)	59%	51%	49%	54%
Percentage of regulatory impact statements assessed that fully or partially met the quality assurance criteria (Target: At least 90% (with 70% of RISs fully meeting quality assurance criteria))	71%	84%	100%	83%

³⁵ ‘High quality’ is defined as papers marked as seven (or higher) out of 10 by the assessment panel.

Ministerial servicing

Performance measure	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of responses to parliamentary questions that are completed within required timeframes	100%	100%	98%
Percentage of responses to Ministerial correspondence submitted to the Minister within agreed timeframes	94%	95%	94%
Percentage of responses to Ministerial correspondence accepted first time by the Minister	94%	90%	97%
Percentage of Ministerial Official Information Act requests submitted within the timeframes agreed with your office	86%	95%	71%
Percentage of responses to departmental Official Information Act requests sent within statutory deadlines	98%	100%	78%
Percentage of briefing notes accepted first time by the Minister	98%	90%	95%
The satisfaction of the Minister for the Environment and the Minister for Climate Change Issues with the policy advice service, as per the common satisfaction survey	65%	At least 80%	83% ³⁶

Commentary on targets not achieved:

During 2014/15 measures related to Official Information Act responses were not met. This is due in part to administrative delays, as well as time required to rework some responses. The Ministry is putting in place improvements to its Official Information Act training and reporting practices in 2015/16 to address these delays.

What it cost

Vote Environment

Departmental Output Class: Ministerial Services

This appropriation is limited to the provision of services to Ministers to enable them to discharge their portfolio responsibilities (other than policy decision-making).

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Revenue					
Crown	3,187	3,300	2,725	2,725	3,300
Departmental	4	–	14	18	–
Other	4	–	18	10	–
Total revenue	3,195	3,300	2,757	2,753	3,300
Total expenses	3,167	3,300	2,757	2,725	3,300
Net surplus/(deficit)	28	–	–	28	–

At Main Estimates, the 2014/15 budget for this output class was \$3.300 million. During the year, the budget was reduced by \$543,000. This is due to the fact that the Ministry received lower than anticipated Official Information Act requests and Parliamentary Questions arising from the profile and nature of the Ministry's key workstreams such as resource management and water reforms.

This funding was reprioritised towards progressing work on water management reforms.

³⁶ This figure includes one survey from Minister Smith and two from Minister Groser.

4 Our Organisational Health and Capability

Performance Improvement Framework review

The Ministry had its first Performance Improvement Framework (PIF) review in December 2012. The reviewers concluded that the Ministry was well positioned for the future and improvements the Ministry had already made provided a sound foundation for further development. However, the reviewers also noted that to move towards its Four Year Excellence Horizon, the Ministry needed to be 'exceptional'.

To be 'exceptional' the Ministry needs to exhibit the following characteristics:

- show leadership across the wider environmental management system
- be focused on longer-term outcomes for New Zealand and how to achieve them
- effectively use evidence and evaluation to track progress towards outcomes and inform decisions
- develop capability and flexibility to sustain exceptional performance in the medium term
- provide value for money and efficiency.

A follow-up review was undertaken in June 2014, which updated the Ministry's Four Year Excellence Horizon in light of progress since the 2012 PIF review. The follow-up review noted the Ministry had made progress in addressing the critical success factors above. The areas requiring further focus are:

- developing a strategic plan populated with measurable environmental outcomes
- building thought leadership and innovation into how the Ministry and the Natural Resources Sector (NRS) does business
- optimising the Ministry's high-leverage model through deeper collaboration.

Outcomes framework

A draft outcomes framework populated with outcomes and targets in each of the environmental domains has been developed, and progress has been made on developing the strategic plan to set out how the Ministry may achieve these outcomes. The strategic plan will identify key strategic priorities for the Ministry. The framework and strategic plan are due to be finalised in October 2015. We intend to regularly monitor progress towards these outcomes.

Relationships

Robust, enduring relationships are critical to achieve our mission of environmental stewardship for a prosperous New Zealand. Many critical, complex macro issues cannot be progressed without collective resolution. Since 2008, the Ministry has convened the Natural Resources Sector (NRS), a group of agencies committed to achieving the greatest results for New Zealanders. In addition to convening roles, the Ministry continues to provide staff and resourcing to the NRS Support Unit.

We contributed to the development of a sector Briefing to the Incoming Ministers for the NRS, which identified areas of strategic priority and risk for the sector. In the last year the Business Growth Agenda Ministers wanted to see the NRS move to a situation where the strategic direction and actions it

holds itself to be targeted at its shared outcomes and priorities. The NRS is collectively accountable for targeting its resources to areas of greatest value. The Ministry contributed to that process by allocating resources to develop outcomes and priorities on behalf of the NRS agencies; in turn it has ensured a more strategic focus to both the Ministry and the NRS' work. We contributed to a collective NRS process for Budget 2015 to support Ministers in their investment decisions for the sector.

This year, attention has been given to continuing to improve our engagement with iwi/Māori. Our engagement with iwi leaders on fresh water, Exclusive Economic Zone regulations and climate change continues, showing we and iwi have confidence in this engagement. This has resulted in the two parties being able to have in-depth discussions improving the quality of input into programmes and projects pertaining to Māori and natural resource management. Current work in Treaty negotiations highlights the continued building of relationships at the iwi/hapū level, which will continue beyond Treaty settlements through the implementation of those settlements.

Kaahui Taiao, the Ministry's internal strategic advisory unit on Māori and Treaty of Waitangi issues, puts a lot of effort into managing iwi relationships and engagement. As a result the unit has been influential at governance level internally and externally across government agencies and with iwi/Māori reflecting the positive relationships created or strengthened by staff. This influence has played a part in policy design in decision-making, implementation, and the delivery of quality advice.

Ministry profile

As at 30 June 2015, the Ministry employed 302.4 full-time equivalent (FTE) staff (compared with 299.8 FTE in 2014).

Our staff come from a range of professional, technical and scientific backgrounds, including resource management, law and science. Many have previously worked in local government, the private sector or other central government agencies.

Core unplanned turnover is approximately 19.1 per cent (compared with 16.4 per cent in 2013/14). The average length of service is approximately 3.8 years (compared with 3.7 years in 2013/14).

Our focus for 2014/15

In the past 12 months we have focused on continuing to build the capabilities set out in our Four Year Plan. This has included strengthening our leadership (internally and externally), continuing to build an engaged and flexible workforce and enhancing the quality of our advice.

Each year, we conduct a staff engagement survey to measure the extent to which staff are connected and engaged with the Ministry. Improvements in staff engagement, as measured by the survey, will indicate that we are on track for the people elements of our organisational strategy.

Measuring our progress

The 2014 staff engagement survey shows that the Ministry continues to have an engaged workforce when compared to the New Zealand public sector. Whilst the ratio of engaged to disengaged people has fallen, this is due to a small increase in the number of disengaged staff, rather than a decrease in engaged staff. We have continued to focus on building an engaged workforce at individual, team and organisation levels.

Trend of survey results	2009	2010	2011	2012	2013	2014
Ratio of engaged to disengaged staff	1 – 1	2.91 – 1	6.14 – 1	10.8 – 1	10.5 – 1	8 - 1
Percentile (NZ Public Sector)	26th	56th	73rd	81st	67th	70th

Equal employment opportunities

We pay careful attention to ensuring that procedures for recruitment and selection, career development and progression, training, and conditions of employment will provide equal opportunities.

Currently women make up 50 per cent of the management team at the Ministry. This is a small increase compared to 2013/14 when women represented about 44 per cent of the management team.

People and culture

We have continued to develop our people capability in line with our workforce plans in our Four Year Plan. We have also monitored and enhanced the improvements made over the past few years to ensure they are effective and having the impact they were designed to deliver. We have:

- developed a learning programme to improve the quality of our advice
- made improvements to how we recruit for future capability needs
- run a number of seminars, training and development events for our people
- supported and enabled career progression and movement of staff around the Ministry
- developed clear expectations and development pathways for our leaders
- continued to support and foster debate and innovation in the Ministry.

Information technology and knowledge management

Over 2014/15, we continued to deliver against our infrastructure roadmap (defined in early 2014) and improve the way information, communication and technology (ICT) services support the Ministry. Towards the end of the financial year, we completed a refresh of our Information Systems Strategic Plan. We took this opportunity to align our investment in information and technology to our Four Year Plan.

We implemented a new service delivery model in March 2014 and the annual service performance results are delivering to agreed service levels across all areas of our ICT services partner's responsibilities.

During 2014/15, we invested in technology to maintain critical infrastructure and provide new technology to support the delivery of our work programmes. Where possible, we took advantage of ICT Common Capability offerings.

The following key maintenance projects were completed in 2014/15. We:

- upgraded our backup solution located offsite
- replaced our Remote Access Solution for Ministry staff through the Government's ICT Common Capability Desktop as a Service.

The following enablement projects were completed during 2014/15. We:

- introduced Skype for Business, adding desktop video conferencing, audio, instant messaging and presence information to all Ministry staff
- implemented a new Enterprise Content Management System from the Government's ICT Common Capability Enterprise Content Management System as a service panel
- completed a review of our disaster recovery capability.

The implementation of the new Enterprise Content Management System represents gains in improving our knowledge management. This is significant given that data and information are key strategic assets that provide the basis for good evidence-based policy.

From a governance and assurance perspective, we continue with work to ensure we remain aligned to the Government's ICT Strategy and Action Plan to 2017. Through 2014/2015 the Ministry has met all reporting requirements defined by the Government's Chief Information Officer's office.

Ministry for the Environment data service and the Declaration on Open and Transparent Government

We launched the Ministry for the Environment Data Service in March 2015 to make our high-value public data available for re-use, as part of our obligations under the Declaration on Open and Transparent Government. The Data Service is provided under a shared services agreement with Land Information New Zealand.

The Ministry is now ranked first equal in the 2015 survey of agencies' adoption of the Declaration on Open and Transparent Government. We have moved up the rankings from 10th in 2014.

Internal audit and risk management

The Internal Audit function conducts independent reviews of our internal control and governance processes. It also provides internal audit services to the Environmental Protection Authority (EPA). The Internal Audit function adopts a risk-based approach in formulating its annual audit plan to align audit activities to the key risks across the Ministry. The annual audit plan is endorsed by the Audit Committee and approved by the Chief Executive at the beginning of each financial year.

In addition to providing internal audit assurances to the Chief Executive and the Environment Leadership Team, the Internal Audit function is responsible for managing the Ministry's risk management programme and conducting internal investigations.

The Internal Audit function has completed 16 audits for the Ministry and four audits for the EPA. This represents an increase of five audits compared with the previous year. Despite the additional audits completed, the percentage of high risk findings identified has dropped to its lowest level of 16 per cent from 25 per cent last year. The percentage of low risk findings have increased to 54 per cent from 39 per cent.

The annual business continuity simulation exercises and other emergency drills such as fire, tsunami and earthquake drills have improved staff awareness in the Ministry's emergency procedures. Similarly, the simulation exercises have improved the awareness, maturity and capability of key staff for responding to large scale disruptive events.

The risk management practice in the Ministry is well supported. The Ministry has an up-to-date risk management policy framework based on AS/NZS ISO 31000:2009 Risk Management – principles and guidelines. The Environment Leadership Team owns and manages the Ministry's strategic risks, and the

Directors' Forum owns and manages the Ministry's business level risks. These risks are linked to the strategic risk. Operational managers and project managers manage risks identified at operational and project levels. In March 2015, the Natural Resources Sector (NRS) Chief Executives jointly endorsed a plan by NRS risk managers to work towards establishing a common risk approach for use by the sector.

The Audit and Risk Committee comprises three independent advisors. The Audit and Risk Committee meets four times per year. The Chief Executive and the Deputy Secretary Organisational Performance are permanent attendees of these meetings. The Committee continues to provide an effective forum for discussing high level risk and assurance issues. It is also a forum for providing oversight and advice on the effectiveness of the Ministry's assurance and risk management programmes.

Ministry budget and assets

Funding

We want to provide efficient and effective services that represent good value for money. We have a track record of regularly taking steps to improve our efficiency and effectiveness (including reviews of various functions, as well as using savings to help fund Government priorities like the clean up of Tui Mine, or the establishment of the EPA).

For 2014/15 we have improved our four year planning process because we know that better planning and budgeting will enable us to prioritise work based on better evidence. We are continuing to identify areas to be more efficient. Given the Ministry's small size, we are now focusing on creating efficiencies by adopting all of government initiatives and working closely with our NRS partners and maximising our model of leveraging resources across our central and local government relationships. For example, the Ministry has signed up to the second Wellington Accommodation Project facilitated by the Property Management Centre of Excellence. This presents an opportunity to relocate the Ministry's head office at a reduced rental cost and to implement a better workforce environment that promotes greater collaboration and efficiencies.

Capital expenditure

In 2014/15, we incurred \$1.494 million of capital expenditure, reflected in the table below. The main area of capital expenditure (approximately \$1.45 million) related to additional investment in the Ministry's core systems including the Enterprise Content Management System. We have described the benefits of these improvements in the Information technology and knowledge management section above.

	2013/14 Actual \$000	2014/15 Budget \$000	2014/15 Revised Budget \$000	2014/15 Actual \$000	2015/16 Unaudited Forecast \$000
Expenses					
Property, Plant and Equipment	176	121	263	344	50
Intangibles	79	500	1,277	1,150	190
Total expenses	255	621	1,540	1,494	240

Project management and governance

During 2014/15, we began a review of our project management training and resources, acknowledging that current learning and development interventions are based on the needs when project management was first introduced in 2010. Maturity in the Ministry has grown since then and external influences have changed. These include: an increasing demand for the Ministry to lead change in the sector, developments in project management professional practice, and changing expectations of the public sector to manage investments according to best practice project management standards. Review findings will be considered as part of our annual Four Year Plan and Workforce Strategy activities in 2015/16.

To further support the Ministry's management of investments, we undertook a review of the Ministry's current information and technology governance. The findings from that review were implemented in May 2015 with a newly formed internal governance body tasked with the strategic oversight of the Ministry's Asset and Investment Portfolio. The Project Management Office will support the Investment Portfolio Board with portfolio management tools and techniques to ensure the Ministry is realising the maximum benefits from our strategic intentions.

5 Financial Statements for the Ministry for the Environment

Performance Indicators for the Year Ended 30 June 2015

	Unit	2014/15 Actual	2014/15 Revised Budget*
Operating results			
Revenue: Crown	\$000	53,890	53,890
Revenue: Departmental and other	\$000	925	888
Output expenses	\$000	52,704	54,778
Gain on sale of assets	\$000	–	5
Net surplus	\$000	2,111	5
Working capital			
Net current assets	\$000	5,376	5,191
Current ratio	Ratio	1.56	1.95
Resource utilisation			
Plant and equipment			
Plant and equipment at year-end	\$000	846	747
Value per employee	\$000	2.8	2.3
Additions as % of plant and equipment	%	39.2	35.2
Plant and equipment as % of total assets	%	4.9	5.9
Intangible assets			
Intangible assets at year-end	\$000	1,245	1,300
Value per employee	\$000	4.1	3.9
Additions as % of intangible assets	%	92.4	98.2
Intangible assets as % of total assets	%	7.3	10.2
Taxpayers' funds			
Level at year-end	\$000	5,992	5,992
Level per employee	\$000	19.8	18.2
Net cash flows			
Surplus/(deficit) from operating activities	\$000	1,567	3,277
Surplus/(deficit) from investing activities	\$000	(1,375)	(1,535)
Surplus/(deficit) from financing activities	\$000	(1,211)	(1,211)
Net increase/(decrease) in cash held	\$000	(1,019)	531
Human resources			
Staff turnover	%	19.1	20.2
Average length of service	Years	3.8	4.1
Total staff	No.	302	330

*The statement of accounting policies provides explanations of these figures which are not subject to audit.

Statement of Comprehensive Revenue and Expense for the Year Ended 30 June 2015

2013/14 Actual \$000		Notes	2014/15 Actual \$000	2014/15 Budget* \$000	2014/15 Revised Budget* \$000	2015/16 Forecast* \$000
Revenue						
50,905	Funding from the Crown		53,890	53,970	53,890	61,280
866	Other revenue	2	925	5	888	5
1	Gains	3	–	5	5	5
51,772	Total revenue		54,815	53,980	54,783	61,290
Expenses						
27,483	Personnel costs	4	29,952	27,503	29,889	36,871
730	Depreciation and amortisation expense	9, 10	560	854	662	813
479	Capital charge	5	479	479	479	479
28	Finance cost	6	170	–	–	–
21,841	Other operating expenses	7	21,543	25,139	23,748	23,122
50,561	Total expenses		52,704	53,975	54,778	61,285
1,211	Net surplus and total comprehensive revenue and expense		2,111	5	5	5

Explanations of significant variances against budget are detailed in note 21.

*The statement of accounting policies provides explanations of these figures which are not subject to audit.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position as at 30 June 2015

2013/14 Actual \$000	Notes	2014/15 Actual \$000	2014/15 Budget* \$000	2014/15 Revised Budget* \$000	2015/16 Forecast* \$000
Assets					
Current assets					
1,898	Cash and cash equivalents	879	2,443	2,429	3,032
10,380	Receivables**	13,917	8,176	7,939	7,939
352	Pre-payments	259	300	300	300
12,630	<i>Total current assets</i>	15,055	10,919	10,668	11,271
Non-current assets					
771	Plant and equipment	846	681	747	558
398	Intangible assets	1,245	836	1,300	916
1,169	<i>Total non-current assets</i>	2,091	1,517	2,047	1,474
13,799	Total assets	17,146	12,436	12,715	12,745
Liabilities					
Current liabilities					
3,125	Payables**	5,781	3,319	3,261	3,261
1,211	Return of operating surplus	2,111	5	5	5
46	Provisions	50	—	—	—
2,211	Employee entitlements	1,737	1,918	2,211	2,211
6,593	<i>Total current liabilities</i>	9,679	5,242	5,477	5,477
Non-current liabilities					
763	Employee entitlements	854	751	763	763
451	Provisions	621	451	483	513
1,214	<i>Total non-current liabilities</i>	1,475	1,202	1,246	1,276
7,807	Total liabilities	11,154	6,444	6,723	6,753
5,992	Net assets	5,992	5,992	5,992	5,992
Equity					
5,992	Taxpayers' funds	5,992	5,992	5,992	5,992
5,992	Total equity	5,992	5,992	5,992	5,992

Explanations of significant variances against budget are detailed in note 21.

*The statement of accounting policies provides explanations of these figures which are not subject to audit.

** PBE IPSAS 1.88 requires in the statement of financial position that separate line items be presented for receivables from non-exchange transactions, receivables from exchange transactions, taxes and transfers payable, and payables under exchange transactions. The Ministry considers that it will be rare that this analysis will provide material information. Therefore, due to the current uncertainties about whether some transactions are exchange or non-exchange, the Ministry has chosen to focus on providing a meaningful breakdown in the notes.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2015

2013/14 Actual \$000		Notes	2014/15 Actual \$000	2014/15 Budget*	2014/15 Revised Budget*	2015/16 Forecast*
				\$000	\$000	\$000
5,992	Balance at 1 July		5,992	5,992	5,992	5,992
	<i>Comprehensive revenue and expense</i>					
1,211	Surplus for the year		2,111	5	5	5
1,211	Total comprehensive revenue		2,111	5	5	5
(1,211)	Return of operating surplus to the Crown	12	(2,111)	(5)	(5)	(5)
5,992	Balance at 30 June		5,992	5,992	5,992	5,992

*The statement of accounting policies provides explanations of these figures which are not subject to audit.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flows for the Year Ended 30 June 2015

2013/14 Actual \$000	Notes	2014/15 Actual \$000	2014/15 Budget* \$000	2014/15 Revised Budget* \$000	2015/16 Forecast* \$000
Cash flows from operating activities					
50,435	Receipts from the Crown	50,435	53,970	56,390	61,280
1,158	Receipts from other revenue	827	5	829	5
(23,127)	Payments to suppliers	(18,548)	(25,111)	(23,574)	(23,092)
(27,171)	Payments to employees	(30,330)	(27,503)	(29,889)	(36,871)
(479)	Payments for capital charge	(479)	(479)	(479)	(479)
62	Goods and services tax (net)	(338)	—	—	—
878	<i>Net cash flow from operating activities</i>	16	1,567	882	3,277
Cash flows from investing activities					
1	Receipts from sale of plant and equipment	—	5	5	5
(223)	Purchase of plant and equipment	(226)	(121)	(263)	(50)
(79)	Purchase of intangible assets	(1,149)	(500)	(1,277)	(190)
(301)	<i>Net cash flow from investing activities</i>	(1,375)	(616)	(1,535)	(235)
Cash flows from financing activities					
(1,217)	Return of operating surplus	(1,211)	(5)	(1,211)	(5)
(1,217)	<i>Net cash flow from financing activities</i>	(1,211)	(5)	(1,211)	(5)
(640)	Net increase/(decrease) in cash	(1,019)	261	531	603
2,538	Cash at the beginning of the year	1,898	2,182	1,898	2,429
1,898	Cash at the end of the year	879	2,443	2,429	3,032

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

*The statement of accounting policies provides explanations of these figures which are not subject to audit.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Commitments as at 30 June 2015

Capital commitments

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

Non-cancellable operating lease commitments

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

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

The total amount of future sub-lease payments expected to be received under non-cancellable sub-leases at the balance date are \$13,861 (2013/14, \$20,709).

2013/14 Actual \$000		2014/15 Actual \$000
	Capital commitments	
	– Intangible assets	–
	– <i>Total capital commitments</i>	–
	Non-cancellable operating lease commitments	
2,166	Not later than one year	2,103
4,066	Later than one year but not later than five years	1,928
	– Later than five years	–
6,232	<i>Total non-cancellable operating lease commitments</i>	4,031
6,232	Total commitments	4,031

Statement of Contingent Liabilities and Contingent Assets as at 30 June 2015

Contingent liabilities

In the 2014/15 financial year the Ministry has no contingent liabilities (2013/14: \$nil).

Contingent assets

In the 2014/15 financial year the Ministry has no contingent assets (2013/14: \$nil).

The accompanying accounting policies and notes form part of these financial statements.

Notes to the Financial Statements

1. Statement of accounting policies for the year ended 30 June 2015

Reporting entity

The Ministry for the Environment (the Ministry) is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled and operates in New Zealand. The relevant legislation governing the Ministry's operations includes the Public Finance Act 1989 and the Environment Act 1986. The Ministry's ultimate parent is the New Zealand Crown.

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

The primary objective of the Ministry is to provide advice to the Government on the New Zealand environment and international matters that affect the environment. The Ministry does not operate to make financial returns. Accordingly, the Ministry has designated itself as a public benefit entity (PBE) for the purpose of financial reporting.

The financial statements of the Ministry are for the year ended 30 June 2015. The financial statements were authorised for issue by the Chief Executive of the Ministry on 30 September 2015.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with the New Zealand generally accepted accounting practices (NZ GAAP) and Treasury instructions. They comply with Tier 1 Public Benefit Entity (PBE) accounting standards and other applicable financial reporting standards, as appropriate for public benefit entities.

Measurement base

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

Function and presentation of currency

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

Accounting policies

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The Ministry have previously reported in accordance with NZ IFRS (PBE). There are no adjustments arising on transition to the new PBE accounting standards.

The accounting policies adopted in these financial statements are consistent with those of the previous financial year, except for instances when the accounting or reporting requirements of a PBE standard are different to requirements under the NZ IFRS (PBE) as outlined below.

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

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

The changes to accounting policies and disclosures caused by first time application of PBE accounting standards are as follows:

PBE IPSAS standards and the equivalent NZ IFRS (PBE) standards:

There are minor differences between PBE IPSAS standards and the equivalent NZ IFRS (PBE) standards.

- PBE IPSAS 1: Presentation of Financial Statements
Receivables from exchange and non-exchange transactions:

PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately in the statement of financial position.

- PBE IPSAS 9: Revenue from exchange transactions
PBE IPSAS 9 prescribes the financial reporting requirements for revenue arising from exchange transactions. The application of this standard has affected revenues other than the Crown revenue received by the Ministry. PBE IPSAS 9 requires revenue from exchange transactions, such as salary recovery from staff secondments, and travel recovery to be recognised separately.

This standard excludes revenue received from lease agreements, which are dealt under PBE IPSAS 13: Leases.

- PBE IPSAS 20: Related party disclosures
PBE IPSAS 20 requires the disclosure of the existence of related party relationship where control exists. The application of this standard is required for accountability purposes. PBE IPSAS 20 requires the reporting entity to disclose information about the persons having the authority and responsibility for planning, directing, and controlling activities of the reporting entity.

- PBE IPSAS 23: Revenue from non-exchange transactions
PBE IPSAS 23 prescribes the financial reporting requirements for revenue arising from non-exchange transactions. The application of this standard has affected accounting for Crown revenue received by the Ministry. PBE IPSAS 23 requires revenue from non-exchange transactions, such as Crown funding to be recognised separately.

The Ministry considers that it will be rare that the above disclosures will provide material information analysis in the presentation of financial statements. And, due to the current uncertainties about whether some transactions are exchange or non-exchange, the Ministry has chosen to focus on providing a meaningful breakdown in the notes.

Accounting standards and interpretations issued but not yet effective and not early adopted:

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Ministry has applied these standards in preparing the 30 June 2015 financial statements.

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The Ministry will apply these updated standards in preparing its

30 June 2016 financial statements. The Ministry expects there will be minimal or no change in applying these updated accounting standards.

Significant accounting policies

Budgeting and forecasting figures

The budget figures are those included in the Information Supporting the Estimates of Appropriations (Budget) for the year ending 30 June 2015 and the Information Supporting the Supplementary Estimates of Appropriations (Revised Budget) for the year ending 30 June 2015 (the Budget is 2014 Budget Economic and Fiscal Update (BEFU 2014) out-year 1 figures and the Revised Budget is SUPPS 2015 out-year 0 figures).

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements and are based on PBE accounting standards.

The forecast figures are those included in the Information Supporting the Estimates of Appropriations for the year ending 30 June 2016 (the Forecast is 2015 Budget and Economic and Fiscal Update (BEFU 2015) out-year 1 figures).

The forecast figures are unaudited and have been prepared in accordance with the requirements of the Public Finance Act 1989, and comply with the with Tier 1 PBE accounting standards and other applicable financial reporting standards, as appropriate for public benefit entities. They are to be used in the future for reporting historical general purpose financial statements.

The forecast figures contained in these financial statements reflects the Ministry's purpose and activities and are based on a number of assumptions on what may occur during the year 2015/16. Events and circumstances may not occur as expected. Factors that could lead to material differences between the forecast financial statements and the 2015/16 actual financial statements include changes to the baseline forecast through new initiatives, or technical adjustments.

Significant assumptions – Forecast figures

The forecast figures have been compiled on the basis of existing government policies and Ministerial expectations at the time the BEFU 2015 was finalised.

The main assumptions were as follows:

- The department's activities will remain substantially the same as the previous year focusing on the Government's priorities. These priorities include the reform of the Resource Management Act, implementation and operation of the Emissions Trading Scheme, improving New Zealand's freshwater management, improving Hazardous Substances and New Organisms framework, and the management of the Exclusive Economic Zone.
- Personnel costs were based on 345 full time equivalent staff, which takes into account staff turnover.
- Operating costs were based on historical experience and various other factors that were believed to be reasonable under the circumstances.
- The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.

- Estimated year end information for 2014/15 was used as the opening position for the 2015/16 forecasts.

These assumptions were adopted as at 20 April 2015.

Revenue

Revenue Crown

Revenue from the Crown is measured based on the Ministry's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, the Ministry can incur expenses only within the scope and limits of its appropriations.

Revenue other

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

Expenses

Capital charge

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

Grants/subsidies

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

Cost allocation

The Ministry derives the cost of outputs using a cost allocation system. Direct costs are charged directly to the Ministry's outputs. Indirect costs are charged to outputs based on a primary cost driver of salaried full-time equivalents. There were no material changes to the cost allocation model during the 2014/15 year.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be directly associated with a specific output. For the year ended 30 June 2015, direct costs accounted for 50 per cent of the Ministry's costs (2013/14: 53 per cent) and indirect costs accounted for 50 per cent of the Ministry's costs (2013/14: 47 per cent).

Leases

Operating leases

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

Foreign currency

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

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

Cash and cash equivalents

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

The Ministry is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

Receivables

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

Plant and equipment

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

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

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

Depreciation

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

Asset Class	Useful Life (years)	Depreciation Rate (%)
Furniture and fittings	5–13	8.39–20.0
Office equipment	5	20.0
Computer hardware	3–4	25.0–33.33

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

Intangible assets

Software acquisition and development

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

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

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

Costs of software updates or upgrades are only capitalised when they increase the usefulness or value of the software.

Costs associated with development and maintenance of the Ministry's website are recognised as an expense when incurred.

Amortisation

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

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

Asset Class	Useful Life (years)	Amortisation Rate (%)
Acquired computer software	3–6	16.67–33.33
Acquired computer software licences (Land Use and Carbon Analysis System)	7.5	13.33
Developed computer software	3	33.33

Impairment of non-financial assets

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

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Ministry would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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

Payables

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

Employee entitlements

Short-term employee entitlements

Employee entitlements that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, long service leave and retirement gratuities expected to be settled within 12 months.

Long-term employee entitlements

Employee entitlements that are due to be settled beyond 12 months after the end of the reporting period in which the employee renders the related service, such as long service leave and retirement gratuities, are calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlements information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Salaries and wages accrued, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Obligations for contributions to defined contribution schemes such as the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are recognised as an expense in the statement of comprehensive revenue and expense as incurred.

Statement of cash flows

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

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

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

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

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation,

and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for net deficits from future operating activities.

Provisions are measured at the present value of the expenditure and are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated timing of the future cash outflows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance cost'.

Restructuring

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected, or for which implementation has already begun.

Goods and Services Tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except where otherwise stated. Receivables and payables in the statement of financial position are stated inclusive of GST. Where GST is not recoverable as an input tax, then it is recognised as part of the related asset or expense. The GST payable or receivable at balance date is included in payables or receivables in the statement of financial position.

Income tax

The Ministry is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with the new PBE accounting standards requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses.

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

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

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

Note 13 contains an estimate for restructuring costs which is expected to be paid in the financial year ending 30 June 2016.

Note 14 provides the key assumptions used in determining the estimates for long service leave and retirement gratuities.

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date. Information on non-cancellable capital and lease commitments are reported in the statement of commitments.

Contingencies

Contingent liabilities and contingent assets are reported at the point at which the contingency is evident or when a present liability is unable to be measured with sufficient reliability to be recorded in the financial statements (unquantifiable liability). Contingent liabilities, including unquantifiable liabilities, are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Equity

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

Comparatives

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

2. Other revenue

2013/14 Actual \$000	2014/15 Actual \$000
403 Departmental	565
463 Other	360
866 Total other revenue	925

3. Gains

2013/14 Actual \$000	2014/15 Actual \$000
1 Net gain on sale of plant and equipment	—
1 Total gains	—

4. Personnel costs

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

2013/14 Actual \$000		2014/15 Actual \$000
25,992	Salaries and wages	28,230
46	Termination benefits	140
854	Employer contributions to defined contribution plans	956
84	ACC Levy	85
466	Net employee entitlements	562
41	Other	(21)
27,483	Total personnel costs	29,952

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

5. Capital charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2015 was 8.0 per cent (2013/14: 8.0 per cent).

6. Finance costs

2013/14 Actual \$000		2014/15 Actual \$000
28	Discount unwind on provisions (note 13)	170
28	Total finance costs	170

7. Other operating expenses

2013/14 Actual \$000		2014/15 Actual \$000
187	Audit fees for the financial statement audit	192
2,262	Operating lease expenses	2,272
206	Advertising and publicity	189
502	Contributions and sponsorship	954
	<i>External resources:</i>	
269	Advisory groups	787
3,265	Services provided by other government agencies	3,502
1,107	Data/imagery	487
1,722	Annual outsourced specialist services	2,336
5,953	Other professional consulting fees	4,264
663	Contracted research	724
2,542	General and administration	2,617
3,163	Other operating expenses	3,219
21,841	Total other operating expenses	21,543

8. Receivables

2013/14 Actual \$000		2014/15 Actual \$000
Receivables from non-exchange transactions		
10,339	Debtor Crown	13,794
–	GST refund	59
10,339	<i>Total receivables from non-exchange transactions</i>	13,853
Receivables from exchange transactions		
41	Debtors other	64
41	<i>Total receivable from exchange transactions</i>	64
10,380	Total receivables	13,917

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

As at 30 June 2015 and 2014, all overdue receivables have been assessed for impairment. No provision has been made for doubtful debts as there were no indications at balance date that any of these debtors are impaired.

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

	Gross \$000	2014/15 Impairment \$000	Net \$000	Gross \$000	2013/14 Impairment \$000	Net \$000
Not past due	13,902	–	13,902	10,360	–	10,360
Past due 1 – 30 days	–	–	–	20	–	20
Past due 31 – 60 days	–	–	–	–	–	–
Past due 61 – 90 days	15	–	15	–	–	–
Past due > 91 days	–	–	–	–	–	–
Total	13,917	–	13,917	10,380	–	10,380

9. Plant and equipment

Movements for each class of plant and equipment are as follows:

	Furniture and fixtures \$000	Office equipment \$000	Computer hardware \$000	Total \$000
Cost				
Balance at 1 July 2013	2,247	284	1,697	4,228
Additions	162	21	40	223
Add: Closing work in progress	–	–	–	–
Less: Opening work in progress	(32)	(15)	–	(47)
Balance at 30 June 2014	2,377	290	1,737	4,404
Balance at 1 July 2014	2,377	290	1,737	4,404
Additions	57	11	37	105
Add: Closing work in progress	–	–	239	239
Less: Opening work in progress	–	–	–	–
Disposals	(12)	–	–	(12)
Balance at 30 June 2015	2,422	301	2,013	4,736
Accumulated depreciation and impairment losses				
Balance at 1 July 2013	1,894	204	1,255	3,353
Depreciation expense	58	29	193	280
Balance at 30 June 2014	1,952	233	1,448	3,633
Balance at 1 July 2014	1,952	233	1,448	3,633
Depreciation expense	65	30	162	257
Balance at 30 June 2015	2,017	263	1,610	3,890
Carrying amounts				
At 1 July 2013	353	80	442	875
At 30 June / 1 July 2014	425	57	289	771
At 30 June 2015	405	38	403	846

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

10. Intangible assets

Movements for each class of intangible asset are as follows:

	Acquired software \$000	Acquired software licences \$000	Internally generated software (others) \$000	Internally generated software (LUCAS) \$000	Total \$000
Cost					
Balance at 1 July 2013	1,327	25	1,430	1,843	4,625
Additions	132	–	159	–	291
Add: Closing work in progress	–	–	–	–	–
Less: Opening work in progress	(52)	–	(160)	–	(212)
Balance at 30 June 2014	1,407	25	1,429	1,843	4,704

	Acquired software \$000	Acquired software licences \$000	Internally generated software (others) \$000	Internally generated software (LUCAS) \$000	Total \$000
Balance at 1 July 2014	1,407	25	1,429	1,843	4,704
Additions	1,069	–	–	–	1,069
Add: Closing work in progress	81	–	–	–	81
Less: Opening work in progress	–	–	–	–	–
Balance at 30 June 2015	2,557	25	1,429	1,843	5,854
Accumulated amortisation and impairment losses					
Balance at 1 July 2013	991	25	1,011	1,829	3,856
Amortisation expense	256	–	180	14	450
Balance at 30 June 2014	1,247	25	1,191	1,843	4,306
Balance at 1 July 2014	1,247	25	1,191	1,843	4,306
Amortisation expense	224	–	79	–	303
Balance at 30 June 2015	1,471	25	1,270	1,843	4,609
Carrying amounts					
At 1 July 2013	336	–	419	14	769
At 30 June / 1 July 2014	160	–	238	–	398
At 30 June 2015	1,086	–	159	–	1,245

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

11. Payables and deferred revenue

2013/14 Actual \$000		2014/15 Actual \$000
Payables and deferred revenue under exchange transactions		
1,297	Creditors	3,638
162	Revenue received in advance	87
1,387	Accrued expenses	2,056
2,846	Total payables and deferred revenue under exchange transactions	5,781
Payables and deferred revenue under non-exchange transactions		
279	GST payable	–
3,125	Total payables and deferred revenue	5,781

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

12. Return of operating surplus

2013/14 Actual \$000		2014/15 Actual \$000
1,211	Net surplus	2,111
1,211	Total return of operating surplus	2,111

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

13. Provisions

2013/14 Actual \$000		2014/15 Actual \$000
	Current portion	
46	Restructuring	50
46	<i>Total current portion</i>	50
	Non-current portion	
451	Restoration costs	621
497	Total provisions	671

	Restoration costs \$000	Restructuring \$000	Total \$000
Balance at 1 July 2013	423	40	463
Additional provisions made	–	46	46
Discount unwind	28	–	28
Amounts used	–	(40)	(40)
Unused amounts reversed	–	–	–
Balance at 30 June 2014	451	46	497
Balance at 1 July 2014	451	46	497
Additional provisions made	–	4	4
Discount unwind	170	–	170
Amounts used	–	–	–
Unused amounts reversed	–	–	–
Balance at 30 June 2015	621	50	671

Provisions represent:

- the costs from a review of the information technology functions within the Ministry. These costs will be paid in 2015/16 (2013/14: \$46,000)
- restoration costs in respect of the Ministry's leased premises. The Ministry is required at the expiry of the lease term to make good any damage caused to the premises and to remove any signage, fixtures and fittings installed by the Ministry.

14. Employee entitlements

2013/14 Actual \$000		2014/15 Actual \$000
Current portion		
786	Salary accruals	115
1,274	Annual leave	1,443
151	Long service leave and retirement gratuities	179
2,211	<i>Total current portion</i>	1,737
Non-current portion		
763	Long service leave and retirement gratuities	854
2,974	Total employee entitlements	2,591

The long service leave and retirement gratuities entitlements depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The major assumptions used in the actuarial valuation were:

- discount rates as specified by Treasury for use by government departments as at 30 June 2015. The rates used range from 2.93 per cent to 5.50 per cent depending on the term of the liability for each employee (2013/14: 3.70 per cent to 5.50 per cent)
- a long-term annual salary growth rate of 3.00 per cent (2013/14: 3.50 per cent).

15. Equity

2013/14 Actual \$000		2014/15 Actual \$000
Taxpayers' funds		
5,992	Balance at 1 July	5,992
1,211	Total comprehensive income	2,111
(1,211)	Return of operating surplus to the Crown	(2,111)
5,992	Balance at 30 June	5,992

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

2013/14 Actual \$000		2014/15 Actual \$000
1,211	Net surplus	2,111
	Add/(less) non-cash items:	
28	Restoration costs	170
730	Depreciation and amortisation expense	560
758	<i>Total non-cash items</i>	730
	Add/(less) items classified as investing or financing activities:	
(1)	Net (gains)/losses on disposal of plant and equipment, and intangibles	–
	Add/(less) movements in statement of financial position items	
(340)	(Increase)/decrease in debtors and other receivables	(3,537)
(37)	(Increase)/decrease in pre-payments	93
(1,024)	Increase/(decrease) in creditors and other payables ³⁷	2,549
6	Increase/(decrease) in provisions	4
305	Increase/(decrease) in employee entitlements	(383)
(1,091)	<i>Total net movement in working capital items</i>	(1,274)
878	Net cash flow from operating activities	1,567

17. 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.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Ministry would have adopted in dealing with the party at arm's length in the same circumstances.

The Ministry enters into transactions with government departments, Crown entities, and state-owned enterprises on an arm's length basis. Transactions with other government agencies are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Key management personnel compensation

2013/14 Actual		2014/15 Actual
	<i>Environmental Leadership Team, including the Chief Executive</i>	
\$1,366,138	Remuneration	\$1,503,278
5	Full-time equivalent staff	5

The above key management personnel compensation excludes the remuneration and other benefits received by the Minister for the Environment and the Minister for Climate Change Issues. The Ministers' remuneration and other benefits are not received only for their role as a member of key

³⁷ Creditors and accruals for capital expenditure are excluded when calculating this increase or decrease.

management personnel of the Ministry. The Ministers' remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and not paid by the Ministry.

18. Events after the balance sheet date

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

19. Financial instruments

Financial instrument categories

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

2013/14 Actual \$000		2014/15 Actual \$000
Loans and receivables		
1,898	Cash and cash equivalents	879
10,380	Receivables	13,917
12,278	<i>Total loans and receivables</i>	14,796
Financial liabilities measured at amortised cost		
2,963	Payables (excluding revenue in advance)	5,694

Financial instruments' risks

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

Market risk

Currency risk

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

Interest rate risk

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

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

Credit risk

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

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

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

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, and receivables (note 8). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Management of liquidity risk

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

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

Contractual maturity analysis of financial liabilities, excluding derivatives

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

	Carrying amount \$000	Contractual cash flows \$000	Less than 6 months \$000	6 months – 1 year \$000	1–5 years \$000	More than 5 years \$000
2015						
Payables (note 11)	5,781	5,781	5,781	–	–	–
2014						
Payables (note 11)	3,125	3,125	3,125	–	–	–

20. Capital management

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

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities and compliance with the government budget processes, Treasury instructions and the Public Finance Act 1989.

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

21. Explanations of major variances against budget

Explanations for major variances from the Ministry's original 2014/15 budget figures are as follows:

(i) Statement of comprehensive income

	2014/15 Actual \$000	2014/15 Budget \$000	2014/15 Variance \$000
Other revenue	925	5	920
Personnel costs	29,952	27,503	2,449
External resources	12,100	14,257	(2,157)
General and administration	2,617	4,998	(2,381)

Actual external resources and general and administration expenses were lower than budget due to:

- a transfer of funding to 2015/16 due to delays in the National Policy Statement for Freshwater Management (NPS-FM) amendment consultation and processing of applications for water conservation orders
- a transfer of funding to 2015/16 due to delays to the legislative timetable for the resource management reforms and delays in data acquisition and improvements contracts for environmental reporting
- lower spend in waste minimisation administration as fewer audits of landfills were undertaken than expected due to reprioritisation of resources to other workstreams.

Other revenue was higher than budget primarily due to revenue received from other agencies for staff secondments, international travel reimbursement, and other services provided by the Ministry.

Personnel cost was higher than budget due to additional staff were engaged in 2014/15 to help progress work on the water management and the resource management reforms and also includes increases in remuneration.

(ii) Statement of financial position

	2014/15 Actual \$000	2014/15 Budget \$000	2014/15 Variance \$000
Cash and cash equivalents	879	2,443	(1,564)
Receivables	13,917	8,176	5,741
Payables	5,781	3,319	(2,462)

The amount of cash held was lower than budget due to a higher level of receivables at 30 June 2015.

The higher level of receivables primarily relate to amounts receivable from the Crown.

The higher level of payables primarily relates to the increase in the activities for the resource management reform, water management policies, climate change activities, and environmental reporting. A number of significant milestones achieved and invoiced in June 2015 had not been paid by 30 June 2015.

(iii) Statement of cash flows

	2014/15 Actual \$000	2014/15 Budget \$000	2014/15 Variance \$000
Receipts from the Crown	50,435	53,970	(3,535)
Receipts from other revenue	827	5	822
Payments to suppliers	18,548	25,111	6,563
Payments to employees	30,330	27,503	(2,827)

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

6 Non-Departmental Statements and Schedules for the Year Ended 30 June 2015

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

Schedule of Non-Departmental Revenue for the Year Ended 30 June 2015

2013/14 Actual \$000	2014/15 Actual \$000	2014/15 Mains Forecast*	2014/15 Revised Forecast*	2015/16 Forecast*
Revenue				
595 Royalties	487	500	500	500
28,213 Levies	30,785	28,500	32,500	32,500
13,410 Emissions trading	134,656	46,140	83,031	143,650
129 Emissions Trading Scheme penalty revenue	171	–	171	–
4 Grants refund	1	–	–	–
42,351 Total non-departmental revenue	166,100	75,140	116,202	176,650

Explanations of significant variances against budget are detailed in note 9.

*The statement of accounting policies provides explanations of these figures which are not subject to audit.

Schedule of Non-Departmental Capital Receipts for the Year Ended 30 June 2015

The Ministry on behalf of the Crown has no capital receipts (2013/14: \$nil).

The accompanying accounting policies and notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2015.

Schedule of Non-Departmental Expenses for the Year Ended 30 June 2015

2013/14 Actual \$000		Notes	2014/15 Actual \$000	2014/15 Mains Forecast*	2014/15 Revised Forecast*	2015/16 Forecast*
	Expenses					
63,804	Grants and settlements		25,533	42,388	30,872	51,467
800	Promotions		533	800	800	800
	Subscriptions and contributions to international forums					
788			873	937	937	937
22,492	Crown entity funding		24,127	24,977	24,127	26,117
9,506	Change in estimate of Kyoto units held	5	–	–	–	–
	Net changes in carbon price of Kyoto units including foreign exchange movements	5	27,095	–	21,402	–
13,928	Levy disbursement		15,340	14,000	16,000	16,000
	Allocation of New Zealand Units					
46,223			132,999	51,060	113,717	101,473
	Net changes in carbon price of New Zealand units	6	339,340	–	311,008	–
284,693						
9,161	GST input expense		8,621	11,126	9,535	12,115
174	Other		290	2,177	4,411	3,677
491,030	Total non-departmental expenses		574,751	147,465	532,809	212,586

Explanations of significant variances against budget are detailed in note 9.

*The statement of accounting policies provides explanations of these figures which are not subject to audit.

The accompanying accounting policies and notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2015.

Schedule of Non-Departmental Assets as at 30 June 2015

2013/14 Actual \$000		Notes	2014/15 Actual \$000	2014/15 Mains Forecast*	2014/15 Revised Forecast*	2015/16 Forecast*
Assets						
Current assets						
4,519	Cash and cash equivalents		3,370	3,571	3,184	3,179
7,766	Receivables	2	8,070	6,809	6,809	6,809
12,285	<i>Total current assets</i>		11,440	10,380	9,993	9,988
Non-current assets						
28,497	Kyoto Protocol	5	–	37,191	3,731	–
2,083	PRE units		–	2,084	3	–
30,580	<i>Total non-current assets</i>		–	39,275	3,734	–
42,865	Total non-departmental assets		11,440	49,655	13,727	9,988

*The statement of accounting policies provides explanations of these figures which are not subject to audit.

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

Schedule of Non-Departmental Liabilities as at 30 June 2015

2014/15 Actual \$000		Notes	2014/15 Actual \$000	2014/15 Mains Forecast*	2014/15 Revised Forecast*	2015/16 Forecast*
Liabilities						
Current liabilities						
26,844	Payables	3	25,685	27,628	27,628	27,615
521,040	Provisions	6	855,235	362,028	863,041	820,865
547,884	<i>Total current liabilities</i>		880,920	389,656	890,669	848,480
Non-current liabilities						
129,017	Payables	3	124,877	124,877	124,877	120,829
31,428	Provisions	6	32,436	–	32,437	33,692
160,445	<i>Total non-current liabilities</i>		157,313	124,877	157,314	154,521
708,329	Total non-departmental liabilities		1,038,233	514,533	1,047,983	1,003,001

*The statement of accounting policies provides explanations of these figures which are not subject to audit.

The accompanying accounting policies and notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2015.

Schedule of Non-Departmental Commitments as at 30 June 2015

The Ministry, on behalf of the Crown, has no non-cancellable capital or lease commitments (2013/14: \$nil).

Schedule of Non-Departmental Contingencies as at 30 June 2015

Unquantifiable contingent liabilities and contingent assets

Environmental liabilities

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

Liabilities for contaminated sites are recognised in accordance with PBE IPSAS 19: Provisions, Contingent Liabilities and Contingent Assets. Obligations for the clean up of contaminated sites expressed in announcements or legislation are not recognised where they are executory in nature or have not created a valid expectation in other parties that the Crown will discharge the obligation.

New Zealand Emissions Trading Scheme

Post-1989 forest land

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

Those landowners who have not yet registered their post-1989 forest land or who have deregistered from the scheme have until the end of 2017 (the second five year period beginning 1 January 2013 to 31 December 2017) to decide whether to re-register and receive NZUs for the period beginning from 1 January 2013. If they do, they can claim NZUs for all the carbon stored in their forest from 1 January 2013 subject to review and approval of their applications.

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

Assets and liabilities relating to the post-1989 forestry sector have only been recognised in these non-departmental financial statements and schedules to the extent that participants have registered in the scheme at 30 June 2015.

The accompanying accounting policies and notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2015.

Pre-1990 forest land

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

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

At 30 June 2015, there may be some deforestation which has not yet been reported to the Crown.

The Ministry on behalf of the Crown has no other contingent liability or assets (2013/14: \$nil).

The accompanying accounting policies and notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2015.

Notes to the Non-Departmental Financial Statements

1. Statement of accounting policies for the year ended 30 June 2015

Reporting entity

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

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

Basis of preparation

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

Measurements and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with New Zealand generally accepted accounting practice (Tier 1 Public Sector Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

These non-departmental statements and schedules are the first prepared in accordance with the new PBE accounting standards. There are no adjustments arising on transition to the new PBE accounting standards.

The accounting policies adopted in these financial statements are consistent with those of the previous financial year, except for instances when the accounting or reporting requirements of a Public Benefit Entity (PBE) standard are different to requirements under the NZ IFRS (PBE).

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

The following particular accounting policies have been applied:

Significant accounting policies

Budgeting and forecasting figures

The budget figures are those included in the Information Supporting the Estimates of Appropriations (Budget) for the year ending 30 June 2015 and the Information Supporting the Supplementary Estimates of Appropriations (Revised Budget) for the year ending 30 June 2015 (the Budget is 2014 Budget Economic and Fiscal Update (BEFU 2014) out-year 1 figures and the Revised Budget is SUPPS 2015 out-year 0 figures).

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements and are based on PBE standards.

The Budget figures used in these financial statements for the New Zealand Emissions Trading Scheme (NZ ETS) surrender of units and allocation of NZUs were valued using market prices per carbon unit at the time of Budget forecast. Similarly, the liability provision for the NZ ETS and the Kyoto Protocol units'

asset balance was valued using market price per carbon unit at the time of Budget forecast. Budget figure for the appropriation of Allocation of New Zealand Units is based on NZ\$10 per carbon unit.

The forecast figures are those included in the Information Supporting the Estimates of Appropriations for the year ending 30 June 2016 (the Forecast is 2015 Budget and Economic and Fiscal Update (BEFU 2015) out-year 1 figures) except for the figures used in these financial statements for the NZ ETS surrender of units and allocation of NZUs, these are valued using market prices per carbon unit at the time of the BEFU 2015 forecast. Similarly, the liability provision for the NZ ETS is valued using market prices per carbon unit at the time of BEFU 2015 forecast. Forecast figure for the appropriation of Allocation of New Zealand Units remains at NZ\$10 per carbon unit.

The forecast figures are unaudited and have been prepared in accordance with the requirements of the Public Finance Act 1989, and comply with the with Tier 1 PBE accounting standards and other applicable financial reporting standards, as appropriate for public benefit entities. They are to be used in the future for reporting historical general purpose financial statements.

The forecast figures contained in these financial statements reflects the Ministry's purpose and activities and are based on a number of assumptions on what may occur during the year 2015/16. Events and circumstances may not occur as expected. Factors that could lead to material differences between the forecast financial statements and the 2015/16 actual financial statements include changes to the baseline forecast through new initiatives, or technical adjustments.

New Zealand Emissions Trading Scheme

The NZ Emissions Trading Scheme (NZ ETS) is New Zealand's primary response to global climate change. It puts a price on greenhouse gases to provide an incentive to reduce emissions, invest in energy efficiency, and plant trees.

The purpose of the scheme is to help reduce New Zealand's emissions to below business-as-usual levels and help New Zealand meet its international obligations under the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. This is achieved by establishing a price on emissions, which creates a financial incentive for emitters to reduce their emissions.

In operation since 2008, the mandatory NZ ETS currently covers emissions from forestry, stationary energy, industrial processes and liquid fossil fuels, which are collectively responsible for roughly 50 per cent of New Zealand's emissions. Emissions from waste are covered by the NZ ETS from 2013, while emissions from synthetic gases are covered by the NZ ETS or a levy from 2013. Since 1 January 2012, the agricultural sector has had mandatory reporting obligations under the NZ ETS. The New Zealand Emissions Trading Scheme (ETS) is the system in which New Zealand Units (NZUs) are traded. Under the ETS, certain sectors are required to acquire and surrender NZUs or other eligible emission units to account for their direct greenhouse gas emissions or the emissions associated with their products.

Detailed information can be found on the Ministry for the Environment's website:

www.mfe.govt.nz/climate-change/reducing-greenhouse-gas-emissions/nz-emissions-trading-scheme

The Ministry collects forecast information in relation to the allocation and surrender of units from different agencies:

- The Ministry for Primary Industries provides information on Post 89 and PFSI allocation, deforestation and deregistration forecast.
- The Ministry of Business Innovation and Employment provides information for surrender of units for Liquid fossil fuels and Stationary energy and industrial processes.
- The Environmental Protection Authority provides information on allocation of units to industrial sectors and other removable activities.

- The Ministry for the Environment provides surrender forecast for Synthetic Greenhouse Gases (SGG) and the Waste sectors; and allocation forecast for SGG, Waste sectors and the Negotiated Greenhouse Agreements.

Revenue

The Ministry collects revenue on behalf of the Crown. This revenue includes the Waste Disposal Levy which is legislated under the Waste Minimisation Act 2008, the Synthetic Greenhouse Gas Levy under the Climate Change Response Act 2002 and the Climate Change (Synthetic Greenhouse Gas Levies) Regulations 2013 and from the surrender of units under the New Zealand Emissions Trading Scheme (NZ ETS).

The Waste Disposal Levy revenue is recognised in the month, when waste is disposed at landfill.

The Synthetic Greenhouse Gas Levy revenue is recognised in the month, when it is collected by the New Zealand Transport Agency.

Revenue (including accruals) arising from the NZ ETS is recognised when a participant makes emissions or a liability to the Crown is incurred.

Expenses

Grant expenditure

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

Discretionary grants are those grants where the Ministry has no obligation to award on receipt of the grant application.

For discretionary grants without substantive conditions, the total committed funding over the life of the funding agreement is recognised as expenditure when the grant is approved by the relevant committee or body and the approval has been communicated to the applicant for example, Environmental Legal Assistance.

Grants with substantive conditions are recognised as an expense at the earlier of the grant payment date or when the grants conditions have been satisfied.

Allocation of New Zealand Units (NZUs) under the NZ ETS

Expenses (including accruals) arising from the allocation of NZUs under the NZ ETS is recognised as follows:

- For NZUs issued as one-off compensation (such as the pre-1990 forestry allocation), expenditure is recognised at the point that the participant has provided all relevant information to the Government to show they have met the criteria and rules for the issue of NZUs and are entitled to them under the NZ ETS.
- For NZUs issued for carbon sequestration (such as post-1989 forestry) or as annual compensation for NZ ETS costs (such as the industrial allocation), expenditure is recognised when the carbon is sequestered (based on forecasts of sequestration for registered participants in the scheme at each reporting date) or as the emissions compensated by the industrial allocation occur.

The methodology used to approximate the price at the date of each transaction is the lower of the monthly average NZU price and the spot NZU price at the end of each month.

Settlement expenditure

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

Foreign exchange

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

Goods and services tax

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

Receivables

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

Kyoto Protocol

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

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

The asset is remeasured using the current spot price of the secondary certified emissions reduction (sCER) units at each reporting date. The Ministry has remeasured the Crown's Kyoto net position to nil value due to the changes in market conditions and non-availability of sCER unit price in the market for Commitment Period 1 units.

Provisions

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

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

The provision for the allocation of NZUs is remeasured using the current spot price at each reporting date.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with the new PBE accounting standards requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses.

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

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

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

Notes 5 and 6 provide the key assumptions used in determining the estimates for the Kyoto Net Position and the provision for the allocation of NZUs.

Commitments

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

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the lower of the remaining contractual commitment and the value of that penalty or exit cost.

Contingent liabilities

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

2. Receivables

2013/14 Actual \$000		2014/15 Actual \$000
5,564	Receivables	5,635
16	Fines and penalties receivable	92
2,186	Accrued revenue	2,343
7,766	Total receivables	8,070
–	Less provision for impairment	–
7,766	Total receivables – non-exchange	8,070

The carrying amounts of receivables approximates their fair value and are all current.

As at 30 June 2015 and 2014, all receivables have been assessed for impairment. No provision has been made for doubtful debts as there were no indications at balance date that any of these receivables are impaired (2013/14: \$457).

	Gross \$000	2014/15 Impairment \$000	Net \$000	Gross \$000	2013/14 Impairment \$000	Net \$000
Not past due	7,977	–	7,977	7,745	–	7,745
Past due 1 – 90 days	–	–	–	–	–	–
Past due 90 – 180 days	76	–	76	–	–	–
Past due 180 – 360 days	–	–	–	–	–	–
Past due > 360 days	17	–	17	21	–	21
Total	8,070	–	8,070	7,766	–	7,766

3. Payables

2013/14 Actual \$000		2014/15 Actual \$000
Current payables are represented by:		
5,725	Waikato River Co-management	5,714
6,931	Waikato River Clean-up Fund	6,914
384	GST payable	379
13,804	Other payables	12,678
26,844	<i>Total current portion</i>	25,685
Non-current payables are represented by:		
44,647	Waikato River Co-management	42,532
84,370	Waikato River Clean-up Fund	82,345
129,017	<i>Total non-current portion</i>	124,877
155,861	Total payables – non-exchange	150,562

The carrying value of payables approximates their fair value.

Payables are non-interest bearing and are normally settled within 30 days except for the Waikato River Co-management and the Waikato River Clean-up Fund. These payments are settled on the due dates.

Recognition of future discounted cash flows for the Waikato River Funds

	Creditors and other payables					Total
	2016–2020 \$000	2021–2025 \$000	2026–2030 \$000	2031–2035 \$000	2036–2040 \$000	\$000
Co-management						
Nominal	26,000	25,000	23,000	–	–	74,000
Discount	(4,027)	(9,464)	(12,263)	–	–	(25,754)
Recognised	21,973	15,536	10,737	–	–	48,246
Clean up						
Nominal	36,665	36,665	36,665	36,665	22,008	168,668
Discount	(5,900)	(13,876)	(19,677)	(23,970)	(15,986)	(79,409)
Recognised	30,765	22,789	16,988	12,695	6,022	89,259

The table above reconciles the cash outflows that will occur over the next 25 years.

4. Financial instruments

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

2013/14 Actual \$000	2014/15 Actual \$000
Loans and receivables	
4,519 Cash and cash equivalents	3,370
7,750 Receivables (excludes fines and penalties receivable)	7,978
12,269 Total loans and receivables	11,348
Financial liabilities measured at amortised cost	
155,861 Payables	150,562

Credit risk

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

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

Currency risk

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

5. New Zealand's obligation under the Kyoto Protocol

2013/14 Actual \$million	Analysis of the Kyoto Protocol obligation	2014/15 Actual \$million
53	Opening position (provision)	29
(39)	Change in the price of carbon	(26)
(9)	Change in net projected emission units	–
24	Kyoto compliant units surrendered under NZ ETS	(3)
29	Closing position (provision)	0
Emission units³⁸		Emission units³⁹
309.6	Kyoto Target (Assigned Amount Units)	309.6
–	Less AAUs to be allocated to emission reducing projects	–
309.6	Total commitment target	309.6
Estimated emission units		
169.3	Agriculture	169.3
184.7	Energy (including transport) and industrial processes	184.7
18.6	Waste	18.6
0.2	Solvent and other product use	0.2
372.8	Total estimated emission units	372.8
91.8	Removals via forests	91.8
(20.2)	Deforestation emissions	(20.2)
71.6	Net removals via forests	71.6
301.2	Net estimated emission units	301.2
7.6	Less net transfers of AAUs	7.6
113.6	Add Kyoto compliant units surrendered under NZ ETS	122.9
114.4	Surplus units	123.7

The New Zealand Government has committed under the Kyoto Protocol to ensuring that New Zealand's average net emissions of greenhouse gases over 2008–2012 (the first commitment period of the Kyoto Protocol or CP1) is reduced to 1990 levels or to take responsibility for the difference. New Zealand can meet its commitment through emissions reductions and use of the Kyoto Protocol flexibility mechanisms such as Joint Implementation, the Clean Development Mechanism, and offsetting increased emissions against carbon removed by forests. New Zealand's emissions and removals of greenhouse gases over 2008–2012 were finalised in 2015 with the successful United Nations Framework Convention on Climate Change (UNFCCC) review of New Zealand's Greenhouse Gas Inventory 1990–2012, published in 2014. However, New Zealand's Kyoto Protocol compliance over the first commitment period will not be finalised until 2016 once the country's 'true-up' report has been reviewed and approved by a team of international experts appointed by the UNFCCC. This is likely to happen in the second half of the 2015/16 financial year. These financial statements report on the New Zealand Government's obligations for the first commitment period, but not for future commitment periods as New Zealand Government has no specific fiscal obligation beyond the first commitment period.

New Zealand's net Kyoto position as at 30 June 2015 is based on the surplus of 123.7 million (2013/14: 114.4 million) Kyoto Protocol emission units. This surplus includes 122.9 million (2013/14: 113.6 million) Kyoto compliant units surrendered by the emitters under the New Zealand Emissions Trading Scheme.

³⁸ One emission unit is equivalent to one tonne of greenhouse gas emissions converted to carbon dioxide equivalents by the global warming potential.

³⁹ See footnote 38 for an explanation of what an emission unit is equivalent to.

The net Kyoto position at 30 June 2015 is valued at \$nil (2013/14: NZ\$29 million) due to the changes in market conditions and non-availability of the secondary certified emission reduction (sCER) unit price in the market (2013/14: NZ\$0.25, using the exchange rate of €0.64215 = NZ\$1, and the carbon price of €0.16 per unit).

The balance of Kyoto Protocol units (the net position) is compiled by the Ministry for the Environment in New Zealand's Greenhouse Gas Inventory 1990-2012: <http://www.mfe.govt.nz/publications/climate-change/new-zealands-greenhouse-gas-inventory-1990-2012>. This includes chapters on agriculture emissions and net removals from eligible forests by the Ministry for Primary Industries; energy emissions (including transport) and industrial processes emissions by the Ministry of Business, Innovation and Employment, and emissions from the waste sector by the Ministry for the Environment. Details of the net position can be found on the Ministry for the Environment's website: www.mfe.govt.nz/issues/climate/greenhouse-gas-emissions/net-position/index.html.

In addition, during the first commitment period, the Ministry for Primary Industries estimated that 91.8 million tonnes of credits have been earned by carbon removals through forests. The New Zealand Emissions Trading Scheme transfers a portion of these credits by allocating units to the Post 1989 forest owners. As at 30 June 2015, approximately 42.7 million tonnes has been transferred to forest owners in the form of New Zealand Units.

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

On 16 August 2013, the Government announced its target to reduce greenhouse gas emission to five per cent below 1990 levels by 2020. This does not give rise to an obligation under PBE IPSAS 19: Provisions, Contingent Liabilities, and Contingent Assets.

6. Provisions

2013/14 Actual \$000		2014/15 Actual \$000
Current portion		
521,040	Allocation of New Zealand Units	855,235
521,040	Total current portion	855,235
Non-current portion		
28,000	Te Awa Tupua Putea	28,881
401	Te Awa Tupua Whole of River Strategy	414
2,490	Te Pou Tupua	2,587
537	Transitional Support for Local Government and Iwi (Tauranga Moana Framework Co-management arrangements)	554
31,428	Total non-current portion	32,436
552,468	Total provisions	887,671

	Te Awa Tupua Putea \$000	Te Awa Tupua Whole of River Strategy \$000	Te Pou Tupua \$000	Transitional Support for Local Government and Iwi \$000	Indemnity \$000	Allocation of New Zealand Units \$000	Total \$000
Balance at 1 July 2013	–	–	–	–	517	178,687	179,204
Additional provisions made	28,000	401	2,490	537	–	46,223	77,651
Amounts used	–	–	–	–	(514)	11,437*	10,923
(Gains)/losses	–	–	–	–		284,693	284,693
Unused amounts reversed	–	–	–	–	(3)	–	(3)
Balance at 30 June 2014	28,000	401	2,490	537	–	521,040	552,468
Balance at 1 July 2014	28,000	401	2,490	537	–	521,040	552,468
Additional provisions made	881	13	97	17	–	132,999	134,007
Amounts used	–	–	–	–	–	(138,144)	(138,144)
(Gains)/losses	–	–	–	–	–	339,340	339,340
Unused amounts reversed	–	–	–	–	–	–	–
Balance at 30 June 2015	28,881	414	2,587	554	–	855,235	887,671

Provision for NZ ETS credits

	2014/15 Units in million	2014/15 Amount in \$million	2013/14 Units in million	2013/14 Amount in \$million
Opening provision	125	521	99.3	179
New provision recognised during the period	21.5	133	12.7	46
Provision used during the period	(30)	(135)	(52.3)	(13)
(Gains)/losses	–	339	–	285
Transfer of units to Kyoto provision	9.3	(3)*	65.3	24
Closing provision	125.8	855	125	521

*This includes the estimation at the end of the 2013/14 financial year for the units to be received relating to that period. This estimation was based on the assumption that the participants would surrender international units. This estimation was based on sCER price of NZ\$0.25 at 30 June 2014 (€0.16 and exchange rate of €0.64215 = NZ\$1). However, at the time of actual surrenders during the 2014/15 financial year, the price of sCER reduced from NZ\$0.25 to NZ\$0.03 at the end of March 2015 (€0.02 and exchange rate of €0.69280 = NZ\$1).

Recognition of future discounted cash flows for the Whanganui River Funds and the Tauranga Moana Framework Co-management Arrangements

	Provisions				Total
	2016–2020 \$000	2021–2025 \$000	2026–2030 \$000	2031–2035 \$000	\$000
Te Awa Tupua Putea					
Nominal	30,000	–	–	–	30,000
Discount	(1,119)	–	–	–	(1,119)
Recognised	28,881	–	–	–	28,881
Te Awa Tupua Whole of River Strategy					
Nominal	430	–	–	–	430
Discount	(16)	–	–	–	(16)
Recognised	414	–	–	–	414
Te Pou Tupua					
Nominal	1,200	1,000	1,000	800	4,000
Discount	(125)	(326)	(485)	(477)	(1,413)
Recognised	1,075	674	515	323	2,587
Transitional Support for Local Government and Iwi (Tauranga Moana Framework Co-management Arrangements)					
Nominal	575	–	–	–	575
Discount	(21)	–	–	–	(21)
Recognised	554	–	–	–	554

The table above reconciles the cash outflows that will occur over the next 20 years.

Indemnity payments

Indemnity payments relate to the Projects to Reduce Emissions (PRE) and this is authorised under section 65ZG of the Public Finance Act 1989. In 2002, the PRE programme was established where incentives (assigned amount units) were provided to projects that would reduce New Zealand's emissions over 2008–2012 that would not occur without the incentive. The Crown entered into PRE agreements with Meridian Energy Limited and TrustPower Limited in 2002 in advance of the PRE programme becoming operational. These early project agreements contain a provision that indemnifies Meridian and TrustPower against taxation incurred on the delivery of assigned amount units.

Allocation of New Zealand Units

The New Zealand Emissions Trading Scheme (NZ ETS) was established to encourage a reduction in greenhouse gas emissions. The NZ ETS creates a limited number of tradable units (the NZ Unit) which the Government can allocate freely or sell to entities. The allocation of NZ Units creates a provision. An expense is recognised in relation to the allocation of free units. The provision is reduced, and revenue recognised, as NZ Units are surrendered to the Crown by emitters. Emitters can also use the NZ\$25 price option to settle their emission obligation. Prior to 1 June 2015 emitters could also use Kyoto compliant units to settle their emission obligations. The Kyoto compliant units were recognised as part of the Kyoto Protocol position (refer to note 5).

The Ministry has classified the provision for allocation of New Zealand Units as a current liability, because it does not have an unconditional right to defer settlement of the liability for at least twelve

months after the reporting date. Based on forecasts of ETS activity, expected recovery/settlement is expected to occur as follows:

- within 12 months: \$153.830 million (2013/14: \$53.723 million)
- after more than 12 months: \$701.405 million (2013/14: \$467.317 million).

The carbon price of NZ\$6.80 (2013/14: NZ\$4.17) has been used to value NZUs. This price is determined based on the current quoted NZU spot price at the end of the reporting date published by OM Financial Limited and reported on their CommTrade carbon website.

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

7. Events after the balance sheet date

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

8. Memorandum account for the Waste Minimisation Fund

2013/14 Actual \$000		2014/15 Actual \$000
Provision for statutory information		
20,150	Balance at 1 July	23,531
27,855	Revenue from waste levy collection	30,650
(24,474)	Expenses	(25,076)
23,531	Balance at 30 June	29,105

The memorandum account records the Waste Disposal Levy collected which has not been spent to date. As at 30 June 2015, the Waste Minimisation Fund has \$13.3 million commitments to be paid on delivery of projects. The revenue represents the levy that is collected by waste disposal facilities. The expenses represent the disbursement of the received levy to territorial authorities, the Waste Minimisation Fund, and the administration cost incurred by the Ministry. The disbursements of the levy to territorial authorities and the Waste Minimisation Fund are included as part of the Non-Departmental Schedules of revenue and expenses.

9. Explanations of major variances against mains forecast

Explanations for major variances from the Ministry's non-departmental main forecast figures are as follows:

(i) Schedule of non-departmental revenue

	2014/15 Actual \$000	2014/15 Mains Forecast \$000	Variance \$000
Levies	30,785	28,500	2,285
Emissions Trading	134,656	46,140	88,516

Levies include the revenue collected from the waste disposal landfill facility operators and the Synthetic Greenhouse Gas Levy collected by the New Zealand Transport Agency.

The revenue collected from the waste disposal levy was higher than mains forecast due to increased activity reported by landfill facility operators.

The revenue from surrendering units under the New Zealand Emissions Trading Scheme from emitters was higher than mains forecast primarily due to an increase in surrender of units by post-1989 and pre-1990 forestry participants. Further, the year-end accruals are based on NZU price of NZ\$6.80, since international units were no longer accepted in the NZ ETS after 31 May 2015. The price per carbon unit was also higher during the year than the price used at the time of mains forecast. There were no other significant variances to mains forecast.

(ii) Schedule of non-departmental expenses

	2014/15 Actual \$000	2014/15 Mains Forecast \$000	Variance \$000
Grants and settlements	25,533	42,388	(16,855)
Net changes in carbon price of Kyoto units including foreign exchange movements	27,095	–	27,095
Allocations of New Zealand Units	132,999	51,060	81,939
Net changes in carbon price of New Zealand Units	339,340	–	339,340
Other	290	2,177	(1,887)

Expenditure on grants and settlements were lower than mains forecast due to the following:

- Expenditure was lower than the Mains forecast in the Community Environment Fund by \$2.8 million. The Ministry has sought an expense transfer of funding to 2015/16 due to the delay in the delivery of milestones and to match the amount of funding with the revised timing of deliverables for the committed projects. The funds are rephased during baseline updates to match the delivery of projects and updated for actual delivery of milestones.
- Expenditure was lower than the Mains forecast in the Contaminated Sites Remediation Fund by \$2.8 million. The Ministry has sought an expense transfer of funding to 2015/16 in relation to a multi-year Kopeopeo Canal project due to the delay in the project start date and to 2016/17 to support the remediation work for the Calwell Slipway project. Further, the Ministry also transferred \$1.5 million to the Department of Conservation for the remediation of the Prohibition and Alexander Mines.
- The Te Mana o Te Wai appropriation of \$5 million was originally appropriated over two financial years (2014/16). However, it took longer than anticipated to develop and put in place the necessary processes, and run a contestable funding round. Additional time was also needed to enable applicants to develop quality applications to the fund. Projects are likely to begin in 2015/16 and run for two years.
- Timing differences between the introduction of the Waste Disposal Levy and the establishment of the Contestable Waste Minimisation Fund. A forecast change is completed during baseline updates to match the expected spend over the forecast period.

The actual expense for net changes in carbon price of Kyoto units including foreign exchange movements relates to the fluctuations in price per carbon unit and movement in EURO/NZ exchange rate during the year. These changes are considered to be a remeasurement under the Public Finance Act 1989 and do not require appropriation.

The expenditure for Allocation of New Zealand Units was higher than mains budget primarily due to an increase in the price of New Zealand Units. Further, more units were allocated to the post-1989 forestry and industrial sectors.

The actual expense for net changes in carbon price of New Zealand Units relates to the fluctuations in price per carbon unit during the year. These changes are considered to be a remeasurement under the Public Finance Act 1989 and do not require appropriation.

(ii) Statement of assets

	2014/15 Actual \$000	2014/15 Mains Forecast \$000	Variance \$000
Receivables	8,070	6,809	1,261
Kyoto Protocol units	—	37,191	(37,191)
Pre-units	—	2,084	(2,084)

Receivables were higher than mains forecast and relate to the Waste Disposal Levy collection from waste disposal facility operators.

The variances in the Kyoto Protocol units and Pre-units are due to the reduction in value of the Kyoto units to nil. Refer to Note 5 for further explanation on the revaluation of the Kyoto units.

(iii) Statement of liabilities

	2014/15 Actual \$000	2014/15 Mains Forecast \$000	Variance \$000
Payables	150,562	152,505	(1,943)
Provisions	887,671	362,028	525,643

Payables were lower than mains forecast due to less spending in various work programmes such as the Community Environment Fund and the Contaminated Sites Remediation Fund due to delay in meeting milestones. The Ministry also paid the majority of creditors before year-end.

Provisions include Allocation of New Zealand Units, the Whanganui River funds payment and the Transitional Support for Local Government and Iwi (Tauranga Moana Framework co-management arrangements payment).

The provision relating to the Allocation of New Zealand Units was higher than mains forecast primarily due to:

- increase in the price of New Zealand Units
- more units being allocated to the post-1989 forestry and industrial sectors.

The provision relating to the Whanganui River funds payment was due to the recognition of an obligation in 2013/14 in net present value terms. This amount is payable on legislation being enacted.

7 Statement of Expenses and Capital Expenditure

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the Ministry for the year ended 30 June 2015.

Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred against Appropriations for the Year Ended 30 June 2015

Annual and permanent appropriations for Vote Environment

2013/14 Actual \$000		2014/15 Expenditure ⁴⁰ \$000	2014/15 Budget* \$000	2014/15 Revised Budget** ⁴¹ \$000	2015/16 Forecast* \$000	Location of end-of-year performance information ⁴²
	Departmental output expenses					
	Carbon Monitoring Programme	3,176	4,275	3,190	–	1
3,167	Ministerial Services	2,725	3,300	2,757	3,300	1
2,062	Waste Minimisation Administration	1,375	1,714	1,730	1,714	1
5,229	Total departmental output expenses	7,276	9,289	7,677	5,014	
	Departmental capital expenditure					
255	Capital Expenditure – Permanent Legislative Authority under section 24(1) of the PFA	1,494	621	1,540	240	1
	Non-departmental output expenses					
177	Administration of New Zealand Units held on Trust	157	177	177	177	4
1,770	Community Environment Fund	2,090	4,872	2,397	5,372	2

⁴⁰ Departmental appropriations amounts excludes remeasurement of \$6,204 (2013/14: (\$10,960)).

⁴¹ This includes adjustments made in the Supplementary Estimates and transfers under the Public Finance Act 1989.

⁴² The numbers in this column represent where the end-of-year performance information has been reported for each appropriation administered by the Ministry, as detailed below:

1. The Ministry's annual report.
2. To be reported by the Minister for the Environment in a report appended to this annual report.
3. To be reported by the Environmental Protection Authority in their annual report.
4. No reporting due to an exemption obtained under section 15D of the PFA.

2013/14 Actual \$000		2014/15 Expenditure ⁴⁰ \$000	2014/15 Budget* \$000	2014/15 Revised Budget* ⁴¹ \$000	2015/16 Forecast* \$000	Location of end-of-year performance information ⁴²
344	Contaminated Sites Remediation Fund	301	4,628	524	6,021	4
8,484	Contestable Waste Minimisation Fund	8,361	15,752	12,583	12,583	2
6,392	Emissions Trading Scheme	6,092	6,392	6,092	6,692	3
1,900	Environmental Training Programmes	1,900	1,900	1,900	1,900	4
6,257	Fresh Start for Fresh Water: New Initiatives	2,429	1,700	2,429	355	2
–	Fresh Start for Fresh Water: Rotorua Lakes Restoration Programme	298	–	298	–	2
–	Lake Taupo Protection Programme	–	–	–	3,767	
800	Promotion of Sustainable Land Management	533	800	800	800	4
–	Te Mana o Te Wai – restoring the life-giving capacity of fresh water	400	2,500	470	2,500	4
26,124	Total non-departmental output expenses	22,561	38,721	27,670	40,167	
	Non-departmental other expenses					
46,223	Allocation of New Zealand Units	132,999	164,710	149,820	159,800	2
290	Climate Change Development Fund	298	300	300	300	4
555	Environmental Legal Assistance	281	800	680	600	4
–	Exclusive Economic Zone Major Prosecutions Fund	–	–	500	–	4
103	Framework Convention on Climate Change	101	127	127	127	4
5,065	Fresh Start for Fresh Water: Waikato River Clean-up Fund	5,291	5,291	5,291	5,403	2
2,000	Hawke's Bay Rivers Clean-up Fund	–	–	–	–	
–	Impairment of Debt relating to Climate Change Activities	–	8,700	8,700	12,200	4
–	Impairment of Debt relating to Environment Activities	–	1,500	1,500	1,500	4
75	International Subscriptions	86	117	117	117	4
–	Provision for a New Water Source for Rotorua	–	–	–	1,075	

2013/14 Actual \$000		2014/15 Expenditure ⁴⁰ \$000	2014/15 Budget* \$000	2014/15 Revised Budget** ⁴¹ \$000	2015/16 Forecast* \$000	Location of end-of-year performance information ⁴²
28,000	Te Awa Tupua Putea	882	–	882	1,118	4
401	Te Awa Tupua Whole of River Strategy	13	–	13	16	4
2,490	Te Pou Tupua	96	96	96	100	4
787	Transitional Support for Local Government and Iwi	17	–	17	521	4
320	United Nations Environment Programme	388	393	393	393	4
910	Waikato River Co-governance	910	910	910	1,195	4
2,810	Waikato River Co-management	2,873	2,873	2,873	2,868	4
13,928	Waste Disposal Levy Disbursement to Territorial Authorities	15,340	14,000	16,000	16,000	2
103,957	Total non- departmental other expenses	159,575	199,817	188,219	203,333	
	Non-departmental capital expenditure					
486	Purchase of PRE Units	–	–	–	–	
	Multi-category appropriations					
6,340	Climate Change MCA	7,837	7,061	7,936	13,670	1
	<i>Departmental output expenses</i>					
–	Carbon Monitoring Programme	–	–	–	4,842	
3,037	Domestic Climate Change Programme Policy Advice	3,412	3,462	3,521	5,229	
3,258	International Climate Change Programme Policy Advice	4,380	3,550	4,366	3,550	
45	Synthetic Greenhouse Gas Levy	45	49	49	49	
3,620	Environmental Management Obligations and Programmes MCA	2,930	3,335	2,994	3,011	1
	<i>Departmental output expenses</i>					
2,056	Domestic Obligations and Programmes	1,577	1,705	1,570	1,381	
1,564	International Obligations and Institutions Policy Advice	1,353	1,630	1,424	1,630	

2013/14 Actual \$000		2014/15 Expenditure ⁴⁰ \$000	2014/15 Budget* \$000	2014/15 Revised Budget* ⁴¹ \$000	2015/16 Forecast* \$000	Location of end-of-year performance information ⁴²
16,100	Environmental Protection Authority: Regulatory Functions MCA	18,035	18,585	18,035	19,425	1
	<i>Non-departmental output expenses</i>					
3,722	Compliance and Enforcement	8,404	8,404	8,404	5,944	
7,723	Decision Making	9,631	10,181	9,631	13,481	
4,655	Supporting Environmental Management	—	—	—	—	
24,689	Improving Resource Management MCA	31,485	32,840	33,167	39,640	1
	<i>Departmental output expenses</i>					
1,233	Developing and Implementing Treaty Settlements and Environmental Accords Policy Advice	1,183	1,224	1,300	1,224	
1,594	Marine Environment Policy Advice	1,645	1,316	1,639	1,216	
8,967	Resource Management Implementation	8,370	11,685	9,018	11,985	
4,188	Resource Management Policy Advice	7,224	4,797	7,676	7,730	
—	Water Management Implementation	4,542	3,000	4,771	3,200	
8,707	Water Management Policy Advice	8,385	8,818	8,263	10,785	
	<i>Non-departmental output expenses</i>					
—	Water science and economics	136	2,000	500	3,500	
3,803	Mitigating Environmental Hazards and Waste MCA	3,312	3,450	3,504	3,450	1
	<i>Departmental output expenses</i>					
1,502	Environmental Hazards and Waste Policy Advice	1,781	1,365	1,919	1,365	
2,301	Waste Management and Minimisation	1,531	2,085	1,585	2,085	
54,552	Total multi-category appropriations	63,599	65,271	65,636	79,196	
190,603	Total annual and permanent appropriations	254,505	313,719	290,742	327,950	

*The statement of accounting policies provides explanations of these figures which are not subject to audit.

Remeasurements

In addition, to the above expenditure, the Crown has incurred costs of \$27 million (2013/14: \$39 million) in relation to the remeasurement in the provision for the Crown's position under the Kyoto Protocol.

The Crown has also incurred costs of \$339 million (2013/14: \$285 million) in relation to the remeasurement in the provision of the allocation of New Zealand Units under the Emissions Trading Scheme.

The remeasurement of the provisions takes account of the revisions in the prices of emission units, the re-estimation of the net emission position, and movements in the EURO/NZ exchange rate. In accordance with section 4(2)(a) of Part One of the Public Finance Amendment Act 2004, changes in assets and liabilities due to remeasurements do not require appropriations.

Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred against Appropriations for the Year Ended 30 June 2015 (continued)

Details of multi-year appropriation

On 1 July 2012, the Ministry re-established a multi-year appropriation in Vote Environment upon merging Vote Climate Change and Vote Environment. This appropriation is limited to developing a national carbon accounting system (the Land Use and Carbon Analysis System) that will contribute to meeting New Zealand's greenhouse gas reporting obligations under the Kyoto Protocol and the United Nations Framework Convention on Climate Change (UNFCCC). The appropriation expired on 30 June 2014.

2013/14 Actual \$000		2014/15 Actual \$000	2014/15 Revised Budget* \$000
Appropriation for departmental output expenses:			
Land Use and Carbon Analysis System			
7,889	Cumulative expenses to 1 July	—	—
6,880	Current year expenses	—	—
14,769	Cumulative expenses to 30 June	—	—
2,152	Remaining appropriation	—	—
16,921	Total appropriation	—	—

In 2013/14 the amount of \$2 million of the balance of appropriation remaining was transferred across 2015/16 and 2016/17 to contribute to the continuing costs of international climate change reporting requirements. This funding was transferred to *Departmental Output Class: Carbon Monitoring Programme*.

Details of multi-year appropriations

On 22 September 2010, a multi-year appropriation, Protecting Lake Taupo Programme, was established in Vote Environment, non-departmental output expenses to reduce the nitrogen levels entering Lake Taupō. This appropriation expired on 30 June 2015.

2013/14 Actual \$000		2014/15 Actual \$000	2014/15 Revised Budget* \$000
Appropriation for non-departmental output expenses:			
Protecting Lake Taupō Programme**			
8,517	Cumulative expenses to 1 July	10,602	10,602
2,085	Current year expenses	66	66
10,602	Cumulative expenses to 30 June	10,668	10,668
66	Remaining appropriation	—	—
10,668	Total appropriation	10,668	10,668

**The year-end information for the above multi-year appropriation is reported by the Minister for the Environment in a report appended to this annual report.

On 1 July 2011, a multi-year appropriation, Tui Mine Remediation, was established in Vote Environment, non-departmental output expenses to help fund the remediation and clean up of the Tui Mine site in Te Aroha. This appropriation expired on 30 June 2014.

2013/14 Actual \$000		2014/15 Actual \$000	2014/15 Revised Budget* \$000
Appropriation for non-departmental output expenses:			
Tui Mine Remediation			
14,850	Cumulative expenses to 1 July	–	–
–	Current year expenses	–	–
14,850	Cumulative expenses to 30 June	–	–
–	Remaining appropriation	–	–
14,850	Total appropriation	–	–

On 7 March 2012, a multi-year appropriation, Rena Long-term Environment Recovery, was established in Vote Environment, Non-Departmental output expenses for implementing the Rena Long-term Environmental Recovery Plan. This appropriation expired on 30 June 2015.

2013/14 Actual \$000		2014/15 Actual \$000	2014/15 Revised Budget* \$000
Appropriation for non-departmental output expenses:			
Rena Long-term Environment Recovery**			
1,877	Cumulative expenses to 1 July	2,303	2,303
426	Current year expenses	84	116
2,303	Cumulative expenses to 30 June	2,387	2,419
116	Remaining appropriation	32	–
2,419	Total appropriation	2,419	2,419

**The year-end information for the above multi-year appropriation is reported by the Minister for the Environment in a report appended to this annual report.

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of Appropriation or other Authority for the Year Ended 30 June 2015

In the 2014/15 financial year there were no instances of expenses, and capital expenditure incurred without, or in excess of, appropriation or other authority, or outside of the scope of appropriation (2013/14: \$nil).

Statement of Departmental Capital Injections for the Year Ended 30 June 2015

The Ministry did not have capital injection for the year ended 30 June 2015.

Statement of Departmental Capital Injections Without, or in Excess of, Authority for the Year Ended 30 June 2015

The Ministry has not received any capital injection during the year without, or in excess of, authority.

Statement of Responsibility

I am responsible, as Chief Executive of the Ministry for the Environment (the Ministry), for:

- the preparation of the Ministry's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- ensuring that end-of-year performance information on each appropriation administered by the Ministry is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report; and
- the accuracy of any end-of-year performance information prepared by the Ministry, whether or not that information is included in the annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the Ministry as at 30 June 2015 and its operations for the year ended on that date; and
- the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2016 and its operations for the year ending on that date.

A handwritten signature in black ink, appearing to read 'V Robertson', with a long, sweeping horizontal flourish extending to the right.

Vicky Robertson
Chief Executive
30 September 2015

Audit Report

Independent Auditor's Report

To the readers of the Ministry for the Environment's annual report for the year ended 30 June 2015

The Auditor-General is the auditor of the Ministry of Environment (the Ministry). The Auditor-General has appointed me, Robert Cox, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf of:

- the financial statements of the Ministry on pages 80 to 104, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Ministry for the year ended 30 June 2015 on pages 10 to 72 and 139 to 141;
- the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2015 on pages 124 to 131; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 105 to 123 that comprise:
 - the schedules of assets, liabilities, commitments, contingent liabilities and assets, expenses and revenue for the year ended 30 June 2015; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Ministry:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year ended on that date;

- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the Public Benefit Entity Standards;
- the performance information of the Ministry:
 - presents fairly, in all material respects, for the year ended 30 June 2015:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure;
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Ministry are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the schedules of assets, liabilities, commitments, contingent liabilities and assets, expenses and revenue for the year ended 30 June 2015.

Our audit was completed on 30 September 2015. This 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 our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the information we audited. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Ministry's preparation of the information we audited in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- the appropriateness of the reported performance information within the Ministry's framework for reporting performance;
- the adequacy of the disclosures in the information we audited; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Chief Executive

The Chief Executive is responsible for preparing:

- financial statements that present fairly the Ministry's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand;
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand;
- statements of expenses and capital expenditure of the Ministry, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Ministry on behalf of the Crown.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

The Chief Executive is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Chief Executive is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

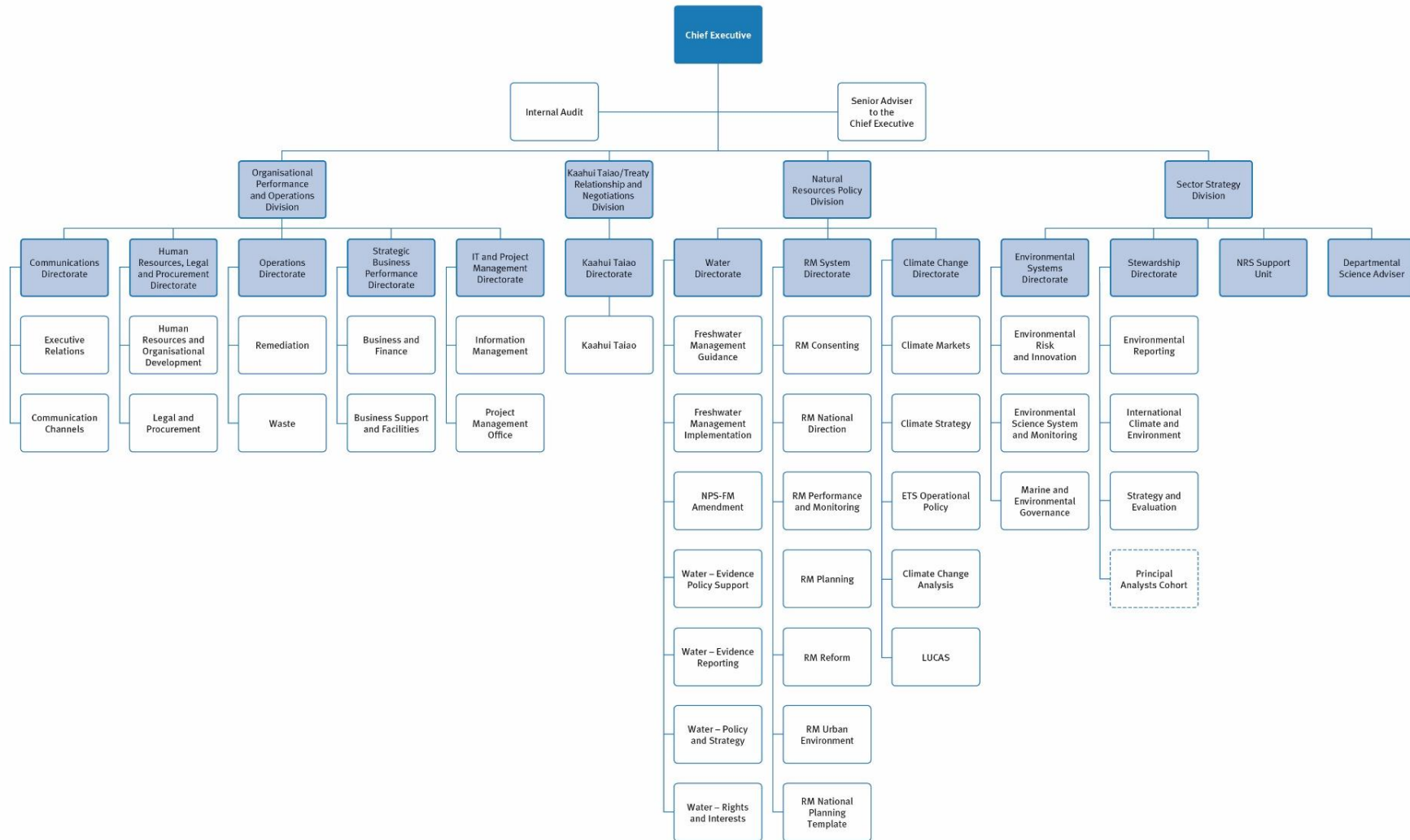
A handwritten signature in black ink, appearing to read 'Robert Cox', with a stylized, cursive script.

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

Appendix A: Advisory Bodies 2014/15

Environmental Legal Assistance Fund Advisory Panel	
Purpose	The Environmental Legal Assistance Fund, including the Independent Advisory Panel, has been operating since 2001. The Panel provides independent and expert evaluations and recommendations of funding to the Director, Human Resources, Legal and Procurement on applications for funding assistance. The fund reimburses the costs of legal counsel and expert witnesses representing not-for-profit groups appearing before the Environment Court and boards of inquiry in resource management cases. The Panel is chaired by Dr Royden Somerville QC. The Panel's members are appointed by the Minister for the Environment for their knowledge of environmental law, resource management issues, community groups, and iwi.
Number of members	7
Number of meetings held from 1 July 2014 to 30 June 2015	8
Fiordland Marine Guardians	
Purpose	The Fiordland Marine Guardians is an advisory group established under the Fiordland (Te Moana o Atawhenua) Marine Management Act 2005 (the Act).
Number of members	8
Number of meetings held from 1 July 2014 to 30 June 2015	5
Land and Water Forum	
Purpose	The Land and Water Forum comprises a range of primary industry groups, iwi, environmental and recreational non-governmental organisations, as well as other organisations with an interest in freshwater and land management. The forum's third and final report, covering managing water quality and allocating water, was provided to Ministers in October 2012. In February 2015, the Forum was given a renewed mandate, to provide advice to the Government on: - managing within limits, including allocation (due 30 September 2015) - further population of the National Objectives Framework (due 30 September 2016) - further refinements to the water management system (due 31 December 2017)
Number of members	Plenary organisations: approximately 64 (including active observers) Small group organisations: 21 Central and local government organisations as active observers: approximately 11
Number of meetings held from 1 July 2014 to 30 June 2015	Plenary: 3 meetings Small group: 4 meetings
Waste Advisory Board	
Purpose	The Waste Advisory Board provides independent advice to the Minister for the Environment about the Waste Minimisation Act 2008 and wider waste minimisation. The Waste Advisory Board was established under Part 7 of the Waste Minimisation Act.
Number of members	8 (The Minister is required to appoint at least four, but no more than eight members to the Waste Advisory Board.)
Number of meetings held from 1 July 2014 to 30 June 2015	1

Appendix B: Organisational Chart (as at 30 June 2015)



Appendix C: Environmental Protection Authority: Regulatory Functions (Multi-Category Appropriation)⁴³

The Ministry for the Environment, as appropriation administrator for Vote Environment, is required to report on all Multi-Category Appropriations within the Vote, of which this is one. This appropriation funds a portion of the Environmental Protection Authority's (EPA) work, not including that related to the Emissions Trading Scheme. For more information on the EPA performance (including on its performance on the Emissions Trading Scheme appropriation), see its annual report at www.epa.govt.nz.

Overarching Purpose Statement

The overarching purpose of this appropriation is to provide advice and other support to Ministers focusing on the regulatory functions carried out by the EPA.

Scope of Appropriation

Non-Departmental Output Expenses

Compliance and Enforcement

This category is limited to the compliance and enforcement functions of the activities applicable to EPA's regulatory functions.

Decision Making

This category is limited to the enabling and supporting decision-making processes for approvals of the activities applicable to EPA's regulatory functions.

Activities undertaken by the Environmental Protection Authority within this appropriation

The EPA has a wide range of environmental management responsibilities within this appropriation covering hazardous substances, new organisms, marine consents and permitted activities in the Exclusive Economic Zone (EEZ) and the Continental Shelf and supporting Boards of Inquiry considering proposals of national significance under the Resource Management Act. During the 2014/15 financial year, it considered three notified marine consent applications: Chatham Rock Phosphate, OMV Maari and Shell Todd Oil Services, along with two non-notified marine consents. It also announced decisions for the Ruakura Development Plan Change, the Basin Bridge, Ara Tūhono-Puhoi to Wellsford road, and Tukituki Catchment Proposal projects of national significance.

⁴³ The Supplementary Estimates of Appropriations 2014/15 noted that performance on this Multi-Category Appropriation would be reported in a report appended to the Ministry's Annual Report. The Ministry has since elected to report performance within this appendix of its Annual Report.

The EPA also worked on the initial development of EPA Notices, a new tertiary instrument that will help them consolidate, update and simplify a number of hazardous substances regulations to align with current international best practice, along with making decisions on 27 applications and statutory deadlines for new organisms and 126 applications relating to hazardous substances under the HSNO Act. In relation to EEZ Compliance, the EPA inspected four petroleum well sites, three seismic vessels, four existing structures and 18 permitted activities.

What the EPA is aiming to achieve

The EPA has two output classes within this appropriation: Decision Making, and Compliance and Enforcement. A third, not reported here, is Climate Change Response Administration. The first two output classes (reported below) aim to prevent and/or manage the adverse effects of hazardous substances or new organisms, the fulfilment of New Zealand's international obligations regarding the trans-shipment of ozone depleting substances and hazardous waste of international concern, as well as the sustainable management of natural and physical resources with respect to projects of national significance and of natural resources of the EEZ and the continental shelf.

Progress made to achieve this aim

To achieve its aims, the EPA maintained a focus on robust, objective, transparent and efficient decision-making processes were in place for approvals, permits or consents, while recognising the unique relationship with Māori. This involved carrying out internal and external audits of its decision making processes during the year, and applying relevant conditions to the decisions made. It also continued to develop a 10-year plan for the reassessment of hazardous substances in our databases, while reassessing seven hazardous substances decisions. In response to the findings of the Ministry for the Environment's Review of the Effectiveness of the EPA, it also initiated a Business Improvement Initiatives Programme.

In relation to monitoring and enforcement, the EPA focused on promoting awareness of, and ensuring compliance with, legislation, approvals and consents in relation to hazardous substances, ozone-depleting substances, hazardous waste, new organisms and activities in the EEZ. This involved attendance at national and international workshops and seminars in these areas, and developing internal and external guidance for regulatory processes.

How performance will be assessed for this appropriation

Performance

Non-financial

Performance measures	2013/14 Result	2014/15 Target	2014/15 Result
Trends in EPA compliance with resource consent processing times under the RMA 1991	100%	100%	100%

What is intended to be achieved with each category and how performance will be assessed

Performance measures	2013/14 Result	2014/15 Target	2014/15 Result
Environmental Protection Authority: Regulatory Functions			
Non-Departmental Output Expenses			
<i>Compliance and Enforcement</i>			
All central government enforcement agencies regard the annual HSNO Act compliance activities and intentions report to be fair and accurate and consider they had an acceptable opportunity to provide input into the process and the report	100%	100%	100%
Enquirers surveyed find the EPA's compliance information clear and helpful	72%	70%	N/A1
<i>Decision Making</i>			
EPA processes all applications to import or use hazardous substances or new organisms according to statutory processes and within statutory timeframes (as prescribed by sections 52 and 59 of the HSNO Act)	100%	100%	100%
Percentage of applications to the Environmental Protection Authority that are referred to a board of inquiry are processed within nine months, unless the timeframe is extended by the responsible Minister	100%	100%	100%
EPA processes all marine consent applications according to statutory processes and within statutory timeframes (as prescribed under the EEZ Act)	100%	100%	100%

1: Enquirers for hazardous substance compliance were not surveyed because the EPA no longer has this function as it was transferred to WorkSafe New Zealand.

Financial

Expenses	2013/14 Actual \$000	2014/15 Estimates \$000	2014/15 Supplementary Estimates \$000	2014/15 Actual \$000
Non-Departmental Output Expenses				
Compliance and Enforcement	3,722	8,404	8,404	8,404
Decision Making	7,723	10,181	9,631	9,631
Supporting Environmental Management	4,655	—	—	—
Total appropriation	16,100	18,585	18,035	18,035

Comment on variance

At Supplementary Estimates, the 2014/15 appropriation of \$18 million was \$550,000 less than at Estimates. This is due to an expense transfer of funding to 2015/16 to complete the strategic business cases for the Hazardous Substances (HS) Compliance Register and the Integrated HS Information System.

