Ministry for the Environment Manath Mo Te Taiao

Annual Report

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Welcome

Welcome to the Ministry for the Environment's annual report for the year ending 30 June 2016. In this report you'll find information about how we've performed during 2015/16.

We have grouped our annual report into three parts.

Part one: About us

Part one provides an overview of our organisation – what we do, our funding, and the people who work at the Ministry.

Part two: Our performance

Part two provides information about how we performed during 2015/16. It shows achievements against our outcomes and details our performance.

Part three: Our finances

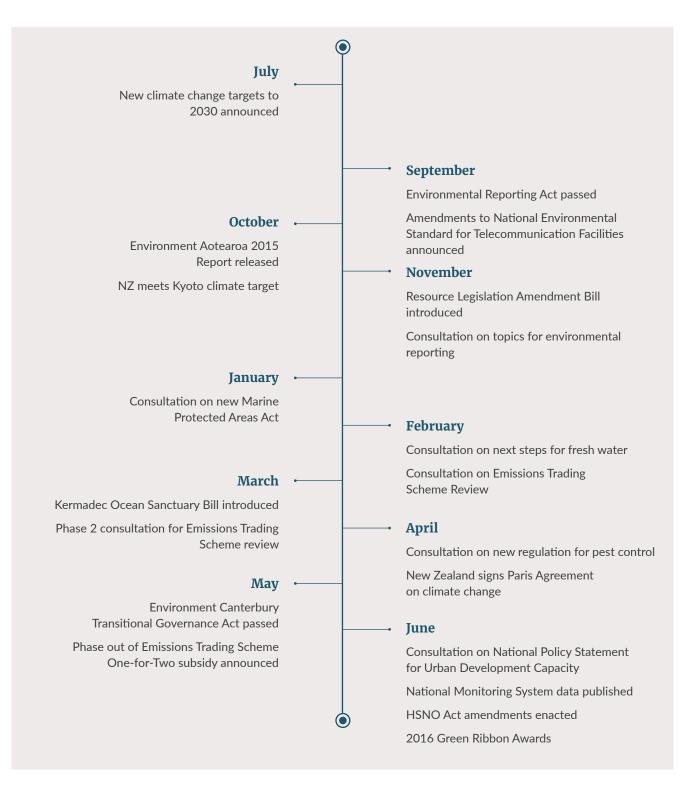
In part three we report on the financial resources we have used to deliver our services. This part also includes an independent audit report on our annual report.

Tell us what you think

We welcome your feedback. You can get in touch with us by:

Freephone: 0800 499 700 Phone: +64 4 439 7400 Email: info@mfe.govt.nz

This year's highlights



From the Secretary for the Environment



He whenua mana kura mo te tangata: Aotearoa New Zealand is the most liveable place in the world

The Ministry's work is underpinned by an idea: to make New Zealand the most 'liveable' place in the world. He aha te mea nui o te ao? He tangata. Our mission is to be stewards for the environment over the long term. To be successful we need to connect people to this mission.

More specifically, our task is to support New Zealanders to make good decisions about how we manage our environmental systems, so we can be confident our mokopuna will have the same opportunities we do, e.g. productive and healthy natural resources (water, land and air), access to the amazing outdoors New Zealand is blessed with, and a connection to our environment that goes to the heart of who we are as Kiwis. To make this a reality, we have introduced a new outcomes framework over the past year. It is clustered around enabling people, optimising use of the environment, managing risk and safeguarding the ability of the environment to sustain itself. To achieve these outcomes we need to be at the cutting edge of how policy is made and problem-solving in new ways to improve the value we place in nature.

Having good information and science is vital to creating good policy. So is the quality of our environmental reporting. We have made good progress in these areas; developing a draft environmental science roadmap and launching the Environment Aotearoa Report last year, which brought together a huge amount of data to give a more complete picture of our environment so that we can see where best to focus our collective efforts. This is the start of a regular regime of independent reports on the state of environment.

We continue to play an important brokering role across the natural resources system. We are demonstrating how a strong economy and healthy environment are, in the long run, one and the same. We also continue to work with others, in particular Māori and iwi to make Aotearoa uniquely liveable.

In terms of the specific 'domains' we work across, good progress has been made. We worked with a range of partners to implement and improve the National Policy Statement on Freshwater Management and continued to invest heavily in the clean-up of our waterways. The Kermadec Ocean Sanctuary Bill was introduced to protect 620,000km² of unique ocean around the Kermadec Islands. And as part of the Paris Agreement, the Government announced its intended target of cutting emissions to 30% below 2005 levels by 2030.

I want to acknowledge both the high volume and quality of work done by all of our staff over what has been a very busy period. Continuing to embrace the skills and passion our people bring to their work will help us achieve our goals. He rau mano, he rau kotahi tangata.

Looking forward, there is no scope to slow down the pace of our efforts or lessen our resolve to address the challenges facing our country and our environment. We'll need to be innovative and partner with a wide range of people to achieve a shift in environmental outcomes to achieve our goals. I am confident that we are well placed to do all of this.

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Vicky Robertson Chief Executive and Secretary for the Environment

Meet our leadership team

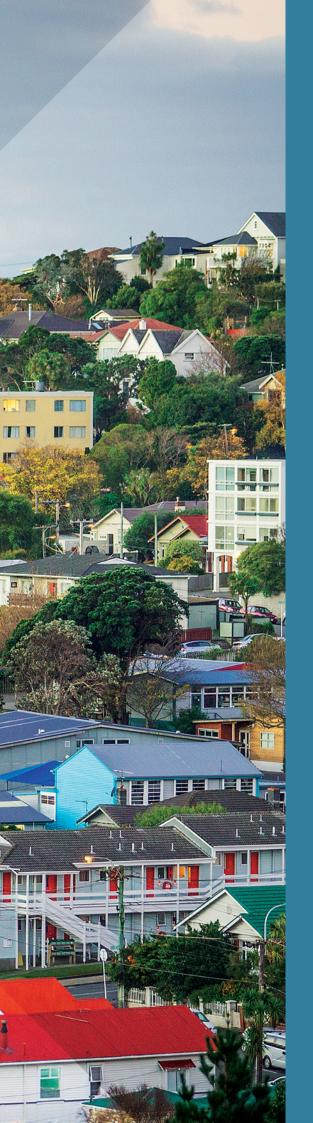
Last year Cheryl Barnes, Jane Frances, Penny Nelson and Che Wilson joined me in leading the Ministry for the Environment. I am privileged to have the benefit of their expertise gained from working in the public and the private sector, as well as their strengths in building relationships with diverse groups. You can find out more about our leadership team and the teams they lead on our website:

www.mfe.govt.nz/more/about-us/leadership-team.



From left to right: Che Wilson, Tumuaki; Penny Nelson, Deputy Secretary Sector Strategy; Jane Frances, Deputy Secretary Natural Resources Policy; Vicky Robertson, Chief Executive; and Cheryl Barnes, Deputy Secretary Organisational Performance and Operations.





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About us

An overview of the Ministry for the Environment – what we do, our funding, and the people who work here.

Key topics

- 10 Our role
- 10 What we do
- 10 How we do it
- 11 How we are funded
- 12 Our people
- 12 Equal employment opportunities
- 12 How we work

Our role

The Ministry for the Environment is New Zealand's environmental steward. We want to make sure we have a thriving and prosperous New Zealand now and in the future. This is so we all benefit from our environment and its resources.

What we do

In a practical sense, this means understanding what's happening in the environment. To achieve our goals we drive behaviour change through non-regulatory interventions as well as legislation and regulation to manage our natural capital, administer funds, and partner with agencies, communities, businesses and NGOs.

How we do it

Who we work with

We are the Government's principal adviser on New Zealand's environment and work closely with others to achieve our goals. We cannot make the longterm, wide-ranging changes on our own.

We need strong, productive relationships to navigate complex issues, develop good policy, and ensure implementation is effective. In the last year alone we consulted on changes to resource management legislation, management of fresh water, regulation of pest control, changes to the Emissions Trading Scheme, contaminated land guidelines, management of marine protected areas, environmental reporting, amendments to regulation of hazardous substances and new organisms, and more.

Over the past 12 months we have strengthened the Ministry's specialist stakeholder engagement capability, established an engagement and collaboration network, and developed a regional engagement programme.

Māori Iwi Chairs Forum Iwi Leaders Group Iwi Advisors Groups

Cross-sector

Industry bodies Non Government Organisations Scientists

Industry

Chief executives Resource Management Law Association Environmental Reporting Governance Group

Central and local government

Local and regional councils Local Government New Zealand Nature Resources Sector Governance Group

How we are funded

Vote Environment

The graph below shows 2015/16 expenditure in Vote Environment. The Vote is split by:

- departmental funding, which we use for our work programme
- non departmental funding, which we administer and distribute externally
- Environmental Protection Authority funding

VOTE ENVIRONMENT



• Emissions Trading Scheme funding (allocation of emission units to industry to mitigate the scheme's effects on international competitiveness, and to owners of post-1989 forests who choose to enter the scheme to earn units as their forests grow and sequester carbon).

Departmental funding

Our departmental funding was spent in the following areas during 2015/16.

Non-departmental funding

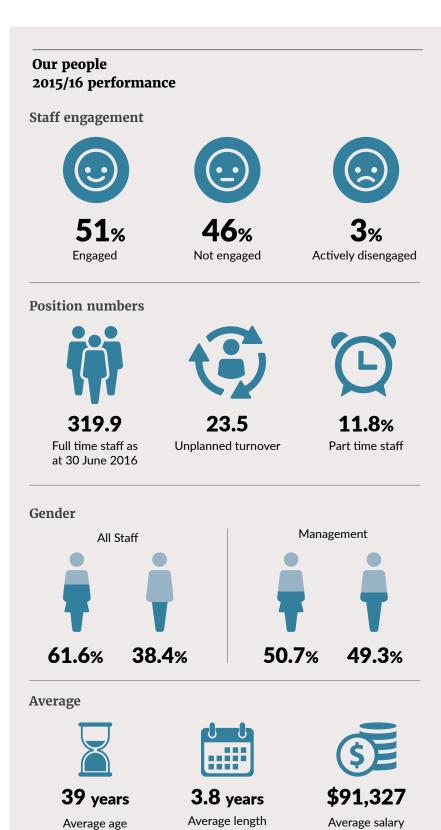
In 2015/16 we administered nondepartmental funding in the following categories. (This does not include funding for the Environmental Protection Authority or the Emissions Trading Scheme).

NON-DEPARTMENTAL FUNDING



DEPARTMENTAL FUNDING

Resource management 31% advice, \$18,669 28% Water policy advice, \$16,769 Climate change policy advice, 19% \$11,330 Waste minimisation advice, 6% \$3,827 **∆%** Marine policy advice, \$2,447 4% Ministerial servicing, \$2,130 3% International advice, \$1,878 3% Administering grants, \$1,645 2% Treaty policy advice, \$946



of service

Equal employment opportunities

We provide equal opportunities for employment in our procedures for recruitment and selection, career development and progression, training, and conditions of employment.

We have a new flexible working policy. This allows our staff to balance their obligations at work and outside of work. We also promote diversity and inclusion, which allows staff to bring their strengths to their work.

How we work

In our strategic plan and our 2016 Four Year Plan we set out the following strategic priority areas and commitments (these are available at www.mfe.govt.nz/publications/aboutus/four-year-plan-2016-2020).

STRATEGIC PRIORITY AREA	MINISTRY COMMITMENT	2015/16 ACTIONS
Leadership	We will drive continuous improvement across the environmental management system by articulating a clear view and leading change.	As leaders of the natural resources system, and in partnership with other Natural Resources Sector agencies, we refreshed the Natural Resources Sector's agreed goal and six focus areas. We developed and rolled out an outcomes framework that describes the long-term outcomes we are working towards and a plan to get there.
Information	We will collect, broaden and communicate trusted information needed to deliver our long-term outcomes.	In partnership with Statistics New Zealand, we published Environment Aotearoa in October 2015: a new way of reporting on the environment, and indicator web pages. We gathered and released information on implementing the Resource Management Act through the National Monitoring System.
Demonstrating understanding of Māori world view	 We will foster and strengthen tāngata whenua-Ministry relationships to enable iwi/hapū to undertake kaitikitanga support iwi to successfully develop their natural resource in ways that make significant contributions to Māori and national growth and are consistent with matauranga Māori values. 	 We have continued to implement the Tūhono Strategy, which helps us to use a Treaty of Waitangi lens in our work. We have continued to foster strong partnerships. For example, We have been working with Statistics New Zealand to identify measures that reflect a te ao Māori (Māori world view) perspective on the state of the environment. Evaluation of Treaty settlement co-governance arrangements - review of natural resource co-governance arrangements established to date through Treaty settlements. We have been looking for opportunities to work closer with iwi/hāpu groups. We have been identifying opportunities to strengthen the role of Māori in the resource management and commitment to support the lwi vision and projects.
System capability and capacity	We will build our own capability and work within the system to support better decision-making.	We have achieved our best results on the quality of our policy advice (61%) by improving our tools, commissioning and training.

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Our performance

Part two looks at how we performed during 2015/16. The first section shows the longer-term results we want for New Zealand. The second section describes our day-to-day work programme performance.

Key topics

- 16 Delivering outcomes
- 36 Measuring our performance

Delivering outcomes

In October 2015 we introduced an improved outcomes framework. It puts in place a clearer long-term strategy for the environment. Our framework describes what we want New Zealand to look like in the future and the steps we will take to get there.

While we published it after our Statement of Intent for 2015/16, we are reporting against the new targets because they have been in place for most of the financial year. They also better describe our work. A summary of the expired measures from the previous framework is included in Appendix A.

Our outcomes framework

Our four new outcomes are shown to the right. They cover seven domains that make up the environment work programme: air, atmosphere and climate, fresh water, land, marine, urban, and environmental management system.

Domains are a useful way to manage our work programme. But we must acknowledge that environmental issues cross over domains. For example, activity in the atmosphere and climate domain is likely to affect other domains, like marine. For this reason, when we think about problems in the

environment and conduct our day-today work, we think and work across the domains too. We show this in the second part of this section 'measuring our performance'.

This is the first year we are reporting against these new measures. This will become a baseline for future results.





strength to the people, Mana Tangata.

Mauri Taiao is the well-being and life supporting capacity of the environment, which enhances and supports Mauri Ora the health and well-being of the people. Mana and Mauri are interrelated, and one cannot be achieved without the other.

From a domain perspective



Air

New Zealand is a world leader in managing risks to human health and the environment that result from poor air quality

Urban

New Zealand is a leader of environmentally sustainable cities, leveraging the benefits that cities offer while reducing the costs and impacts that they impose

Marine New Zealand is a world leader in the sustainable management of marine ecosystems that support New Zealand's marine life, society

lew Zealand's marine life, socie and the economy

Environmental management system

New Zealand has enduring policy settings that support people to be aware of their impacts on the environment and lead to better decisions

Atmosphere and climate

New Zealand has an innovative and productive economy, with fewer greenhouse gas emissions, and is resilient to the physical and economic impacts of climate change and adverse climatic events

Fresh water

New Zealand increases the value from, and improves the quality of, our fresh water

Land

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New Zealand improves the quality of our soils and terrestrial ecosystems and increases the value from our land-based resources

Environmental management system

To achieve our vision we need our social and environmental processes to work together effectively.

LONG-TERM OUTCOMES	LONG-TERM TARGETS	INTERMEDIATE TARGETS	PERFORMANCE MEASURES	PERFORMANCE 2015/16
People are enabled to make and implement decisions that benefit society and the environment	The environmental management system's processes and objectives are clear and provide certainties to users	National objectives and priorities guide decisions throughout the system	Percentage of new plans, plan changes and variations as a result of national direction	9% of new plans, plan changes and variations started underway or completed in 2014/15 were driven by being consistent with, or giving effect to, national direction.
		Regulatory framework for land use and management has been evaluated for effectiveness and consistency	Percentage of new plans, plan changes and variations completed within statutory timeframes	83% of new plans, plan changes and variations completed in 2014/15 (with data available on the time taken) complied with the two-year statutory timeframe.
			Number of local authorities making publicly available the findings of their policy statement or plan efficiency and effectiveness monitoring	Six local authorities made these findings available in 2014/15.
			Percentage of resource consents processed within statutory timeframes	96% of all section 88, section 127 and section 128 resource consents (which were progressed to a decision in 2014/15) were processed within statutory timeframes.
	Environmental and socialThere is an effectiveobjectives are aligned, mutuallyframeworkbeneficialengagementoutcomes and trade-offs are achieved, and intergenerational impacts are taken into accountdecisions	effective framework for iwi/hapū engagement in resource	Number of iwi/ hapū management plans and iwi/	Local authorities received 190 iwi/hapū management plans by the end of the 2014/15 financial year.
			hapū agreements lodged with local authorities	Local authorities received 117 iwi/hapū agreements by the end of the 2014/15 financial year.
		Number of local authorities with written iwi/hapū agreements	By the end of the 2014/15 financial year 53 local authorities had received one or more iwi/hapū management plans. This equates to 65% of councils, up from 44% of councils in the 2012/2013 financial year.	
				We also know that 58% of councils have set aside budget to assist iwi/hapu to participate in the development of resource management plans. This is up from 54% in the 2012/2013 financial year.

LONG-TERM	LONG-TERM	INTERMEDIATE	PERFORMANCE	PERFORMANCE
OUTCOMES	TARGETS	TARGETS	MEASURES	2015/16
People are enabled to make and implement decisions that benefit society and the environment	The environmental management system uses current science and leads international best practice	We have robust data sets for all environmental domains	Increasing number of indicators that meet Statistics NZ standards	 There were 122 indicators in Environment Aotearoa 2015: 30 national indicators (highest quality measure) 40 case studies 46 supporting information measures. See figure 1 for indicators by domain

Monitoring the tools, functions and processes of the Resource Management Act 1991

The Ministry for the Environment monitors the tools, functions and processes of the Resource Management Act 1991 (RMA). Our National Monitoring System provides the framework for monitoring and the Ministry's environmental reporting functions track progress against our outcomes.

The National Monitoring System was implemented in 2014/15. It captures information to demonstrate how well the system is working, any interventions needed, and how successful changes to the RMA are. This informs policy development, and gives examples of best practice that can be shared. Data gathered in 2014/15 has given us a more detailed understanding of local authorities' processes, particularly for plan-making and resource consents. It included a detailed stocktake of all iwi and hapū management plans lodged with local authorities.

As the National Monitoring System evolves it will capture data on other processes, including development of national direction, and monitoring, compliance and enforcement activity. This will ensure the system is fit-for-purpose.

More information on the National Monitoring System, including reporting for 2014/15 is available on our website: www.mfe.govt.nz/rma/rma-monitoring.

Framework for iwi/hapū engagement

Iwi/hapū management plans must be taken into account when preparing or changing regional policy statements and regional and district plans. They are used by iwi/hapū to express kaitiakitanga and consider iwi views and visions when engaging with iwi/hapū. Iwi/hapū agreements are written agreements between iwi/hapū and local authorities.

Given the special kaitiaki role Māori play in managing natural resources, this measure is important in demonstrating whether there is effective framework for engagement in resource management decisions.

FIGURE1: INDICATORS BY DOMAIN

	National indicators	Case studies	Supporting information	Subtotals
Air	4	9	11	24
Atmosphere and climate	8	8	11	27
Land	8	8	7	23
Fresh water	7	10	5	22
Marine	3	11	12	26
Totals	30	46	46	122

For the upcoming marine domain reporting (to be released 27 October 2016), there will be five new measures (four national indicators, one case study) and 10 existing measures will be updated.

The Ministry has supported these iwi/ hapū with iwi management plans (IMP) by providing:

- IMP presentation to Ngati Manawa and Ngati Whare in July 2015
- Waikato-Tainui iwi management plan seminar in October 2015
- Ngati Porou ki Hauraki Environmental management plan workshop, October 2015
- Technical review of Maniapoto iwi management plan April-September 2015.

In our role as custodians of the Resource Management Act, we have identified scope for further improvements to support increased Māori participation in the resource management system. The Resource Legislation Amendment Bill includes proposed amendments to this effect.

Robust data

National-scale environmental reporting informs both the public and decisionmakers on the current state and long-term trends in the environment. This helps us identify and understand national-scale environmental problems and opportunities, as well as their causes and significance.

In October 2015, the Ministry and Statistics New Zealand released *Environment Aotearoa 2015 –* a national-level environmental report for New Zealand and associated indicator web pages. The report was developed and released as a pilot for the framework and process set out under the Environmental Reporting Act. The table above shows the types of indicators used. Environmental reporting is one part of a broader environmental information system. Producing high quality reports is dependent on the quality of the underpinning monitoring data, as well as its analysis and interpretation.

Marine and freshwater domain reports are scheduled to be published in 2016/17. You can find out more about our environmental reporting on our website: www.mfe.govt.nz/more/ environmental-reporting.

WE SAID WE WOULD	HOW WE CONTRIBUTED
• progress and support effective implementation of resource management reforms	• We supported the Minister to introduce the Resource Legislation Amendment Bill into the House in late 2015. We have supported the Minister and select committee during 2016 as the committee has considered public submissions and the bill.
	• We supported the Minister with a Cabinet paper on implementing the RMA reforms in April 2016.
	• We held workshops in April/May 2016 with representatives from local government, resource management practitioner organisations, iwi and non-governmental organisations, to support the development of fit-for-purpose guidance and training to be released following passage of the Bill.
• take a longer-term view of the resource management system with other agencies to determine how it might be improved	• We worked with NRS agencies to assess the current resource management and planning system.
• monitor the system to ensure it's effective	• The Plan Evaluation Project Stage II was completed during the 2016. It provided qualitative and quantitative information on the plan consultation process, submissions, hearings and appeals in relation to 12 change and plan review case studies.
• improve data acquisition and use, and report it	• The NMS collects data yearly. Data for 2015/16 was collected by councils, and reported to the Ministry in July 2016. We provided help to councils with collecting and improving data when needed.
	• The NMS findings and data for 2014/15 were publicly reported in June 2016.
	• We invested in data improvement projects to increase the availability and quality of data available for our environmental reporting programme. See http://www.mfe.govt.nz/more/environmental-reporting/data-improvement/project.
	• We collaborated with the regional sector through the Environmental Monitoring and Reporting project to improve the availability and consistency of environmental information.
	• We completed the data stewardship project, including developing a work programme to improve the value we get from our data. (The programme of work begins in 2016/17.)
	• Environment Aotearoa was released in October 2015. It is the first whole of environment report since 2007. We produced this report, and associated websites and data service, in co-production with Statistics NZ and covered 122 indicators across five domains. The Environmental Reporting Act and regulations establish an ongoing programme of 6-monthly reporting. In 2015/16 we began work on the Marine and Freshwater reports, due to be published in October 2016 and April 2017, and also started data improvement across other domains.

Air –Āngi

Our vision is that New Zealand is a world leader in managing risks to human health and the environment that result from poor air quality.

LONG-TERM	LONG-TERM	INTERMEDIATE	PERFORMANCE	PERFORMANCE 2015/16
OUTCOMES	TARGETS	TARGETS	MEASURES	
Risks to people and the environment are known, understood and well managed	Health impacts from poor air quality are minimised	Health impacts from anthropogenic (human-made) sources are reduced by 10% from 2012 levels	Number of premature deaths and health complaints due to poor air quality	See figure 2 for health effects from exposure to human-made PM ₁₀ ¹ , 2012 and 2014.

Health impacts of air quality

On average, every person inhales 14,000 litres of air every day. The presence of contaminants in this air can adversely affect people's health. Those with pre-existing respiratory and heart conditions, the young and older people are particularly vulnerable. This can lead to hospital admissions, lost days of work and study, and even shorten the lifespan of some New Zealanders.

The table below shows estimated health impacts from exposure to particulate matter 10 micrometres or less in diameter from human-made sources. We focus on it because it is associated with a range of health impacts, from respiratory irritation to some forms of cancer. This is found in high concentrations in some New Zealand areas.

 PM_{10} is shown below. Based on modelled data, in 2012 there were about 1000 premature deaths in New Zealand associated with exposure to humanmade PM_{10} , such as emissions from home heating, industry, and transport. The model also estimated about 520 hospital admissions.

Besides living longer and healthier lives, New Zealanders will also

receive economic benefits from these reductions. We incur costs for hospitalisations and medical treatment, premature deaths, and lost work days.

The National Environmental Standards for Air Quality include threshold concentrations for five pollutants. The Ministry conducts annual monitoring of airshed progress towards meeting the PM₁₀ standard and reports on the air domain every three years.

We are reviewing the particulate matter provisions of the standards to reflect current scientific findings on the health impacts from particulates.

FIGURE 2: HEALTH EFFECTS FROM EXPOSURE TO HUMAN-MADE PM₁₀¹, 2012 AND 2014 (ROUNDED FIGURES)

HEALTH EFFECT	2012		2014			CHANGE BETWEEN BEST	
	BEST ESTIMATE	LOW ESTIMATE	HIGH ESTIMATE	BEST ESTIMATE	LOW ESTIMATE	HIGH ESTIMATE ²	ESTIMATES (%)
Premature deaths	1,000	460	1,370	770	350	1050	-23
Hospital admissions	520	290	830	390	220	620	-25

1 Particulate matter is a mixture of solid particles and liquid droplets found in the air that are associated with various health effects. PM₁₀ is a particle that has a diameter of 10 or less micrometres.

2 The high and low estimates reflect only the uncertainty in the health risks of PM₁₀ exposure, not other uncertainties in the model. Low and high estimates for 2014 were calculated based on the corresponding proportions of the best estimate shown in the past two reporting years. For 2012, the low and high estimates were estimated using the low and high health risk values. We expect the next estimates to be available for the air domain reporting (as part of the Environmental Reporting series) in 2018.

WE SAID WE WOULD	HOW WE DID
 monitor the effect and implementation of legislation related to air quality 	• In January 2016, we collected air quality monitoring information, covering the 2015 calendar year, from 14 regional councils/unitary authorities.
• amend the Air Quality National Environmental Standard and work closely with local government to implement changes to incorporate current findings on the health impacts of air pollution.	 Since December 2015, we developed policy for amendments to the Air Quality National Environmental Standard. We also worked with external suppliers to develop models for estimating particulate matter concentrations, health impacts, and costs and benefits from air quality management. In October 2015 and March 2016, we held technical workshops with the National Air Quality Working Group. In March 2016, we also sought technical information from selected councils.

You can find out more about air quality on our website: www.mfe.govt.nz/air.

Atmosphere and climate – Kōhauhau and āhua o ngā rangi

Our vision is that New Zealand has an innovative and productive economy, with fewer greenhouse gas emissions, and is resilient to the physical and economic impacts of climate change and adverse climatic events.

LONG-TERM OUTCOMES	LONG TERM TARGETS	INTERMEDIATE TARGETS	PERFORMANCE MEASURES	PERFORMANCE 2015/16
The capacity of the environment to sustain itself is safeguarded	New Zealand is carbon neutral by 2050, contributing to global efforts to reduce emissions	The vehicle fleet will comprise upwards of 250,000 (about 8%) electric vehicles (including plug- in hybrids) (by 2025)	Percentage of the total vehicle fleet that is electric or hybrid	Approximately 0.04% of the total New Zealand fleet is electric or hybrid (as at June 2016). Government has set a target of doubling the number of electric vehicles in New Zealand every year, to reach approximately 64,000 by 2021. New Zealand's light electric vehicle fleet has increased by over 100% in the past year.
		Net forest area has increased by 500,000 ha from 2015 (by 2040)	Total net gain in forest area	The 2014 Greenhouse Gas Inventory reports that deforestation continues to exceed afforestation resulting in a reduction in forest area by 6,000 hectares in 2014. This continues a generally reducing forest area trend since the mid-2000s. However, the increased carbon price in response to the exclusion of international units in the New Zealand Emissions Trading Scheme (NZ ETS) and the NZ ETS review is expected to reduce deforestation and increase afforestation in future. The proposed National Environmental Standard for Plantation Forestry will also help support afforestation by providing a nationally-consistent ruleset and greater certainty around planning controls involving forestry activities.
The use of the environment, including natural resources, is optimised for the betterment of society and the economy, now and over time	A carbon neutral New Zealand enables a more innovative and productive economy	There is a durable mechanism and effective pricing for greenhouse gas emissions (by 2020)	Percentage of total emissions covered by the New Zealand Emissions Trading Scheme	This year the Government decided to remove the one-for-two transitional measure from the NZ ETS. This measure will be phased out over three years from 1 January 2017, and increase the coverage and effectiveness of emission pricing to approximately 50% by 2019.

Negotiating the Paris Agreement

In December 2015 we successfully prepared for and negotiated the milestone Paris Agreement at COP21. Our next step is to make sure the Paris Agreement and rules reflect New Zealand's national circumstances. We are working to ratify the agreement and negotiating rules.

Ratification will commit us to an emissions reduction target and reporting procedures, relevant to both mitigating and adapting to the effects of climate change. Committing New Zealand to a global plan of action will contribute to the long-term target 'New Zealand is carbon neutral by 2050, contributing to global efforts to reduce emissions'.

What is covered by the Emissions Trading Scheme

The NZ ETS is our main policy response to address climate change. We need to get the settings right so we can meet our international targets and be prepared for a carbon-constrained future.

The ETS requires all sectors of New Zealand's economy to report on their emissions. With the exception of agriculture, all sectors must purchase and surrender emission units to the Government for those emissions.

Putting a price on emissions creates a financial incentive for investment in technologies or practices that reduce emissions and for carbon removals from forestry by allowing eligible foresters to earn New Zealand Units (NZUs) as their trees grow and absorb carbon. What this means for New Zealanders is that:

 firms are incentivised to invest in low emissions technologies and practices

 the higher the price, the greater the incentive

- foresters are encouraged to plant more forests – again the higher the price, the greater the incentive
- households will face higher prices of goods and services that are emissions intensive.

See p. 24 for the work we have done in this area during the year.

Electric vehicles

Adoption of electric or hybrid vehicles will reduce New Zealand's carbon emissions, improve air quality in our major centres, and decrease traffic noise (full electric vehicles have no tailpipe, meaning less noise). Light road transport is the biggest contributor to our transport emissions; therefore focusing on this sector will have the greatest impact on climate change mitigation (as opposed to aviation, railways or heavy road transport).

We have supported the Ministry of Transport to prepare a Cabinet paper to introduce a package of measures to increase the uptake of electric vehicles.

Net forest area

Forestry is an effective method of off-setting emissions. The ETS review will provide a carbon unit price to encourage afforestation and discourage deforestation. The exclusion of international units in 2015 and the ETS review (which began in 2015/16) has already seen the unit price rise steadily over the year to end at \$17.75 (beginning the year at \$6.80).



Tracking our greenhouse gas emissions

We want every Kiwi to understand how New Zealand is managing greenhouse gas emissions.

Every year New Zealand releases the Greenhouse Gas Inventory of humancaused greenhouse gas emissions. It's a 500page technical document that meets international reporting obligations, which we base policies on. But it is not an easy read.

So this year we have introduced online tool to help non-technical audiences understand the data. It allows users to filter information and view graphs which show how New Zealand's emissions have changed over time. You can view information for different sectors, by year, and by the type of greenhouse gas.

You can find out more about climate change on our website: www.mfe.govt.nz/ climate-change.

WE SAID WE WOULD	HOW WE CONTRIBUTED
• undertake a domestic treaty ratification process for the Paris Agreement on climate change	• We submitted an intended nationally determined contribution for the new treaty to the UNFCCC in July 2015.
• negotiate the detailed rules of the new international agreement and identify the best policy mix for meeting our post-2020 greenhouse gas emissions reduction target	• We negotiated the Paris Agreement on climate change culminating in the agreement of December 2015 and the signing of the agreement in April 2016.
• complete and implement the review of the NZ ETS	• We published a discussion document; held workshops and hui on phase one of the review, culminating in changes to the one-for-two provisions of the NZ ETS in May 2016.
• update regulations to ensure the NZ ETS delivers on its objectives and adapts according to international progress	• We updated regulations in the NZ ETS in September 2015.
• update guidance manuals for local government on adapting to climate change	• We updated projections and published them in June 2016. We also commissioned an update of coastal hazards and climate change guidance.
• more actively manage the supply of units so the NZ ETS can meet its objectives and there is sufficient market certainty, while helping New Zealand to meet its international targets	• We called for submissions on the supply of units in the ETS.
• make sure high quality information available for reporting and decision making	 We published the National Greenhouse Gas Inventory for 1990 to 2014 in May 2016 and developed a new tool to access and manipulate this data called the Interactive greenhouse emissions tracker which was published in June 2016. We published New Zealand's Second Biennial report documenting New Zealand's progress in meeting the 2020 target in December 2015.
	 We updated projections on what climate change might mean for each region of New Zealand in June 2016.

Fresh water – Wai

Our vision is that New Zealand increases the value from, and improves the quality of, our fresh water.

LONG-TERM OUTCOMES	LONG-TERM TARGETS	INTERMEDIATE TARGETS	PERFORMANCE MEASURES	PERFORMANCE 2015/16
The capacity of the environment to sustain itself is safeguarded	Freshwater ecosystems are healthy and resilient to pressures	Water quality is being maintained or improved	Trends for water quality factors including nutrients, macroinvertebrates and clarity are improving	See figure 3 for trends for water clarity, nutrients, and macroinvertebrate community index at NIWA sites, 1989–2013.
The use of the environment, including natural resources, is optimised for the betterment of society and the economy, now and over time	New Zealand gets best value from freshwater resources	We are increasing the value we get from the use of freshwater	An increase in the number of hectares under irrigation (Ministry for Primary Industries data)	260,500ha (new irrigated areas under development with Irrigation Acceleration Fund funding contracted as at 30 June 2016)
Risks to people and the environment are known, understood and well managed	Harmful health impacts from people's contact with fresh water are eliminated	Human health risks associated with the use of fresh water (e.g. for recreation) are reducing	An increase in the percentage of rivers that are 'safe for swimming'	See figure 4 for river sites that exceed the NZ swimming guideline value (540 E. coli per 100ml).

FIGURE 3: TRENDS FOR WATER CLARITY, NUTRIENTS, AND MACROINVERTEBRATE COMMUNITY INDEX AT NIWA SITES, 1989–2013.

Variable	Trend	Sites showing a statistically significant increase (%)	Sites showing a statistically significant decrease (%)	Sites showing an indeterminate trend (%)
Clarity	7	64	9	27
Total nitrogen	7	60	14	26
Nitrate-nitrogen	~	52	27	21
Ammonia-nitrogen	м	4	78	18
Total phosphorus	~	38	30	32
Dissolved phosphorus	7	51	14	35
Macroinvertebrate community index (MCI)	~	5	13	83

Source: Environment Aotearoa 2015 (2015) and Larned et al (2015). Note: Trends for NIWA's National River Water Quality Network (77 sites). Data are for the period 1989–2013, except for the MCI (covering 462 NIWA and regional council sites) which are for the period 2004–13. Green arrows indicate improving water quality; red arrows indicate declining water quality. No trends could be determined for nitrate-nitrogen, total phosphorus, and the MCI. Percentages may not add to 100 per cent due to rounding.

FIGURE 4: RIVER SITES THAT EXCEED THE NZ SWIMMING GUIDELINE VALUE (540 E. COLI PER 100ML).

River sites that exceed the NZ swimming guideline value (540 E. coli per 100ml).	Colour	Cumulative proportion of total river length (%)
Excellent	Blue	39
Good	Green	52
Variable	Yellow	70
Intermittent	Orange	87
Poor	Red	100

Freshwater management

Our economy, health, identity and wellbeing are dependent on having clean and plentiful fresh water.

The overall quality of New Zealand's fresh water is good, but it can vary greatly - depending on land use, climate, and geology. Waterways carry run-off from land (agriculture, forestry, horticulture, and urban pollution), providing a valuable environmental service, but causing water bodies to become polluted (taking many years and great expense to clean up), with a significant impact on some marine environments.

Our freshwater measures above connect to creating longer-term water improvements in the economy, our health, and our well-being. Although effects of our work programme may not be immediately apparent – in some cases work we do now will not show up in measurable improvements for decades– it is important to begin reporting progress on what matters most for New Zealand.

Our work in this area is almost entirely focused on reforming freshwater management so we can make these improvements. We have made good progress this year on:

- Consulting on the proposed reforms (February to April 2016). We are considering the submissions and will use the feedback for more work on policy options. We expect to hold a second round of consultation on some of these options later this year.
- Establishing the new Freshwater Improvement Fund (announced as

part of Budget 2016). It is being set up to make improvements in water quality in freshwater bodies. We are establishing the fund in a way that provides the best value from the funding and greatest impact.

• Populating the National Objectives Framework (see p. 47) which provides direction to councils on setting freshwater objectives. Each year, we make sure more research is conducted to build better information.

WE SAID WE WOULD	HOW WE CONTRIBUTED		
• continue developing the regulatory framework	• We consulted on changes to the National Policy Statement for Freshwater in February 2016. Ministers have since been considering submissions and next steps.		
 provide freshwater management implementation and guidance 	 We have provided implementation support by continuing to visit regional councils throughout the year. Guidance on monitoring was finalised in June 2016. Guidance is underway on economic analysis and limits. We held a discussion with councils on limits in June 2016. 		
• work on tools to maximise the benefits from use of freshwater resources, improving the governance and allocation of fresh water	• Our allocation work program was set up in April 2016 following Cabinet decisions in March 2016.		
• work for iwi and hapū rights and interests in fresh water	We consulted on proposals in February 2016.		
• administer fresh water funding, including developing a framework for investing \$100 million of funding in initiatives to improve freshwater quality.	 Over 2015/16 we continued to administer funding agreements for the Fresh Start for Fresh Water Fund, Rotorua Te Arawa Lakes Programme, Lake Taupō Protection Project and the Te Mana o Te Wai Fund. In early 2016, we consulted on proposed criteria for the new \$100 million <i>Freshwater Improvement Fund</i>. Following public consultation, we have continued to refine the criteria and approach for operating the fund to identify the best vehicle for delivering freshwater outcomes and to ensure that funding goes to the highest impact initiatives. 		



A fresh start for the Manawatu River

In 2012 the Fresh Start for Freshwater Fund allocated \$14.5 million for seven projects to clean up the quality of waterways. By May 2016 five of these projects were complete, including the Manawatu River.

The Manawatu is recognised nationally as one of New Zealand's most polluted rivers, with E. coli contamination and annual algal blooms. The river's decline reflected increases in the population, and steady industrial and agricultural development. Horizons Regional Council received a \$5.2 million grant to restore the water quality of the Manawatu River. This supported a \$43.8 million project for water treatment upgrades, fencing streams, improving fish passageways, and planting native flora.

Following the end of the project, the Manawatu River Leaders Accord have committed to a second plan, with activities for further improvements to 2021.

You can find out more about fresh water on our website: www.mfe.govt.nz/fresh-water.

Land – Whenua

Our vision is that New Zealand improves the quality of our soils and terrestrial ecosystems and increases the value from our land-based resources.

LONG-TERM OUTCOMES	LONG-TERM TARGETS	INTERMEDIATE TARGETS	PERFORMANCE MEASURES	PERFORMANCE 2015/16
Risks to people and the environment are known, understood and well managed	Risks from contaminated land, hazardous substances and new organisms are known and managed, proportional to risk	The use of substitute substances with reduced human and environmental impact are incentivised (by 2025)	The number of highly toxic and eco-toxic substances approved is reduced	Baseline currently being established.
	The risks from natural hazards to people, property and the environment are reduced	Key indicators and baseline conditions are in place for monitoring the impact of new organisms	No unintended significant adverse environmental impacts reported arising from released new organisms	No significant adverse environmental impacts reported.

Increasing the value from our land-based resources

The health of our land underpins our economy and our way of life. We depend on the quality of our soils and ecosystem services for much of our economic activity, as well as our national identity.

The majority of the land domain is in private ownership and is used for a variety of commercial, residential, cultural, and other purposes. The last decade has seen a significant intensification of land use, particularly pastoral land use. This intensification has had environmental impacts on all the environmental domains. Our activities can leave a legacy of nutrient depletion or contamination from hazardous substances, waste disposal, and other sources. Our approach to managing land has traditionally focused on managing and mitigating risks from these activities, typically in the areas of contamination, erosion, waste, hazardous substances and new organisms. We have continued to progress various pieces of national direction, including releasing a consultation document proposing to standardise the regulatory regime for pest control and consulting on the National Environmental Standard for Plantation Forestry.

We also administered funds to remediate contaminated land and encourage waste minimisation.

 and minimisation plans (published December 2015). and minimisation plans (published December 2015). We provide advice on the Hazardous Substances and New Organisms (HSNO) framework including compliance with international agreements. improve the regulatory framework for using and managing land Supported legislative amendments in the Resource Legislation Amendment Bill to require councils to recognise and provide for the management of significant risks from natural hazards. Commissioned an update of coastal hazards and climate change guidance. Undertook initial policy development for a National Policy Statement on Natural Hazards. Consulted on and made changes to guidelines for reporting on contaminated sites and for site investigation and analysis of soils. Undertook policy development on amendments to the National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health to ensure it risk is managed appropriately and to increase certainty for landowners. 	WE SAID WE WOULD	HOW WE CONTRIBUTED
Substances and New Organisms (HSNO) framework including compliance with international agreements. reforms, meeting obligations under Stockholm and Rotterdam Conventions, and amending the HSNO (Organisms not Genetically Modified) Regulations. • improve the regulatory framework for using and managing land • Supported legislative amendments in the Resource Legislation Amendment Bill to require councils to recognise and provide for the management of significant risks from natural hazards. • Commissioned an update of coastal hazards and climate change guidance. • Undertook initial policy development for a National Policy Statement on Natural Hazards. • Undertook policy development and consultation on removing requirements for resource consent for pest control operations. • Consulted on and made changes to guidelines for reporting on contaminated sites and for site investigation and analysis of soils. • Undertook policy development on amendments to the National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health to ensure it risk is managed appropriately and to increase certainty for landowners.	Minimisation Act and support local government to improve waste management planning,	councils to support improved waste management and minimisation planning.We worked with councils to improve guidance on preparing waste management
framework for using and managing landto require councils to recognise and provide for the management of significant risks from natural hazards.• Commissioned an update of coastal hazards and climate change guidance.• Undertook initial policy development for a National Policy Statement on Natural Hazards.• Undertook policy development and consultation on removing requirements for resource consent for pest control operations.• Consulted on and made changes to guidelines for reporting on contaminated sites and for site investigation and analysis of soils.• Undertook policy development on amendments to the National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health to ensure it risk is managed appropriately and to increase certainty for landowners.	Substances and New Organisms (HSNO) framework including compliance with international	reforms, meeting obligations under Stockholm and Rotterdam Conventions, and
Consulted on and undertook further policy development on the National Environmental Standard for Plantation Forestry, which aims to increase	framework for using and	 to require councils to recognise and provide for the management of significant risks from natural hazards. Commissioned an update of coastal hazards and climate change guidance. Undertook initial policy development for a National Policy Statement on Natural Hazards. Undertook policy development and consultation on removing requirements for resource consent for pest control operations. Consulted on and made changes to guidelines for reporting on contaminated sites and for site investigation and analysis of soils. Undertook policy development on amendments to the National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health to ensure it risk is managed appropriately and to increase certainty for landowners. Consulted on and undertook further policy development on the National

You can find out more about land on our website: www.mfe.govt.nz/land.

Marine – Wai tai

Our vision is that New Zealand is a world leader in the sustainable management of marine ecosystems that support New Zealand's marine life, society and the economy.

LONG-TERM OUTCOMES	LONG-TERM TARGETS	INTERMEDIATE TARGETS	PERFORMANCE MEASURES	PERFORMANCE 2015/16
The capacity of the environment to sustain itself is safeguarded	Marine ecosystems are healthy and resilient to pressures	Fewer species are threatened or endangered due to human activity (by 2025)	Proportion of threatened and at risk marine species, where human activity is identified as a causal factor	25% of marine fish identified as being at risk. Source: Summary of changes to the conservation status of taxa in the 2008–11 New Zealand Threat Classification System listing cycle.
		Targeted interventions are in place to preserve or restore the ecological integrity of high priority ecosystems (by 2025)	Area and representativeness of marine protected areas	10% of coastal marine area is protected as marine reserves.

Marine

New Zealand is a globally significant maritime nation with jurisdiction over an area of ocean approximately 20 times bigger than our landmass. Our marine environment has an extraordinarily rich and unique array of animals, plants and habitats, extending from sea level to a depth of more than 10 kilometres, and from the sub-Antarctic to the sub-tropical.

The ocean also supports our economy and thousands of jobs, from fisheries (adding \$1.5 billion to our exports each year), to the oil and gas industry (which contribute \$2.8 billion to the economy each year, about 90 per cent of which is from the sea), and exports and imports, with a combined value of more than \$75 billion annually. Most of us live near the coast and use the ocean for recreational activities. Forty-two taiapure and mātaitai reserves provide access to resources that are integral to Māori culture. The marine environment is also affected by activities within the other domains, including on land, in fresh water, and in the atmosphere.

We are one of many government agencies and stakeholders with an important role to play in the marine management regime. We want to be a world leader in the sustainable management of marine ecosystems that support New Zealand's marine life, society and the economy.

In September 2015, the Prime Minister announced the Government's intention to establish the Kermadec Ocean Sanctuary. At 620,000 square kilometres, it would be one of the world's largest and most significant fully protected areas, contributing to the emerging Pacific network of marine reserves. The Government introduced legislation (supported by the Ministry) to Parliament to establish the new sanctuary.

In early 2016, we consulted on a proposed new approach to marine protection in New Zealand, potentially leading towards introducing a new Marine Protected Areas Act with a graduated system of protection. The next step in improving New Zealand's ocean management is to provide a better system of marine protected areas in the territorial sea.

WE SAID WE WOULD	HOW WE CONTRIBUTED
• continue to work towards a durable marine regulatory framework	• We have reviewed the EEZ Act cost recovery regulations. We have begun developing regulations for the decommissioning of structures under the EEZ. Since the end of the financial year, we have also proposed regulation of the deposit of jettisoned rocket material under the EEZ Act.
• support the Government's commitment to introduce a framework that will provide for a graduated system of marine protection	 We managed a public consultation process, including extensive engagement with iwi to discuss the government's marine protection proposal. We provided Ministers with ongoing advice on the final shape of new marine protection legislation.
• support the passage of special legislation to give effect to the new Kermadec Ocean Sanctuary	• During 2015/16, we supported the passage of the Kermadec Ocean Sanctuary Bill to Select Committee stage.

You can find out more about marine on our website: www.mfe.govt.nz/marine.



Ocean sanctuary sets New Zealand as international marine leader

New Zealand is proposing to create one of the largest no-take ocean sanctuaries in the world, around the Kermadec Islands.

There is nowhere else in New Zealand's Exclusive Economic Zone where you find such a range of tropical, sub-tropical and temperate species of fish, birds and marine mammals co-existing together. A significant benefit of the creation of the Sanctuary would be the opportunities for marine scientific research in a pristine marine ecosystem rich in biodiversity. The establishment of the sanctuary would reinforce New Zealand's leadership in sustainable management of the marine environment and would also contribute to the increasing network of large no-take marine reserves in the Pacific.

The Kermadec region is home to:

- the second deepest ocean trench
- an arc of 30 underwater volcanoes
- six million seabirds of 39 different species
- 35 species of whale and dolphin
- three species of turtle
- thousands of species of fish and other marine life.

The Kermadec Ocean Sanctuary would:

- extend out to 200 nautical miles from the Kermadec Islands
- cover 15 per cent of New Zealand's EEZ
- be twice the size of our landmass
- be 50 times the size of NZ's largest national park
- be 35 times larger than the combined area of NZ's existing marine reserves.

Urban – Tāone

Our vision is that New Zealand is a leader of environmentally sustainable cities, leveraging the benefits that cities offer while reducing the costs and impacts that they impose.

LONG-TERM OUTCOMES	LONG-TERM TARGETS	INTERMEDIATE TARGETS	PERFORMANCE MEASURES	PERFORMANCE 2015/16
Urban environments maximise social, cultural and economic exchange	Urban form supports liveable, connected and productive urban environments that are adaptable to	Urban environments are developed through coordinated urban and infrastructure	New Zealand cities improve their ratings on relevant national and international liveability indicators	In New Zealand's most recent biennial Quality of Life survey (2014) a growing number of residents in the country's largest cities reported their quality of life had improved in the past 12 months.
	changing needs	planning	Regional councils in the high growth urban areas set minimum targets for sufficient residential development capacity in accordance with their housing assessment, and incorporate the targets into regional policy statements by the end of 2018 (subject to the National Policy Statement on Urban Development Capacity being finalised)	This is an important measure for the future. However, because the National Policy Statement on Urban Development Capacity has not been finalised, we will first report against this measure next year.

Liveability

Cities are the places where pressures on natural resources are most intense, but the scale and intensity of the social and economic interaction also leads to opportunities. We want to make Aotearoa New Zealand the most liveable country in the world. Urban environments are where most (81per cent) of us spend most of our time so the quality of the environment of our towns and cities is an important indicator of the quality of many of our lives.

New Zealand's biennial Quality of Life survey measures the perceptions of 5000 residents in Auckland, Wellington, Hutt City, Porirua, Christchurch and Dunedin. It asks about topics including perceptions of safety, sense of community, and the sense of pride they have in their local area. The most recent survey results are from 2014. In that year, 82 per cent of respondents rated their quality of life positively; with just over a quarter (27 per cent) feeling that it had increased compared to 12 months earlier, and 58 per cent responding that it had stayed the same. For more information, see www. qualityoflifeproject.govt.nz/media.htm.

On international measures, Mercer's 2016 Quality of Living Index rated Auckland as third and Wellington twelfth for overall quality of living out of 230 countries. In 2015/16, we developed and consulted on the proposed National Policy Statement on Urban Development Capacity. Its focus is to ensure planning enables development through providing sufficient development capacity for housing and business. An overarching theme is that planning decisions must actively enable growth and development in urban areas (potentially increasing access to housing and work) to maximise well-being now and in the future.

We supported and monitored the Auckland Unitary Plan and the Christchurch Replacement District Plan development processes.

WE SAID WE WOULD	HOW WE CONTRIBUTED
• continue to develop the National Policy Statement on Urban Development Capacity (NPS-UDC)	• The draft proposed NPS-UDC was publicly consulted on for six weeks from 3 June to 15 July 2016.
• contribute to the Productivity Commission's work on land supply and urban planning	 We contributed to coordination of the Government's response and led two work streams: The Auckland Unitary Plan work stream The NPS on Urban Development Capacity. We also contributed to other work streams including Urban Development Authorities.
 contribute to work on the national infrastructure planning processes in Auckland 	• We supported and monitored the Auckland Unitary Plan process.

You can find out more about towns and cities on our website: www.mfe.govt.nz/more/towns-and-cities.

Measuring our performance

In this section we report financial and non-financial performance against our appropriations.

Ministerial servicing

This appropriation is intended to achieve the provision of support to Ministers, especially their accountability to Parliament and the public.

It covers ministerial servicing for the Minister for the Environment and the Minister for Climate Change Issues.

	2014/15 Actual \$000	2015/16 Budget \$000	2015/16 Revised budget \$000	2015/16 Actual \$000	2016/17 Unaudited forecast \$000
Revenue			<i></i>		
Crown	2,725	3,300	2,090	2,090	2,150
Departmental	18	_	20	11	20
Other	10	_	25	14	13
Total revenue	2,753	3,300	2,135	2,115	2,183
Total expenses	2,725	3,300	2,135	2,130	2,183
Net surplus (deficit)	28	-	-	(15)	-

At Main Estimates, the 2015/16 budget for this appropriation was \$3.300 million. During the year, this appropriation decreased by \$1.165 million to \$2.135 million for 2015/16. This decrease reflected the reduced demand for ministerial services.

PERFORMANCE MEASURE	2014/15 PERFORMANCE	2015/16 TARGET	2015/16 PERFORMANCE
Quality of advice			
Percentage of all regulatory impact statements that fully or partially meet quality assurance criteria	83% (67% fully met the quality assurance criteria)	At least 90% (with 70% fully meeting criteria)	94% (with 39% fully meeting)
The satisfaction of the Minister for the Environment and the Minister for Climate Change Issues with the advice service, as per the common satisfaction survey	83%	At least 80%	81.6% (based on a survey result from the Ministry for the Environment only)
The total cost per hour of producing outputs	\$183	At most \$150	\$191.04

PERFORMANCE MEASURE	2014/15 PERFORMANCE	2015/16 TARGET	2015/16 PERFORMANCE
Technical quality of advice papers assessed by a survey with a methodical robustness of 100%	54%	At least 70% of advice papers sampled is of a high quality	61%
Ministerial services			
Percentage of responses to parliamentary questions that are completed within required timeframes	98%	100%	99%
Percentage of responses to ministerial correspondence submitted to the Minister within agreed timeframes	94%	95%	85%
Percentage of responses to ministerial correspondence accepted first time by the Minister	97%	90%	76%
Percentage of Ministerial Official Information Act requests submitted within the timeframes agreed with the Minister's office	71%	95%	68%
Percentage of responses to departmental Official Information Act requests sent within statutory deadlines	78%	90%	79%
Percentage of briefing notes accepted first time by the Minister	95%	90%	99%

Regulatory impact statement (RIS) performance

In 2015/16, 18 regulatory impact statements we developed were subject to quality assessment. Of these, six were assessed by our internal assessment panel and 12 by the Treasury. One of these was developed retrospectively to Cabinet's policy decisions, due to the urgency of the policy proposal and was quality assessed by our internal panel. Six RISs partially met, rather than fully met the criteria, due to either limited consultation or it being considered that the RIS did not fully identify the impacts of the outlined options.

Climate Change Multi-Category Appropriation

This appropriation is intended to achieve policy advice and other support to Ministers focusing on reducing New Zealand's greenhouse gas emissions in a cost-effective way, managing the risks posed by climate change impacts, and contributing to coordinated international and domestic action further to the Paris Agreement on climate change.

Work delivered under this appropriation covers domestic and international climate change advice, developing and reporting on climate evidence, and administering the Synthetic Greenhouse Gas Levy Collection System.

It contributes to the following long-term targets. For performance against them, see the previous section.

- New Zealand is carbon neutral by 2050, contributing to global efforts to reduce emissions.
- A carbon neutral New Zealand enables a more innovative and productive economy.
- New Zealanders effectively manage the physical and economic impacts of climate change.

Departmental Output Expense: Domestic Climate Change Programme Policy Advice

	2014/15 Actual	2015/16 Budget	2015/16 Revised budget	2015/16 Actual	2016/17 Unaudited forecast
	\$000	\$000	\$000	\$000	\$000
Revenue					
Crown	3,462	5,229	4,304	4,304	3,470
Departmental	40	-	42	26	42
Other	25	-	31	33	25
Total revenue	3,527	5,229	4,377	4,363	3,537
Total expenses	3,412	5,229	4,377	4,127	3,537
Net surplus (deficit)	115	_	-	236	-

At Main Estimates, the 2015/16 budget for this output class was \$5.229 million. During the year, this output class decreased by \$852,000 to \$4.377 million for 2015/16. This decrease was due to the reprioritisation of funding to Departmental Output Class: Water Management Implementation (within the Improving Resource Management Multi-category Appropriation) to progress work on the National Policy Statement for Freshwater Management.

Total expenditure for this output class was lower than the revised budget due to the timing of New Zealand Emissions Trading Scheme review and other work related to the New Zealand Emissions Trading Scheme. The Ministry has sought an in-principle expense transfer to continue the work in 2016/17.

Departmental Output Expense: International Climate Change Programme Policy Advice

	2014/15 Actual \$000	2015/16 Budget \$000	2015/16 Revised budget \$000	2015/16 Actual \$000	2016/17 Unaudited forecast \$000
Revenue					
Crown	4,300	3,550	3,550	3,550	3,550
Departmental	36	-	137	22	37
Other	24	_	24	22	24
Total revenue	4,360	3,550	3,711	3,594	3,611
Total expenses	4,380	3,550	3,711	3,489	3,611
Net surplus (deficit)	(20)	_	-	105	-

At Main Estimates, the 2015/16 budget for this output class was \$3.550 million. During the year, this output class increased by \$161,000 to \$3.711 million for 2015/16. This increase was due to reprioritising funding to progress work on international climate change negotiations.

Total expenditure for this output class was lower than the revised budget due to a delay in the Asia Pacific Carbon Markets Roundtable meeting (a New Zealand-led initiative) following the agreement (December) and signing (April) of the Paris Agreement. The Ministry has sought an in-principle expense transfer to continue the work in 2016/17.

Departmental Output Expense: Synthetic Greenhouse Gas Levy

	2014/15 Actual	2015/16 Budget	2015/16 Revised budget	2015/16 Actual	2016/17 Unaudited forecast
	\$000	\$000	\$000	\$000	\$000
Revenue					
Crown	49	49	49	49	49
Departmental	_	-	-	-	-
Other	-	-	-	-	-
Total revenue	49	49	49	49	49
Total expenses	45	49	49	45	49
Net surplus (deficit)	4	-	-	4	-

Departmental Output Expense: Carbon Monitoring Programme

	2014/15 Actual \$000	2015/16 Budget \$000	2015/16 Revised budget \$000	2015/16 Actual \$000	2016/17 Unaudited forecast \$000
Revenue					
Crown	3,175	4,842	3,667	3,667	2,667
Departmental	12	_	25	21	13
Other	5	_	16	16	7
Total revenue	3,192	4,842	3,708	3,704	2,687
Total expenses	3,176	4,842	3,708	3,669	2,687
Net surplus (deficit)	16	-	-	35	_

At Main Estimates, the 2015/16 budget for this output class was \$4.842 million. During the year, the output class decreased by \$1.134 million to \$3.708 million for 2015/16. This decrease was due to reprioritising funding to Departmental Output Class: Water Management Implementation (within the Improving Resource Management Multi-category Appropriation) to progress work on the National Policy Statement for Freshwater Management.

PERFORMANCE MEASURE	2014/15	2015/16	2015/16
	PERFORMANCE	TARGET	PERFORMANCE
Technical quality of advice papers assessed by a survey with a methodical robustness of 100%	New measure (see aggregated figure for 2014/15 results)	70%	80%

Carbon Monitoring Programme

This category is intended to achieve compliance with reporting requirements under the United Nations Framework Convention on Climate Change and the Kyoto Protocol.

The LUCAS system is available for use during business hours by Ministry for the Environment and the Ministry for Primary Industries (as provided for in the Memorandum of Understanding)	Achieved	99%	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

Domestic Climate Change Programme Policy Advice

This category is intended to achieve policy advice on domestic climate change issues, such as the effective operation and evolution of the New Zealand Emissions Trading Scheme and the need for other mitigation measures.

Provide advice on actions alongside the NZ ETS to reduce greenhouse gas emissions and transition to a low- emissions economy	New measure	In quarter 4 2015/16	Achieved. Consulted on stage two of the NZ ETS review and provided advice on other actions as a part of ratification of the Paris Agreement
Provide advice on the operation of the NZ ETS (including regulatory changes and implementation of the Climate Change Response Act)	New measure	In quarter 4 2015/16	Achieved. Consultation on the proposed technical updates to the NZ ETS for 2016 closed on 6 July 2016. Responses are being analysed

PERFORMANCE MEASURE	2014/15 PERFORMANCE	2015/16 TARGET	2015/16 PERFORMANCE	
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International Climate Change Programme Policy Advice

This category is intended to achieve developing quality policy advice regarding international climate change, including continued work on the Paris Agreement, projecting and reporting emissions and removals, and negotiation.

Percentage of New Zealand's international greenhouse gas reporting that meets agreed deadlines and is accepted by international institutions as meeting UNFCCC and the Kyoto Protocol reporting requirements	100%	100%	100%
Provide advice on international negotiating positions	New measure	In quarter 2 2015/16	Achieved (negotiating mandate paper provided for Paris COP21)

Synthetic Greenhouse Gas Levy

This category is intended to achieve the efficient administration of the Synthetic Greenhouse Gas Levy Collection System by the New Zealand Transport Agency and New Zealand Customs Service.

Administer the funding for the ongoing costs of collecting the Synthetic Greenhouse Gas Levy by New Zealand Transport Agency and New Zealand Customs Service in accordance with respective Memoranda of Understanding	Achieved	Achieved	Achieved
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Improving Resource Management Multi-Category Appropriation

This appropriation is intended to achieve policy advice and other support to Ministers with a focus on improving the environmental management frameworks so natural and built resources are allocated efficiently and used sustainably to achieve the greatest overall environmental, economic, social and cultural benefits now and for successive generations.

This appropriation covers the bulk of the Ministry's advice including on fresh water, marine, treaty settlements, the resource management system, and carrying out environmental reporting.

This work contributes to all long-term targets in the domains of environmental management system, air, marine, and fresh water above. For performance against them, see the relevant section.

Departmental Output Expense: Developing and Implementing Treaty Settlements and Environmental Accords Policy Advice

	2014/15 Actual	2015/16 Budget	2015/16 Revised budget	2015/16 Actual	2016/17 Unaudited forecast
	\$000	\$000	\$000	\$000	\$000
Revenue					
Crown	1,274	1,224	1,074	1,074	1,074
Departmental	17	_	17	7	17
Other	9	_	9	9	9
Total revenue	1,300	1,224	1,100	1,090	1,100
Total expenses	1,183	1,224	1,100	946	1,100
Net surplus (deficit)	117	_	-	144	-

At Main Estimates, the 2015/16 budget for this output class was \$1.224 million. During the year, the output class decreased by \$124,000 to \$1.100 million for 2015/16. This decrease was due to reprioritising funding to Departmental Output Class: Domestic Obligation and Programmes (within the Environmental Management Obligations and Programmes Multi-category Appropriation).

Total expenditure for this output class was lower than the revised budget, this represents cost savings.

Departmental Output Expense: Marine Environment Policy Advice

Total expenses Net surplus (deficit)	1,645	1,216	2,885	2,447	2,669
Total revenue	1,643	1,216	2,885	2,676	2,669
Other	9	-	219	20	10
Departmental	18	-	25	15	18
Crown	1,616	1,216	2,641	2,641	2,641
Revenue					
	\$000	\$000	\$000	\$000	\$000
	2014/15 Actual	2015/16 Budget	2015/16 Revised budget	2015/16 Actual	2016/17 Unaudited forecast

At Main Estimates, the 2015/16 budget for this output class was \$1.216 million. During the year, the output class increased by \$1.669 million to \$2.885 million for 2015/16. This increase was due to reprioritising funding to progress work on Marine Protected Areas and on the Kermadec Ocean Sanctuary.

Total expenditure for this output class was lower than the revised budget due to delays in the legislative timetable for the Kermadec Ocean Sanctuary bill.

Departmental Output Expense: Resource Management Implementation

	2014/15 Actual \$000	2015/16 Budget \$000	2015/16 Revised budget \$000	2015/16 Actual \$000	2016/17 Unaudited forecast \$000
Revenue					
Crown	8,910	11,985	10,981	10,981	8,689
Departmental	85	_	163	153	85
Other	43	_	125	110	44
Total revenue	9,038	11,985	11,269	11,244	8,818
Total expenses	8,370	11,985	11,269	10,207	8,818
Net surplus (deficit)	668	-	-	1,037	-

At Main Estimates, the 2015/16 budget for this output class was \$11.985 million. During the year, this output class decreased by \$716,000 to \$11.269 million for 2015/16. This decrease was due to reprioritising funding to Departmental Output Class: Resource Management Policy Advice to progress work on National Environmental Standards and the National Planning Template.

Total expenditure for this output class was lower than the revised budget due delays in the legislative timetable for the Resource Management reforms. The development of the proposed National Planning Template, implementation roadshow costs, and implementation of the streamlined planning process was also delayed. The Ministry has sought an in-principle expense transfer to continue the work in 2016/17.

Departmental Output Expense: Resource Management Policy Advice

			2015/16		2016/17
	2014/15	2015/16	Revised	2015/16	Unaudited
	Actual	Budget	budget	Actual	forecast
	\$000	\$000	\$000	\$000	\$000
Revenue					
Crown	7,567	7,730	9,116	9,116	9,472
Departmental	78	-	115	69	80
Other	43	-	93	131	44
Total revenue	7,688	7,730	9,324	9,316	9,596
Total expenses	7,224	7,730	9,324	8,462	9,596
Net surplus (deficit)	464	-	-	854	-

At Main Estimates, the 2015/16 budget for this output class was \$7.730 million. During the year, this output class increased by \$1.594 million to \$9.324 million for 2015/16. This increase was due to reprioritising funding to progress work on National Environmental Standards and the National Planning Template.

Total expenditure for this output class was lower than the revised budget due to delays in the legislative timetable for the Resource Management reforms. The Resource Management Reforms communications and publications costs, guidance updates, consenting and non-consenting regulations monitoring and development was also delayed. The Ministry has sought an in-principle expense transfer to continue the work in 2016/17.

Departmental Output Expense: Water Management Implementation

	2014/15 Actual	2015/16 Budget	2015/16 Revised budget	2015/16 Actual	2016/17 Unaudited forecast
	\$000	\$000	\$000	\$000	\$000
Revenue					
Crown	4,700	3,200	6,305	6,305	6,125
Departmental	55	_	55	30	55
Other	24	_	38	40	25
Total revenue	4,779	3,200	6,398	6,375	6,205
Total expenses	4,542	3,200	6,398	5,618	6,205
Net surplus (deficit)	237	-	-	757	-

At Main Estimates, the 2015/16 budget for this output class was \$3.200 million. During the year, this output class increased by \$3.198 million to \$6.398 million for 2015/16. This increase was due to reprioritising funding to ensure the National Policy Statement - Freshwater Management is successfully implemented and to facilitate high quality regional freshwater planning and implementation of regulations.

Total expenditure for this output class was lower than the revised budget due to delays in the water management reform work programme. This includes monitoring and evaluation, developing a freshwater guidance tool, economic capacity for councils and a programme to support stakeholder engagement in the freshwater reforms. The Ministry has sought an in-principle expense transfer to continue the work in 2016/17.

Departmental Output Expense: Water Management Policy Advice

	2014/15 Actual	2015/16 Budget	2015/16 Revised budget	2015/16 Actual	2016/17 Unaudited forecast
	\$000	\$000	\$000	\$000	\$000
Revenue					
Crown	8,048	10,785	11,217	11,217	10,852
Departmental	78	-	109	59	75
Other	127	-	77	80	135
Total revenue	8,253	10,785	11,403	11,356	11,062
Total expenses	8,385	10,785	11,403	11,151	11,062
Net surplus (deficit)	(132)	_	-	205	-

At Main Estimates, the 2015/16 budget for this output class was \$10.785 million. During the year, the output class increased by \$618,000 to \$11.403 million for 2015/16. This increase was due to reprioritising funding to work on the National Policy Statement - Freshwater Management.

Total expenditure for this output class was lower than the revised budget due to delays in water management reform work programme.

Non-Departmental Output Expense: Water science and economics

			2015/16		2016/17
	2014/15	2015/16	Revised	2015/16	Unaudited
	Actual	Budget	budget	Actual	forecast
	\$000	\$000	\$000	\$000	\$000
Expenses					
Water science and economics	136	3,500	1,150	530	4,200

At Main Estimates, the 2015/16 budget for this output class was \$3.500 million. During the year, the output class decreased by \$2.350 million to \$1.150 million for 2015/16 due to an expense transfer of funding to 2016/17. This work involves building science and economics knowledge and capability by developing the science that underpins the attributes for the National Objectives Framework. The rate of progress is limited by capacity in the research sector to carry out the required level of research. This has resulted in a need to re-align the programme. The Ministry has also sought an in-principle expense transfer to continue the work in 2016/17.

PERFORMANCE MEASURE	2014/15 PERFORMANCE	2015/16 TARGET	2015/16 PERFORMANCE
Technical quality of advice papers (assessed by a survey with a methodical robustness of 100%)	New measure (see aggregated figure for 2014/15 results)	70%	65%

Developing and Implementing Treaty Settlements and Environmental Accords Policy Advice

This category is intended to achieve policy advice to Ministers in relation to negotiating and implementing Treaty settlements and environmental accords to ensure that settlements provide appropriate redress while remaining consistent with existing natural resources policy objectives.

Number of negotiations supported	New measure	Five	12
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Marine Environment Policy Advice

This category is intended to achieve policy advice to Ministers in relation to the regulatory framework that protects New Zealand's marine environment while enabling economic growth in a sustainable way.

Provide advice on the introduction of the Kermadec Ocean Sanctuary Bill	New measure	March 2016	Achieved
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PERFORMANCE MEASURE	2014/15 PERFORMANCE	2015/16 TARGET	2015/16 PERFORMANCE
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Resource Management Implementation

This category is intended to achieve the provision of assistance to Ministers with their statutory functions under the Resource Management Act 1991; and support improvements to the resource management framework through effective implementation, including providing advice, guidance and training to support legislative reform and improving environmental reporting.

Number of domain and synthesis reports published under the environmental reporting regime	New measure	One synthesis report	One synthesis report – Environment Aotearoa 2015
Percentage of local authorities that submit information for the National Monitoring System to support publicly available monitoring and evaluation across the environmental management system	New measure	100%	100% of councils reported data during 2015/16 for the National Monitoring System (on their implementation of the RMA in 2014/15)

Resource Management Policy Advice

This category is intended to achieve the provision of policy advice to Ministers in relation to improving the resource management framework.

Provide policy advice on resource management reform, including providing support for introducing the Resource Legislation Amendment Bill	New measure	By 8 December 2015	Achieved. The Bill was introduced in November 2015. We have supported the Local Government and Environment Select Committee in considering the Bill since that time
Number of national direction work streams out for public consultation	New measure	Five	 Five: National Policy Statement for Freshwater Management - amendments New stock exclusion regulations Pest control regulations National Policy Statement on Urban Development Capacity National Environmental Standard on Plantation Forestry

PERFORMANCE MEASURE 2014/15 PERFORMANCE	2015/16 TARGET	2015/16 PERFORMANCE
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Water Management Implementation

This category is intended to achieve support for improvements to the freshwater management framework through effective implementation, including the provision of tools, guidance, and support to councils to ensure high quality water plans are in place by 2030.

Annual report back on the work provided for regional councils and the progress each council has made to progress the implementation of	New measure	Achieved	Achieved
the National Policy Statement for Freshwater Management in their region			

Water Management Policy Advice

This category is intended to achieve policy advice to Ministers to ensure the system for managing within quality and quantity limits maximises the value of freshwater resources, both now and in the future, while ensuring iwi/hapū rights and interests are addressed.

Public consultation on the Next Steps for Freshwater is completed with policy analysis and advice (including advice on iwi/hapū and regional council freshwater arrangements) as a result of the pational submissions process will	New measure	Achieved	Achieved
the national submissions process will			
be provided to the Minister			

Non-Departmental Output Expenses

Water Science and Economics

This category is intended to build science and economics knowledge and capability through the development of the science which underpins the attributes for the National Objectives Framework, and the understanding of the economic impacts associated with setting limits for these attributes.

Number of attributes progressed for	Six	Three	Eight
population in the National Objectives			
Framework, based on the investment			

Mitigating Environmental Hazards and Waste Multi-Category Appropriation

This appropriation is intended to achieve policy advice on managing chemical and biological hazards and waste to protect people and the environment without unnecessarily constraining economic growth.

This appropriation covers our advice on environmental hazards, and waste management and minimisation.

This work contributes to the following long-term targets. For performance against them, see the previous section.

- Risks from contaminated land, hazardous substances and new organisms are known and managed, proportional to risk.
- The risks from natural hazards to people, property and the environment are reduced.

Departmental Output Expense: Environmental Hazards and Waste Policy Advice

	2014/15 Actual \$000	2015/16 Budget \$000	2015/16 Revised budget \$000	2015/16 Actual \$000	2016/17 Unaudited forecast \$000
Revenue	\$000	<i></i>	<i>4000</i>	<i></i>	<i></i>
Crown	1,890	1,365	1,665	1,665	1,665
Departmental	19	-	27	20	20
Other	11	-	17	16	11
Total revenue	1,920	1,365	1,709	1,701	1,696
Total expenses	1,781	1,365	1,709	1,612	1,696
Net surplus (deficit)	139	-	-	89	-

At Main Estimates, the 2015/16 budget for this output class was \$1.365 million. During the year, the output class increased by \$344,000 to \$1.709 million for 2015/16. This increase was due to reprioritising funding to progress work on hazardous substances regulatory work.

Departmental Output Expense: Waste Management and Minimisation

			2015/16		2016/17
	2014/15 Actual	2015/16 Budget	Revised budget	2015/16 Actual	Unaudited forecast
	\$000	\$000	\$000	\$000	\$000
Revenue					
Crown	1,560	2,085	585	585	585
Departmental	16	-	35	17	19
Other	9	-	23	23	18
Total revenue	1,585	2,085	643	625	622
Total expenses	1,531	2,085	643	525	622
Net surplus (deficit)	54	-	-	100	-

At Main Estimates, the 2015/16 budget for this output class was \$2.085 million. During the year, the output class decreased by \$1.442 million to \$643,000 for 2015/16. This decrease was due to reprioritising funding to Departmental Output Class: Marine Environmental Policy Advice (within the Improving Resource Management Multi-category Appropriation).

Total expenditure for this output class was lower than the revised budget, this represents cost savings.

PERFORMANCE MEASURE	2014/15	2015/16	2015/16
	PERFORMANCE	TARGET	PERFORMANCE
Technical quality of advice papers (assessed by a survey with a methodical robustness of 100%)	New measure (see aggregated figure for 2014/15 results)	70%	71%

Environmental Hazards and Waste Policy Advice

This category is intended to achieve quality policy advice to Ministers in relation to the hazardous substance management regime to help New Zealand businesses be safe, sustainable and successful.

Number of Environmental Protection Authority (EPA) notices developed and associated regulations amended or revoked	New measure	Four EPA notices developed	One EPA notice developed (however, commencement of Health and Safety at Work legislation delayed until 1 July 2017)
Compliance with HSNO health and safety controls improves from a 2013/14 baseline (16% significant non-compliance identified in investigations)	New measure	Significant non- compliance reduces by 5%	The last EPA compliance survey showed a compliance rate of 30% (measuring eight key controls). This was in 2014 and was up from 25% in 2012

Waste Management and Minimisation

This category is intended to achieve quality advice to Ministers to ensure Crown's obligations under the Waste Minimisation Act are met.

Advisory Board are undertaken in	accordance with the Board's terms	Achieved	Achieved	Achieved
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Environmental Management Obligations and Programmes Multi-Category Appropriation

This appropriation is intended to achieve solutions to environmental problems through community involvement and international cooperation.

Under this appropriation, we provide international policy advice and manage funding distributed to third parties (such as the Contaminated Sites Remediation Fund).

It contributes to the following long-term targets. For performance against them, see the previous section.

- Risks from contaminated land, hazardous substances and new organisms are known and managed, proportional to risk.
- The risks from natural hazards to people, property and the environment are reduced.

Departmental Output Expense: Domestic Obligations and Programmes

Departmental	17	-	24	37	17
Departmental	17	_	24	37	17
Crown	1,550	1,376	1,626	1,626	1,628
Revenue					
	\$000	\$000	\$000	\$000	\$000
	2014/15 Actual	2015/16 Budget	2015/16 Revised budget	2015/16 Actual	2016/17 Unaudited forecast

At Main Estimates, the 2015/16 budget for this output class was \$1.381 million. During the year, this output class increased by \$284,000 to \$1.665 million for 2015/16 to provide the necessary resources required to contract, manage and monitor third party funding.

Departmental Output Expense: International Obligations and Institutions Policy Advice

5 1,421 1,353	- 1,630 1,630	24 1,924 1,924	19 1,858 1,878	7 1,907 1,907
				/
5	-	24	19	7
66	-	70	9	70
1,350	1,630	1,830	1,830	1,830
\$000	\$000	\$000	\$000	\$000
2014/15 Actual	2015/16 Budget	Revised budget	2015/16 Actual	2016/17 Unaudited forecast
	Actual \$000 1,350	Actual Budget \$000 \$000 1,350 1,630	Actual Budget budget \$000 \$000 \$000 1,350 1,630 1,830	2014/15 2015/16 Revised 2015/16 Actual Budget budget Actual \$000 \$000 \$000 \$000 1,350 1,630 1,830 1,830

At Main Estimates, the 2015/16 budget for this output class was \$1.630 million. During the year, the output class increased by \$294,000 to \$1.924 million for 2015/16 to provide the necessary resources required to manage New Zealand's compliance obligations under several international conventions.

PERFORMANCE MEASURE	2014/15	2015/16	2015/16
	PERFORMANCE	TARGET	PERFORMANCE
Technical quality of advice papers (assessed by a survey with a methodical robustness of 100%)	New measure (see aggregated figure for 2014/15 results)	70%	27% (see below)

Domestic Obligations and Programmes

This category is intended to achieve the efficient administration of grant schemes through which parties can seek funding to achieve environmental objectives.

Stage 1 ³ of the Community Environment Fund is completed in under 12 weeks (standard term: 60 working days)	New measure	Achieved	Achieved
The Contaminated Sites Remediation Fund Priority List is reviewed by the Ministry and approved by the Minister for the Environment	New measure	30 June 2016	Achieved
Percentage of Environmental Legal Assistance grants administered within acceptable timeframes	78%	80%	87.5%4

International Obligations and Institutions Policy Advice

This category is intended to achieve cooperation with other countries to promote action on international environmental issues and to ensure that New Zealand's interests are protected and advanced, and obligations met.

Develop a suitable negotiating position strategy to facilitate an 85% reduction of hydrofluorocarbons by 2035 (baseline to be confirmed internationally)	New measure	30 June 2016	The refreshed negotiating mandate for New Zealand's international position on hydrofluorocarbons was approved by Cabinet on 20 June 2016
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³ Stage 1 ends once the assessment of applications is complete and funding recommendations are provided to the Minister.

⁴ The Environmental Legal Assistance percentage is for final reports received from recipient groups in 2015/16. The groups measured the timeliness of the process on a scale of 1 to 5. Due to Court proceedings lasting up to several years, the reports received in 2015/16 reflect funding grants administered in previous years that concluded in 2015/16.

Explanation on quality of advice

We have set ourselves ambitious quality of advice targets. Rather than applying a strict 'policy' definition to the papers we assess under our quality of advice processes, we have deliberately set the bar high and included all advice to Ministers. We want to have a good understanding of our performance and areas we can better support Ministers so we can target our improvements.

Our policy teams have, as a first step, received the greatest level of support (and encouragingly, seen the highest level of improvement in assessments of the quality of advice). If exclusively policy papers were assessed, we would have met our targets in 2015/16. However, because we assess all advice, we are now aware that we need to improve the quality of our more transactional and operational advice.

Advice provided under this appropriation above is predominantly operational and transactional in nature. It will be a focus for future improvements.

Waste Minimisation Appropriation

This appropriation is intended to achieve the effective and efficient administration of the functions required under the Waste Minimisation Act 2008.

We administer the Waste Minimisation Act under this appropriation, including collecting and distributing the Waste Disposal Levy.

It contributes to the land domain. For performance, see the previous section.

Departmental Output Expense: Waste Minimisation Administration

	2014/15 Actual \$000	2015/16 Budget \$000	2015/16 Revised budget \$000	2015/16 Actual \$000	2016/17 Unaudited forecast \$000
Revenue					
Crown	1,714	1,714	1,714	1,714	1,714
Departmental	10	_	-	-	_
Other	7	_	-	-	_
Total revenue	1,731	1,714	1,714	1,714	1,714
Total expenses	1,375	1,714	1,714	1,690	1,714
Net surplus (deficit)	356	_	-	24	-

PERFORMANCE MEASURE	2014/15 PERFORMANCE	2015/16 TARGET	2015/16 PERFORMANCE
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 \$1.714 million	New measure	No more than \$1.714 million	Achieved
Percentage of instances when action is taken against disposal facility operators who have outstanding levy payments (over 120 days)	100%	100%	100%

Capital expenditure

This appropriation is intended to achieve the renewal, upgrade and/or redesign of assets in support of the delivery of the Ministry for the Environment's service.

Expenses	2014/15 Actual \$000	2015/16 Budget \$000	2015/16 Revised budget \$000	2015/16 Actual \$000	2015/16 Unaudited forecast \$000
Expenditure is in accordance with the Ministry's capital asset management plan					
Property, plant and equipment	344	50	318	243	1,362
Intangibles	1,150	190	545	73	220
Total	1,494	240	863	316	1,582

At Main Estimates, the 2015/16 budget for the capital expenditure was \$240,000. During the year, this increased by \$623,000 to \$863,000 for 2015/16. This increase included further investment of \$300,000 in the Ministry's document management system, \$150,000 of costs related to the Ministry's involvement in the Wellington accommodation project.

Total expenditure on this output class was lower than the revised budget due to delays in progressing work on the upgrade of the document management system and costs related to the Ministry's involvement in the Wellington Accommodation project.





03

Our finances

In part three we report on the financial resources we have used to deliver our services. This part also includes an independent audit report on our annual report.

Key topics

- 56 Financial Statements for the Ministry for the Environment
- 82 Non-Departmental Statements and Schedules for the Year Ended 30 June 2016
- 101 Statement of Expenses and Capital Expenditure

109 Independent Auditor's Report

Financial Statements for the Ministry for the Environment

for the Year Ended 30 June 2016

Performance Indicators for the Year Ended 30 June 2016

	Unit	2015/16 Actual	2015/16 Revised Budget*
Operating results			
Revenue: Crown	\$000	62,414	62,414
Revenue: Departmental and other	\$000	1,045	1,600
Output expenses	\$000	59,641	64,014
Gain on sale of assets	\$000	-	5
Net surplus	\$000	3,818	5
Working capital			
Net current assets	\$000	5,935	5,183
Current ratio	Ratio	1.50	1.58
Resource utilisation			
Plant and equipment			
Plant and equipment at year-end	\$000	782	887
Value per employee	\$000	2.4	2.5
Additions as % of plant and equipment	%	31.1	35.9
Plant and equipment as % of total assets	%	4.0	5.4
Intangible assets			
Intangible assets at year-end	\$000	982	1,435
Value per employee	\$000	3.3	4.1
Additions as % of intangible assets	%	7.4	38.0
Intangible assets as % of total assets	%	5.0	8.7
Taxpayers' funds			
Level at year-end	\$000	5,992	5,992
Level per employee	\$000	18.7	17.2
Net cash flows			
Surplus/(deficit) from operating activities	\$000	6,876	5,052
Surplus/(deficit) from investing activities	\$000	(422)	(858)
Surplus/(deficit) from financing activities	\$000	(2,112)	(2,111)
Net increase/(decrease) in cash held	\$000	4,342	2,083
Human resources			
Staff turnover	%	23.5	20.8
Average length of service	Years	3.8	4.1
Total staff	No.	320	348

* 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 2016

		2014/15 Actual	2015/16 Budget*	2015/16 Actual	2016/17 Forecast*
	Notes	\$000	\$000	\$000	\$000
Revenue					
Funding from the Crown		53,890	61,280	62,414	58,161
Other revenue	2	925	5	1,045	955
Gains		-	5	-	5
Total revenue		54,815	61,290	63,459	59,121
Expenses					
Personnel costs	3	29,952	36,871	32,178	32,706
Depreciation and amortisation					
expense	8, 9	560	813	643	646
Capital charge	4	479	479	479	479
Finance cost	5	170	-	281	37
Other operating expenses	6	21,543	23,122	26,060	25,248
Total expenses		52,704	61,285	59,641	59,116
Net surplus and total comprehensive					
revenue and expense		2,111	5	3,818	5

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

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

Statement of Financial Position as at 30 June 2016

		2014/15 Actual	2015/16 Budget*	2015/16 Actual	2016/17 Forecast*
	Notes	\$000	\$000	\$000	\$000
Assets					
Current assets					
Cash and cash equivalents		879	3,032	5,221	2,063
Receivables**	7	13,917	7,939	12,358	10,894
Pre-payments		259	300	293	300
Total current assets		15,055	11,271	17,872	13,257
Non-current assets					
Plant and equipment	8	846	558	782	1,961
Intangible assets	9	1,245	916	982	1,297
Total non-current assets		2,091	1,474	1,764	3,258
Total assets		17,146	12,745	19,636	16,515
Liabilities					
Current liabilities					
Payables**	10	5,781	3,261	6,127	7,231
Return of operating surplus	11	2,111	5	3,818	5
Provisions	12	50	-	-	-
Employee entitlements	13	1,737	2,211	1,992	1,737
Total current liabilities		9,679	5,477	11,937	8,973
Non-current liabilities					
Employee entitlements	13	854	763	1,002	854
Provisions	12	621	513	705	696
Total non-current liabilities		1,475	1,276	1,707	1,550
Total liabilities		11,154	6,753	13,644	10,523
Net assets		5,992	5,992	5,992	5,992
Equity					
Taxpayers' funds	14	5,992	5,992	5,992	5,992
Total equity		5,992	5,992	5,992	5,992

* 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.

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

Statement of Changes in Equity for the Year Ended 30 June 2016

		2014/15	2015/16	2015/16	2016/17
		Actual	Budget*	Actual	Forecast*
	Notes	\$000	\$000	\$000	\$000
Balance at 1 July		5,992	5,992	5,992	5,992
Comprehensive revenue and expense					
Surplus for the year		2,111	5	3,818	5
Total comprehensive revenue		2,111	5	3,818	5
Return of operating surplus to the					
Crown	11	(2,111)	(5)	(3,818)	(5)
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.

Statement of Cash Flows for the Year Ended 30 June 2016

		2014/15 Actual	2015/16 Budget*	2015/16 Actual	
	Notes	\$000	\$000	\$000	2016/17 Forecast* \$000
Cash flows from operating activities		<i></i>	<i></i>		
Receipts from the Crown		50,435	61,280	64,035	58,161
Receipts from other revenue		827	5	837	955
Payments to suppliers		(18,548)	(23,092)	(25,892)	(25,248)
Payments to employees		(30,330)	(36,871)	(31,826)	(32,706)
Payments for capital charge		(479)	(479)	(479)	(479)
Goods and services tax (net)		(338)	-	201	_
Net cash flow from operating activities	15	1,567	843	6,876	683
Cash flows from investing activities					
Receipts from sale of plant and equipment		_	5	-	5
Purchase of plant and equipment		(226)	(50)	(349)	(1,362)
Purchase of intangible assets		(1,149)	(190)	(73)	(220)
Net cash flow from investing activities		(1,375)	(235)	(422)	(1,577)
Cash flows from financing activities					
Return of operating surplus		(1,211)	(5)	(2,112)	(5)
Net cash flow from financing activities		(1,211)	(5)	(2,112)	(5)
Net increase/(decrease) in cash		(1,019)	603	4,342	(899)
Cash at the beginning of the year		1,898	2,429	879	2,962
Cash at the end of the year		879	3,032	5,221	2,063

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

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.

Statement of Commitments as at 30 June 2016

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 \$7,013 (2014/15, \$13,861).

	2014/15 Actual	2015/16 Actual
	\$000	\$000
Non-cancellable operating lease commitments		
Not later than one year	2,103	1,928
Later than one year but not later than five years	1,928	-
Later than five years	-	-
Total non-cancellable operating lease commitments	4,031	1,928
Total commitments	4,031	1,928

Statement of Contingent Liabilities and Contingent Assets as at 30 June 2016

Contingent liabilities

In the 2015/16 financial year the Ministry has no contingent liabilities (2014/15: \$nil).

Contingent assets

In the 2015/16 financial year the Ministry has no contingent assets (2014/15: \$nil).

Notes to the Financial Statements

1. Statement of accounting policies for the year ended 30 June 2016

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 2016. The financial statements were authorised for issue by the Chief Executive of the Ministry on 23 September 2016.

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

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

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

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

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

In 2015, the External Reporting Board issued Disclosure Initiative (Amendments to PBE IPSAS 1), 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. The Ministry will apply these amendments in preparing its 30 June 2017 financial statements. The Ministry expects there will be no effect in applying these amendments.

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 2016 and the Information Supporting the Supplementary Estimates of Appropriations (Revised Budget) for the year ending 30 June 2016 (the Budget is 2015 Budget Economic and Fiscal Update (BEFU 2015) out-year 1 figures and the Revised Budget is SUPPS 2016 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 2017 (the Forecast is 2016 Budget Economic Fiscal Update (BEFU 2016) 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 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 2016/17. Events and circumstances may not occur as expected. Factors that could lead to material differences between the forecast financial statements and the 2016/17 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 2016 was finalised.

The main assumptions were as follows:

- The Ministry'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 352 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.
- Costs associated with the Ministry's involvement in the Wellington Accommodation Project are assumed to be capital costs.
- Estimated year end information for 2015/16 was used as the opening position for the 2016/17 forecasts.

These assumptions were adopted as at 25 April 2016.

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 2015/16 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 2016, direct costs accounted for 51 per cent of the Ministry's costs (2014/15: 50 per cent) and indirect costs accounted for 49 per cent of the Ministry's costs (2014/15: 50 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	2-13	8.39-20.0
Office equipment	2-5	20.0
Computer hardware	2-4	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
- 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 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 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

	2014/15 Actual \$000	2015/16 Actual \$000
Departmental	565	496
Other	360	549
Total other revenue	925	1,045

3. Personnel costs

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

	2014/15 Actual	2015/16 Actual
	\$000	\$000
Salaries and wages	28,230	30,234
Termination benefits	140	16
Employer contributions to defined contribution plans	956	974
ACC Levy	85	106
Net employee entitlements	562	799
Other	(21)	49
Total personnel costs	29,952	32,178

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

4. 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 2016 was 8.0 per cent (2014/15: 8.0 per cent).

5. Finance costs

	2014/15	2015/16
	Actual	Actual
	\$000	\$000
Discount unwind on provisions (note 12)	170	281
Total finance costs	170	281

6. Other operating expenses

	2014/15 Actual	2015/16 Actual
	\$000	\$000
Audit fees for the financial statement audit	192	196
Operating lease expenses	2,272	2,284
Advertising and publicity	189	328
Contributions and sponsorship	954	818
External resources:		
Advisory groups	787	1,082
Services provided by other government agencies	3,502	3,946
Data/imagery	487	395
Annual outsourced specialist services	2,336	2,910
Other professional consulting fees	4,264	6,413
Contracted research	724	850
General and administration	2,617	3,345
Other operating expenses	3,219	3,493
Total other operating expenses	21,543	26,060

7. Receivables

	2014/15 Actual	2015/16 Actual
	\$000	\$000
Receivables from non-exchange transactions		
Debtor Crown	13,794	12,173
GST refund	59	-
Total receivables from non-exchange transactions	13,853	12,173
Receivables from exchange transactions		
Debtors other	64	185
Total receivable from exchange transactions	64	185
Total receivables	13,917	12,358

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

As at 30 June 2016 and 2015, 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.

	2014/15				2015/16	
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due	13,902	-	13,902	12,314	-	12,314
Past due 1–30 days	-	-	-	2	_	2
Past due 31-60 days	-	-	-	14	_	14
Past due 61-90 days	15	-	15	28	_	28
Past due > 91 days	-	-	-	-	_	-
Total	13,917	-	13,917	12,358	_	12,358

8. Plant and equipment

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

	Furniture and fixtures	Office equipment	Computer hardware	Total
	\$000	\$000	\$000	\$000
Cost				
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
Balance at 1 July 2015	2,422	301	2,013	4,736
Additions	7	47	428	482
Add: Closing work in progress	-	-	_	-
Less: Opening work in progress	-	-	(239)	(239)
Balance at 30 June 2016	2,429	348	2,202	4,979
Accumulated depreciation and impairment losses				
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
Balance at 1 July 2015	2,017	263	1,610	3,890
Depreciation expense	104	23	180	307
Balance at 30 June 2016	2,121	286	1,790	4,197
Carrying amounts				
At 1 July 2014	425	57	289	771
At 30 June / 1 July 2015	405	38	403	846
At 30 June 2016	308	62	412	782

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.

9. Intangible assets

Movements for each class of intangible asset are as follows:

	Acquired software	Acquired software licences	Internally generated software (others)	Internally generated software (LUCAS)	Total
	\$000	\$000	\$000	\$000	\$000
Cost					
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
Balance at 1 July 2015	2,557	25	1,429	1,843	5,854
Additions	154	_	-	-	154
Add: Closing work in progress	-	_	-	-	_
Less: Opening work in progress	(81)	_	-	-	(81)
Balance at 30 June 2016	2,630	25	1,429	1,843	5,927
Accumulated amortisation and impairment losses					
Balance at 1 July 2014	1,247	25	1,191	1,843	4,306
Amortisation expense	203	_	100	-	303
Balance at 30 June 2015	1,450	25	1,291	1,843	4,609
Balance at 1 July 2015	1,450	25	1,290	1,843	4,609
Amortisation expense	306	_	30	-	336
Balance at 30 June 2016	1,756	25	1,320	1,843	4,945
Carrying amounts					
At 1 July 2014	160	_	238	-	398
At 30 June / 1 July 2015	1,107	-	138	-	1,245
At 30 June 2016	874	_	108	-	982

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

10. Payables and deferred revenue

	2014/15	2015/16
	Actual	Actual
	\$000	\$000
Payables and deferred revenue under exchange transactions		
Creditors	3,638	2,960
Revenue received in advance	87	-
Accrued expenses	2,056	3,025
Total payables and deferred revenue under exchange transactions	5,781	5,985
Payables and deferred revenue under non-exchange transactions		
GST payable	-	142
Total payables and deferred revenue	5,781	6,127

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

11. Return of operating surplus

	2014/15	2015/16
	Actual	Actual
	\$000	\$000
Net surplus	2,111	3,818
Total return of operating surplus	2,111	3,818

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

12. Provisions

2014/15	
Actua	Actual
\$000	\$000
Current portion	
Restructuring 50	-
Total current portion 50	-
Non-current portion	
Restoration costs 621	705
Total provisions 671	705

	Restoration costs	Restructuring	Total
	\$000	\$000	\$000
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
Balance at 1 July 2015	621	50	671
Additional provisions made	-	-	-
Discount unwind	84	-	84
Amounts used	_	(50)	(50)
Unused amounts reversed	_	-	-
Balance at 30 June 2016	705	_	705

Provisions represent:

- restructuring costs: \$nil (2014/15: \$50,000)
- 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.

13. Employee entitlements

	2014/15	2015/16
	Actual \$000	Actual \$000
Current portion		
Salary accruals	115	115
Annual leave	1,443	1,690
Long service leave and retirement gratuities	179	187
Total current portion	1,737	1,992
Non-current portion		
Long service leave and retirement gratuities	854	1,002
Total employee entitlements	2,591	2,994

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 2016. The rates used range from 2.12 per cent to 3.13 per cent depending on the term of the liability for each employee (2014/15: 2.93 per cent to 5.50 per cent)
- a long-term annual salary growth rate of 3.00 per cent (2014/15: 3.00 per cent).

14. Equity

	2014/15 Actual	2015/16 Actual
	\$000	\$000
Taxpayers' funds		
Balance at 1 July	5,992	5,992
Total comprehensive income	2,111	3,818
Return of operating surplus to the Crown	(2,111)	(3,818)
Balance at 30 June	5,992	5,992

	2014/15 Actual	2015/16 Actual
	\$000	\$000
Net surplus	2,111	3,818
Add/(less) non-cash items:		
Restoration costs	170	84
Depreciation and amortisation expense	560	643
Total non-cash items	730	727
Add/(less) items classified as investing or financing activities:		
Net (gains)/losses on disposal of plant and equipment, and intangibles	-	-
Add/(less) movements in statement of financial position items		
(Increase)/decrease in debtors and other receivables	(3,537)	1,559
(Increase)/decrease in pre-payments	93	(34)
Increase/(decrease) in creditors and other payables⁵	2,549	453
Increase/(decrease) in provisions	4	(50)
Increase/(decrease) in employee entitlements	(383)	403
Total net movement in working capital items	(1,274)	2,331
Net cash flow from operating activities	1,567	6,876

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

16. Related party transactions

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

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

	2014/15 Actual	2015/16 Actual
Environmental Leadership Team, including the Chief Executive	Actual	Actual
Remuneration	\$1,503,278	\$1,560,947
Full-time equivalent staff	5	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 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.

17. Events after the balance sheet date

After the balance date, the Ministry entered into the development agreement with Precinct Properties for Charles Fergusson Tower. At the completion of the development, which is currently expected to be by December 2018, the Ministry will be required to enter into the lease for Charles Fergusson Tower. The initial lease is for a period of 15 years with an option to renew for three further six year terms. The annual rental will be reviewed every 6 years. The annual rental under the agreement at inception is \$6.022 million per annum. The agreement is not included in the statement of commitments as the lease has yet to be signed and the development agreement was signed after balance date. The Ministry is responsible for the tenant fit out and furnishing of the Charles Fergusson Tower. The estimated capital cost of this is \$22.76 million.

Charles Fergusson Tower will be occupied by a number of Ministries and Crown Entities. Prior to occupation co-location agreements will be signed between the Ministry and the participating agencies.

There have been no other significant events after the balance date.

18. Financial instruments

Financial instrument categories

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

	2014/15 Actual	2015/16 Actual
	\$000	\$000
Loans and receivables		
Cash and cash equivalents	879	5,221
Receivables	13,917	12,358
Total loans and receivables	14,796	17,579
Financial liabilities measured at amortised cost		
Payables (excluding revenue in advance)	5,694	6,127

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 7). 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 drawdowns 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
2016						
Payables (note 10)	6,127	6,127	6,127	-	-	-
2015						
Payables (note 10)	5,781	5,781	5,781	_	-	-

19. 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.

20. Explanations of major variances against budget

Explanations for major variances from the Ministry's original 2015/16 budget figures are as follows:

(i) Statement of comprehensive income

	2015/16 Actual \$000	2015/16 Budget \$000	2015/16 Variance \$000
Crown revenue	62,414	61,280	1,134
Other revenue	1,045	5	1,040
Personnel costs	32,178	36,871	(4,693)
External resources	15,596	12,717	2,879

Actual Crown revenue was higher than budget due to:

- a transfer of funding from 2014/15 for progressing work on the National Policy Statement for Freshwater Management (NPS-FM) amendment consultation and processing of applications for water conservation orders
- a transfer of funding from 2014/15 for progressing work on the resource management reforms and the data acquisition for environmental reporting.

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.

Actual personnel costs were lower and the external resources costs were higher than the initial budget due to reprioritising resources between the Ministry's current work programmes. The use of external resources was to progress work on the National Environmental Standards and ensuring the successful implementation of the National Policy Statement – Freshwater Management and facilitating high quality regional freshwater planning and implementation of regulations.

(ii) Statement of financial position

	2015/16 Actual \$000	2015/16 Budget \$000	2015/16 Variance \$000
Cash and cash equivalents	5,221	3,032	2,189
Receivables	12,358	7,939	4,419
Payables	6,127	3,261	2,866

The amount of cash held was higher than budget due to a higher level of payables at 30 June 2016. These payables primarily relates to the increase in the activities for the resource management and water management reform, climate change activities, and environmental reporting.

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

(iii) Statement of cash flows

	2015/16 Actual \$000	2015/16 Budget \$000	2015/16 Variance \$000
Receipts from the Crown	64,035	61,280	2,755
Receipts from other revenue	837	5	832
Payments to suppliers	25,892	23,092	2,800
Payments to employees	31,826	36,871	(5,045)

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

Non-Departmental Statements and Schedules

for the Year Ended 30 June 2016

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 2016

	2014/15 Actual \$000	2015/16 Mains Forecast* \$000	2015/16 Actual \$000	2016/17 Forecast* \$000
Revenue				
Royalties	487	500	902	500
Levies	30,785	32,500	33,761	36,500
Emissions trading	134,656	143,650	272,106	349,832
Emissions Trading Scheme penalty revenue	171	-	34	-
Grants refund	1	_	24	_
Total non-departmental revenue	166,100	176,650	306,827	386,832

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

Explanations of significant variances against budget are detailed in note 8.

Schedule of Non-Departmental Capital Receipts for the Year Ended 30 June 2016

The Ministry on behalf of the Crown has no capital receipts (2014/15: \$nil).

Schedule of Non-Departmental Expenses for the Year Ended 30 June 2016

	Notes	2014/15 Actual \$000	2015/16 Mains Forecast [*] \$000	2015/16 Actual \$000	2016/17 Forecast* \$000
Expenses					
Grants and settlements		25,533	51,467	25,723	59,262
Promotions		533	800	800	800
Subscriptions and contributions to international forums		873	937	1,080	1,185
Crown entity funding		24,127	26,117	26,117	25,267
Net changes in carbon price of Kyoto units including foreign exchange movements		27,095	_	_	_
Levy disbursement		15,340	16.000	16,875	18,000
Allocation of New Zealand Units		132,999	101,473	163,321	215,786
Net changes in carbon price of New Zealand units	5	339,340	-	1,502,530	_
GST input expense		8,621	12,115	8,539	13,236
Other		290	3,677	1,864	4,377
Total non-departmental expenses		574,751	212,586	1,746,849	337,913

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

Explanations of significant variances against budget are detailed in note 8.

Schedule of Non-Departmental Assets as at 30 June 2016

	Notes	2014/15 Actual \$000	2015/16 Mains Forecast* \$000	2015/16 Actual \$000	2016/17 Forecast* \$000
Assets					
Current assets					
Cash and cash equivalents		3,370	3,179	4,977	3,849
Receivables	2	8,070	6,809	8,145	8,500
Total current assets		11,440	9,988	13,122	12,349
Non-current assets					
Total non-departmental assets		11,440	9,988	13,122	12,349

* 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 2016

	Notes	2014/15 Actual \$000	2015/16 Mains Forecast [*] \$000	2015/16 Actual \$000	2016/17 Forecast* \$000
Liabilities					
Current liabilities					
Payables	3	25,685	27,615	27,283	27,613
Provisions	5	855,235	820,865	2,281,613	1,169,426
Total current liabilities		880,920	848,480	2,308,896	1,197,039
Non-current liabilities					
Payables	3	124,877	120,829	120,829	116,689
Provisions	5	32,436	33,692	2,096	_
Total non-current liabilities		157,313	154,521	122,925	116,689
Total non-departmental liabilities		1,038,233	1,003,001	2,431,821	1,313,728

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

Schedule of Non-Departmental Commitments as at 30 June 2016

The Ministry, on behalf of the Crown, has no non-cancellable capital or lease commitments (2014/15: \$nil).

Schedule of Non-Departmental Contingencies as at 30 June 2016

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 2016.

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 2016, 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 (2014/15: \$nil).

Notes to the Non-Departmental Financial Statements

1. Statement of accounting policies for the year ended 30 June 2016

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.

The accounting policies adopted in these financial statements are consistent with those of the previous financial year.

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

The following particular accounting policies have been applied:

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 2016 and the Information Supporting the Supplementary Estimates of Appropriations (Revised Budget) for the year ending 30 June 2016 (the Budget is 2015 Budget Economic and Fiscal Update (BEFU 2015) out-year 1 figures and the Revised Budget is SUPPS 2016 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 was valued using market price per carbon unit at the time of Budget forecast. Budget (Main forecast) figure for the appropriation of Allocation of New Zealand Units is based on NZ\$10 per carbon unit and the Revised forecast figure was calculated based on the actual expenses recognised up to December 2015 plus the forecast accrual of units from January 2016 to June 2016 at a price of NZ\$20 per carbon unit to mitigate the risk of breaching the appropriation.

The forecast figures are those included in the Information Supporting the Estimates of Appropriations for the year ending 30 June 2017 (the Forecast is 2016 Budget and Economic and Fiscal Update (BEFU 2016) 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 2016 forecast. Similarly, the liability provision for the NZ ETS is valued using market prices per carbon unit at the time of BEFU 2016 forecast. Forecast figure for the appropriation of Allocation of New Zealand Units was valued at NZ\$12.50 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 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 2016/17. Events and circumstances may not occur as expected. Factors that could lead to material differences between the forecast financial statements and the 2016/17 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.

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 pretax 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 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.

Note 5 provides the key assumptions used in determining 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

	2014/15 Actual	2015/16 Actual
	\$000	\$000
Receivables	5,635	6,629
Fines and penalties receivable	92	120
Accrued revenue	2,343	2,553
Total receivables	8,070	9,302
Less provision for impairment	-	(1,157)
Total receivables – non-exchange	8,070	8,145

The carrying amounts of receivables approximates their fair value and are all current.

As at 30 June 2016 and 2015, all receivables have been assessed for impairment. The Ministry has identified receivables those are not likely to be collected and accordingly they are impaired \$1.157 million (2014/15: \$nil).

		2014/15			2015/16	
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due	7,977	_	7,977	8,750	605	8,145
Past due 1-90 days	-	_	-	136	136	-
Past due 90-180 days	76	-	76	_	_	-
Past due 180-360 days	-	-	-	22	22	-
Past due > 360 days	17	-	17	394	394	-
Total	8,070	-	8,070	9,302	1,157	8,145

3. Payables

	2014/15 Actual	2015/16 Actual
	\$000	\$000
Current payables are represented by:		
Waikato River Co-management	5,714	5,708
Waikato River Clean-up Fund	6,914	6,906
GST payable	379	454
Other payables	12,678	14,215
Total current portion	25,685	27,283
Non-current payables are represented by:		
Waikato River Co-management	42,532	40,406
Waikato River Clean-up Fund	82,345	80,423
Total non-current portion	124,877	120,829
Total payables – non-exchange	150,562	148,112

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	21,000	25,000	23,000	-	-	69,000
Discount	(2,754)	(8,521)	(11,611)	-	-	(22,886)
Recognised	18,246	16,479	11,389	-	-	46,114
Clean up						
Nominal	29,332	36,665	36,665	36,665	22,008	161,335
Discount	(4,037)	(12,497)	(18,648)	(23,202)	(15,622)	(74,006)
Recognised	25,295	24,168	18,017	13,463	6,386	87,329

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:

	2014/15 Actual	2015/16 Actual
	\$000	\$000
Loans and receivables		
Cash and cash equivalents	3,370	4,977
Receivables (excludes fines and penalties receivable)	7,978	8,025
Total loans and receivables	11,348	13,002
Financial liabilities measured at amortised cost		
Payables	150,562	148,112

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.

New Zealand's obligation under the Kyoto Protocol

In December 2015, New Zealand submitted its "True-up Report" for the first commitment period of the Kyoto Protocol (CP1). This report showed that New Zealand had enough units to account for its gross emissions over 2008–2012, and therefore that it had met its CP1 target with a surplus of 123.7 million units. This report was reviewed by an international team of experts in February 2016 and the final review report confirmed that New Zealand has fully complied with its CP1 commitments.

New Zealand's CP1 surplus units have no market value as they cannot be traded (2014/15: \$nil). New Zealand will however recognise these surplus units to meet its 2020 emissions reduction target.

New Zealand's 2020 target under the UNFCCC

On 16 August 2013, the Government announced an unconditional 2020 climate change target of 5 per cent below 1990 emissions. For the period 2013–2020, New Zealand has chosen not to commit to a climate change target under the Kyoto Protocol's second commitment period. Instead, New Zealand has taken its target under the United Nations Framework Convention on Climate Change (UNFCCC). New Zealand will apply the Kyoto Protocol framework of rules to its unconditional 2020 target to ensure that its actions are transparent and have integrity. Because the 2020 target was taken under the UNFCCC it does not place any legally binding fiscal liability on the crown. Therefore this does not give rise to an obligation under PBE IPSAS 19: Provisions, Contingent Liabilities, and Contingent Assets.

However, the Ministry continues to report progress towards this target through its 2020 net position webpage (http://www.mfe.govt.nz/climate-change/reporting-greenhouse-gas-emissions/latest-2020-net-position) and in its biennial reports under the UNFCCC (http://www.mfe.govt.nz/publications/climate-change/nz-second-biennial-report-under-unfccc).

New Zealand's 2030 Climate Change target under the UNFCCC

On 7 July 2015 New Zealand submitted an intended nationally determined contribution (INDC) to the UNFCCC to reduce greenhouse gas emissions to 30 per cent below 2005 levels by 2030. While the Paris Agreement was adopted at the UNFCCC Conference of the Parties in December 2015, the accounting rules for this framework have yet to be finalised. In addition, the target itself does not place any legally binding obligations on the Parties. The fiscal risk that could be imposed is therefore unknown. For more information on the Paris Agreement, refer to the Ministry's webpage (http://www.mfe.govt.nz/climate-change/reducing-greenhouse-gas-emissions/New-Zealand%E2%80%99s-post-2020-climate-change-target).

5. Provisions

	2014/15 Actual	2015/16 Actual
	\$000	\$000
Current portion		
Allocation of New Zealand Units	855,235	2,250,017
Te Awa Tupua Putea	-	30,000
Te Awa Tupua Whole of River Strategy	-	430
Te Pou Tupua	-	591
Transitional Support for Local Government and Iwi (Tauranga Moana Framework Co-management arrangements)	-	575
Total current portion	855,235	2,281,613
Non-current portion		
Te Awa Tupua Putea	28,881	-
Te Awa Tupua Whole of River Strategy	414	-
Te Pou Tupua	2,587	2,096
Transitional Support for Local Government and Iwi		
(Tauranga Moana Framework Co-management arrangements)	554	-
Total non-current portion	32,436	2,096
Total provisions	887,671	2,283,709

	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	Allocation of New Zealand Units \$000	Total \$000
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
Balance at 30 June 2015	28,881	414	2,587	554	855,235	887,671
Balance at 1 July 2015	28,881	414	2,587	554	855,235	887,671
Additional provisions made	1,119	16	100	21	163,321	164,577
Amounts used	-	-	_	-	(271,069)	(271,069)
(Gains)/losses	_	_	-	_	1,502,530	1,502,530
Balance at 30 June 2016	30,000	430	2,687	575	2,250,017	2,283,709

Provision for NZ ETS credits

	2014/15 Units in million	2014/15 Amount in \$million	2015/16 Units in million	2015/16 Amount in \$million
Opening provision	125	521	125.8	855
New provision recognised during the period	21.5	133	12.2	163
Provision used during the period	(30)	(135)	(11.2)	(271)
(Gains)/losses	_	339	-	1,503
Transfer of units to Kyoto provision	9.3	(3)*	-	-
Closing provision	125.8	855	126.8	2,250

* 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

		Provisi	ons		Total
	2016-2020 \$000	2021-2025 \$000	2026-2030 \$000	2031–2035 \$000	\$000
Te Awa Tupua Putea					
Nominal	30,000	-	-	-	30,000
Discount	_	-	-	-	-
Recognised	30,000	-	-	-	30,000
Te Awa Tupua Whole of River Strategy					
Nominal	430	-	-	-	430
Discount	_	-	-	-	-
Recognised	430	-	-	-	430
Te Pou Tupua					
Nominal	1,200	1,000	1,000	800	4,000
Discount	(88)	(298)	(464)	(463)	(1,313)
Recognised	1,112	702	536	337	2,687
Transitional Support for Local Governme and Iwi (Tauranga Moana Framework Co-management Arrangements)	nt				
Nominal	575	-	-	-	575
Discount	-	-	-	_	-
Recognised	575	_	_	_	575

The table above reconciles the cash outflows that will occur over the next 20 years.

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.

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: \$517.466 million (2014/15: \$153.830 million)
- after more than 12 months: \$1,732.551 million (2014/15: \$701.405 million).

The carbon price of NZ\$17.75 (2014/15: NZ\$6.80) 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.

6. 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.

7. Memorandum account for the Waste Minimisation Fund

	2014/15 Actual \$000	2015/16 Actual \$000
Provision for statutory information		
Balance at 1 July	23,531	29,105
Revenue from waste levy collection	30,650	33,702
Expenses	(25,076)	(23,810)
Balance at 30 June	29,105	38,997

The memorandum account records the Waste Disposal Levy collected which has not been spent to date. As at 30 June 2016, the Waste Minimisation Fund has \$6.6 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.

8. 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

	2015/16 Actual \$000	2015/16 Mains Forecast \$000	Variance \$000
Levies	33,761	32,500	1,261
Emissions Trading	272,106	143,650	128,456

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 the price of New Zealand Units. However, this increase is partially offset by lower than forecast units surrendered by the forestry sector.

There were no other significant variances to mains forecast.

(ii) Schedule of non-departmental expenses

	2015/16 Actual	2015/16 Mains Forecast	Variance
	\$000	\$000	\$000
Grants and settlements	25,723	51,467	(25,744)
Allocations of New Zealand Units	163,321	101,473	61,848
Net changes in carbon price of New Zealand Units	1,502,530	_	1,502,530
Others	1,864	3,677	(1,813)

Expenditure on grants and settlements were lower than mains forecast primarily due to the following:

- Expenditure was lower than the mains forecast in the Community Environment Fund by \$4.1 million. The Ministry has sought an expense transfer of funding to 2016/17 and 2017/18 for projects that support the implementation of the freshwater and resource management reforms, and other initiatives. This transfer represents the rephasing of funding to match the expected delivery of project milestones.
- Expenditure was lower than the mains forecast in the Contaminated Sites Remediation Fund by \$5.1 million. The Ministry has sought an expense transfer of funding to 2016/17 to progress the work on the remediation of the Kopeopeo Canal project and to support the remediation work for the Calwell Slipway project. The physical works for the Kopeopeo Canal project was delayed as a result of the lengthy consenting process following an appeal to the Environment Court.
- Expenditure was lower than the mains forecast in the Contestable Waste Minimisation Fund appropriation by \$7.3 million. 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.
- Expenditure was lower than the mains forecast in the multi-year appropriation: Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme by \$5.4 million. This funding has been rephased due to delays in the delivery of milestones and to match the amount of funding with the revised timing of the deliverables of the project.

The expenditure for Allocation of New Zealand Units was higher than mains forecast primarily due to an increase in the price of New Zealand Units. This increase was partially offset by lower than forecast units 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 of carbon unit during the year. These changes are considered to be a remeasurement under the Public Finance Act 1989 and do not require appropriation.

Others include expenditure related to Water science and economics and Impairment of debt related appropriations.

Expenditure in the Water science and economics appropriation was lower than mains forecast by \$3 million. The Ministry has sought an expense transfer to 2016/17 to support development of attributes for inclusion in a future revision of the National Policy Statement – Freshwater Management (NPS-FM).

The provision of impairment of debt relating to Climate Change activities was higher than forecast by \$1.1 million.

(ii) Statement of assets

	2015/16 Actual \$000	2015/16 Mains Forecast \$000	Variance \$000
Cash and cash equivalents	4,977	3,179	1,798
Receivables	8,145	6,809	1,336

The Ministry drew more funding from the Crown in anticipation of payments due to certain grants and settlements, and this has resulted in higher than the forecast cash and cash equivalents.

Receivables were higher than mains forecast and relate to the Waste Disposal Levy collection from waste disposal facility operators.

(iii) Statement of liabilities

	2015/16 Actual	2015/16 Mains Forecast	Variance
	\$000	\$000	\$000
Provisions	2,283,709	854,557	1,429,152

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 an increase in the price of New Zealand Units.

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.

Statement of Expenses and Capital Expenditure

for the Year Ended 30 June 2016

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 2016.

Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred against Appropriations for the Year Ended 30 June 2016

Annual and permanent appropriations for Vote Environment

	2014/15 Expenditure \$000	2015/16 Budget* \$000	2015/16 Revised Budget ^{*6} \$000	2015/16 Expenditure ⁷ \$000	2016/17 Forecast* \$000	Location of end-of-year performance information ⁸
Departmental output expenses						
Carbon Monitoring Programme	3,176	-	-	-	-	
Ministerial Services	2,725	3,300	2,135	2,130	2,183	1
Waste Minimisation Administration	1,375	1,714	1,714	1,690	1,714	1
Total departmental output expenses	7,276	5,014	3,849	3,820	3,897	
Departmental capital expenditure						
Capital Expenditure – Permanent Legislative Authority under section 24(1) of the PFA	1,494	240	863	316	1,582	1
Non-departmental output expenses						
Administration of New Zealand Units held on Trust	157	177	177	177	177	4
Community Environment Fund	2,090	5,372	3,246	1,693	3,105	4
Contaminated Sites Remediation Fund	301	6,021	1,361	1,227	8,412	4
Contestable Waste Minimisation Fund	8,361	12,583	12,583	5,245	12,583	2
Emissions Trading Scheme	6,092	6,692	6,692	6,692	6,392	3
Environmental Protection Authority: Decision Making functions	_	_	-	-	11,631	
Environmental Protection Authority: Monitoring and Enforcement function	_	-	_	-	7,244	
Environmental Training Programmes	1,900	1,900	1,900	1,900	1,900	4
Fresh Start for Fresh Water: New Initiatives	2,429	355	355	266		4
Fresh Start for Fresh Water: Rotorua Lakes Restoration Programme	298	_	-	-	-	

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

7 Departmental appropriations amounts excludes remeasurement of \$97,137 (2014/15: \$6,204).

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.

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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.

^{2.} To be reported by the Minister for the Environment in a report appended to this annual report.

	2014/15 Expenditure \$000	2015/16 Budget* \$000	2015/16 Revised Budget ^{*6} \$000	2015/16 Expenditure ⁷ \$000	2016/17 Forecast* \$000	Location of end-of-year performance information ⁸
Lake Taupo Protection Programme	_	3,767	3,767	3,767	3,767	4
Promotion of Sustainable Land Management	533	800	800	800	800	4
Te Mana o Te Wai – restoring the life-giving capacity of fresh water	400	2,500	670	329	2,030	4
The Freshwater Improvement Fund	-	-	-	-	2,500	
Total non-departmental output expenses	22,561	40,167	31,551	22,096	60,541	
Non-departmental other expenses Allocation of New Zealand Units	132,999	159,800	275,476	163,321	224,777	2
Climate Change Development Fund	298	300	300	300	300	4
Environmental Legal Assistance	281	600	600	575	600	4
Exclusive Economic Zone Major Prosecutions Fund	_	_	500	_	_	4
Framework Convention on Climate Change	101	127	140	125	140	4
Fresh Start for Fresh Water: Waikato River Clean-up Fund	5,291	5,403	5,403	5,403	5,398	2
Impairment of Debt relating to Climate Change Activities	_	12,200	12,200	1,157	12,200	4
Impairment of Debt relating to Environment Activities	_	1,500	1,500	-	1,500	4
International Subscriptions	86	117	152	126	152	4
Provision for a New Water Source for Rotorua	-	1,075	-	-	1,075	
Te Awa Tupua Putea	882	1,118	1,118	1,118	-	4
Te Awa Tupua Whole of River Strategy	13	16	16	16	-	4
Te Pou Tupua	96	100	100	100	104	4
Transitional Support for Local Government and Iwi	17	521	21	21	1,500	4
United Nations Environment Programme	388	393	608	529	593	4
Waikato River Co-governance	910	1,195	1,195	1,195	910	4
Waikato River Co-management	2,873	2,868	2,868	2,868	2,793	4
Waste Disposal Levy Disbursement to Territorial Authorities	15,340	16,000	18,000	16,875	18,000	2
Total non-departmental other expenses	159,575	203,333	320,197	193,729	270,042	

	2014/15 Expenditure \$000	2015/16 Budget* \$000	2015/16 Revised Budget ^{*6} \$000	2015/16 Expenditure ⁷ \$000	2016/17 Forecast* \$000	Location of end-of-year performance information ⁸
Non-departmental capital expenditure						
Purchase of PRE Units	_	_	_	-	_	
Multi-category appropriations						
Climate Change MCA	7,837	13,670	11,845	11,330	9,884	1
Departmental output expenses						
Carbon Monitoring Programme	_	4,842	3,708	3,669	2,687	
Domestic Climate Change Programme Policy Advice	3,412	5,229	4,377	4,127	3,537	
International Climate Change Programme Policy Advice	4,380	3,550	3,711	3,489	3,611	
Synthetic Greenhouse Gas Levy	45	49	49	45	49	
Environmental Management						
Obligations and Programmes MCA	2,930	3,011	3,589	3,523	3,567	1
Departmental output expenses						
Domestic Obligations and Programmes	1,577	1,381	1,665	1,645	1,660	
International Obligations and Institutions Policy Advice	1,353	1,630	1,924	1,878	1,907	
Environmental Protection Authority: Regulatory Functions MCA	18,035	19,425	19,425	19,425	_	1
Non-departmental output expenses						
Decision Making	9,631	13,481	13,481	13,481	-	
Monitoring and Enforcement	8,404	5,944	5,944	5,944	-	
Improving Resource Management	04 405	20 (40	40 500	20.0/4	40 (50	4
MCA	31,485	39,640	43,529	39,361	43,650	1
Departmental output expenses Developing and Implementing Treaty Settlements and Environmental						
Accords Policy Advice	1,183	1,224	1,100	946	1,100	
Marine Environment Policy Advice	1,645	1,216	2,885	2,447	2,669	
Resource Management						
Implementation	8,370	11,985	11,269	10,207	8,818	
Resource Management Policy Advice	7,224	7,730	9,324	8,462	9,596	
Water Management Implementation	4,542	3,200	6,398	5,618	6,205	
Water Management Policy Advice	8,385	10,785	11,403	11,151	11,062	
Non-departmental output expenses						
Water science and economics	136	3,500	1,150	530	4,200	

	2014/15 Expenditure \$000	2015/16 Budget* \$000	2015/16 Revised Budget ^{*6} \$000	2015/16 Expenditure ⁷ \$000	2016/17 Forecast* \$000	Location of end-of-year performance information ⁸
Mitigating Environmental Hazards and Waste MCA	3,312	3,450	2,352	2,137	2,318	1
Departmental output expenses						
Environmental Hazards and Waste Policy Advice	1,781	1,365	1,709	1,612	1,696	
Waste Management and Minimisation	1,531	2,085	643	525	622	
Total multi-category appropriations	63,599	79,196	80,740	75,776	59,419	
Total annual and permanent appropriations	254,505	327,950	437,200	295,737	395,481	

* 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 \$1,503 million (2014/15: \$339 million) in relation to the remeasurement in the provision of the allocation of New Zealand Units under the Emissions Trading Scheme.

In the current year, the Crown has not incurred costs in relation to the remeasurement in the provision for the Crown's position under the Kyoto Protocol (2014/15: \$27 million).

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 2016 (continued)

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.

	2014/15 Actual \$000	2015/16 Revised Budget [*] \$000	2015/16 Actual \$000
Appropriation for non-departmental output expenses:			
Protecting Lake Taupō Programme			
Cumulative expenses to 1 July	10,602	-	-
Current year expenses	66	-	-
Cumulative expenses to 30 June	10,668	-	-
Remaining appropriation	-	-	-
Total appropriation	10,668	-	-

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.

	2014/15 Actual \$000	2015/16 Revised Budget* \$000	2015/16 Actual \$000
Appropriation for non-departmental output expenses:			
Rena Long-term Environment Recovery			
Cumulative expenses to 1 July	2,303	-	-
Current year expenses	84	-	-
Cumulative expenses to 30 June	2,387	-	-
Remaining appropriation	32	-	-
Total appropriation	2,419	-	-

On 1 July 2015, a multi-year appropriation, Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme was established in Vote Environment, non-departmental output expenses for maintaining and improving the water quality of the Rotorua Lakes. This appropriation expires on 30 June 2020.

	2014/15 Actual \$000	2015/16 Revised Budget [*] \$000	2015/16 Actual \$000
Appropriation for non-departmental output expenses:	φυυυ	<i>\$</i> 000	
Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme**			
Cumulative expenses to 1 July	-	5,400	-
Current year expenses	_	-	-
Cumulative expenses to 30 June	_	-	-
Remaining appropriation	_	17,600	23,000
Total appropriation	_	23,000	23,000

** 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 2016

In the 2015/16 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 (2014/15: \$nil).

Statement of Departmental Capital Injections for the Year Ended 30 June 2016

The Ministry did not have capital injection for the year ended 30 June 2016 (2014/15: \$nil).

Statement of Departmental Capital Injections Without, or in Excess of, Authority for the Year Ended 30 June 2016

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 2016 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 2017 and its operations for the year ending on that date.

hah

Vicky Robertson Chief Executive

23 September 2016

Independent Auditor's Report



Mana Arotake Aotearoa

To the readers of the Ministry for the Environment's annual report for the year ended 30 June 2016

The Auditor General is the auditor of the Ministry for the Environment (the Ministry). The Auditor General has appointed me, Chrissie Murray, 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 56 to 81, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2016, 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 2016 on pages 16 to 53; and
- the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2016 on pages 101 to 107; and
- the schedules of non departmental activities which are managed by the Ministry on behalf of the Crown on pages 82 to 100, that comprise the schedules of assets, liabilities, commitments, and contingent liabilities as at 30 June 2016, the schedules of revenue, capital receipts and expenses for the year ended on that date, 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 2016; 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 Public Benefit Entity Standards.
- the performance information of the Ministry:
 - presents fairly, in all material respects, for the year ended 30 June 2016:
 - 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; and
 - 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 and in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non departmental activities that are managed by the Ministry on behalf of the Crown present fairly, in all material respects and in accordance with the Treasury Instructions,
 - the revenue, capital receipts and expenses for the year ended 30 June 2016; and
 - the assets, liabilities, commitments, and contingencies as at 30 June 2016.

Our audit was completed on 23 September 2016. 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 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.

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Chrissie Murray Audit New Zealand On behalf of the Auditor General Wellington, New Zealand



Appendix A: Expired impact measures

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
1. Trends in Environmental Protection Authority (EPA) and local government compliance with resource consent processing times under the Resource Management Act 1991	Upward trend (councils) / 100% (EPA)
2. Improvement in customer satisfaction with resource management decisions	Upward trend
 Improvement in the quality of analysis and community involvement in plan-making, including section 32 analysis and Māori engagement 	Upward trend
 Number of appeals to the Environment Court and objections to decisions by local authorities 	Downward trend

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

Impact measure	Target
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
2. Trends in the tonnage of waste disposed of at waste disposal facilities per unit of GDP	Downward trend

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
1. Proportion of water allocated for consumptive purposes that is subject to measurement and reporting	Increasing proportion
2. Proportion of large surface water catchments that have quantified flow regimes in place that set limits	Increasing proportion
3. Proportion of significant catchments that have quantified policy for land and water management that sets surface water quality limits	Increasing proportion
4. Number of monitored sites showing maintained or improved water quality	Increasing proportion of monitored sites improving

Impact: Achieve better solutions to environmental problems by supporting community involvement and action and international cooperation			
Impact measure	Target		
 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		
2. Level of community involvement in projects funded by the Community Environment Fund	Increasing community involvement		
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		

Appendix B: Environmental Protection Authority: Regulatory Functions (Multi-Category Appropriation)⁹

The Ministry for the Environment, as appropriation administrator for Vote Environment, must report on all Multi-Category Appropriations. This particular Multi-Category Appropriation funds a portion of the Environmental Protection Authority's (EPA) work, not including that related to the Emissions Trading Scheme. The two output expenses in this appropriation were reclassified as annual appropriations at Budget 2016. Consequently, we will not be required to report on this appropriation in the future. For more information on the Environmental Protection Authority's performance (including on its performance on the Emissions Trading Scheme appropriation), see its annual report at www.epa.govt.nz.

Overarching purpose statement

This appropriation is intended to achieve policy advice and other support to Ministers focusing on the efficiency and effectiveness of the regulatory functions carried out by the Environmental Protection Authority.

Scope of appropriation

Non-departmental output expenses

Monitoring and enforcement

This category is limited to monitoring and enforcement functions relating to the EPA's regulatory functions.

Decision-making

This category is limited to enabling and supporting decision-making processes relating to the EPA's regulatory functions.

Activities undertaken by the Environmental Protection Authority within this appropriation

The EPA has a range of environmental management responsibilities within this appropriation. These cover hazardous substances, new organisms, marine consents and permitted activities in the Exclusive Economic Zone and the Continental Shelf (EEZ). The EPA also supports boards of inquiry considering proposals of national significance under the Resource Management Act.

During 2015/16, the EPA considered two non-notified marine consents: one from the National Institute of Water and Atmospheric Research, and one from GNS Science. There were no proposals of national significance.

The EPA also worked on the initial development of EPA notices, a new tertiary instrument that will help consolidate, update and simplify a number of hazardous substances regulations to align with current international best practice. It made decisions on 24 applications and statutory determinations for new organisms and 165 applications about 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. The EPA issued 39 permits under the Ozone Layer Protection Act and 104 permits for hazardous waste under the Imports and Exports (Restrictions) Prohibition Order (No 2).

9 The Estimates of Appropriations 2015/16 noted that performance on this Multi-Category Appropriation would be reported in a report appended to the Ministry's annual report. We have since elected to report performance within this appendix of our annual report.

What the EPA is aiming to achieve

The EPA has two output classes within this appropriation: monitoring and enforcement; and decision-making. A third, not reported here, is the Emissions Trading Scheme appropriation (see the EPA's annual report for more).

These two output classes (reported below) aim to:

- prevent and/or manage the adverse effects of hazardous substances or new organisms
- fulfil New Zealand's international obligations on phasing out ozone-depleting substances and on the trans-boundary movement of hazardous waste
- sustainably manage natural resources for projects of national significance and in the exclusive economic zone and continental shelf.

Progress made to achieve this aim

To achieve this aim (and in response to the findings of our Review of the Effectiveness of the EPA), the EPA developed a new strategy, a four-year plan and supporting statements of intent and performance expectations.

The EPA maintained robust, objective, transparent and efficient decision-making processes 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. An EEZ assurance framework covering process and criteria has been developed. An examination of two EEZ decisions made during the year concluded all legislative requirements were met within timelines, due process was applied, appropriate consultation occurred, and records were efficiently maintained. There were no objections, and other relevant legislative compliance criteria in the Act were met. The EPA also continued to develop a strategic approach to the reassessment of hazardous substances, while reassessing six hazardous substances decisions.

In relation to monitoring and enforcement, the EPA focused on promoting awareness of, and ensuring compliance with legislation. It also worked on approvals and consents for hazardous substances, ozone-depleting substances, hazardous waste, new organisms, and activities in the EEZ. This involved developing internal and external guidance for regulatory processes, and attending national and international workshops and seminars. To implement the Health and Safety reforms, the EPA developed and delivered a hazardous substances enforcement officer training programme. The programme will ensure the EPA has warranted enforcement officers to implement the new responsibilities for enforcing hazardous substance legislation for importers and manufacturers.

How performance will be assessed for this appropriation

Performance

Non-financial

PERFORMANCE MEASURES	2014/15	2015/16	2015/16
	RESULT	TARGET	RESULT
Trends in EPA compliance with resource consent processing times under the RMA 1991	100%	100%	N/A (none processed)

What is intended to be achieved with each category and how performance will be assessed

PERFORMANCE MEASURES	2014/15	2015/16	2015/16
	RESULT	TARGET	RESULT
Environmental Protection Authority: Regulatory functions			

Non-departmental output expenses

Monitoring and enforcement

This category is intended to achieve an increased awareness of and ensure compliance with: legislation, approvals and permits in relation to hazardous substances, ozone-depleting substances, hazardous waste and new organisms; and the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 and marine consents and activities authorised under this Act.

EPA notices issued following amendments to the Hazardous Substances and New Organisms Act 1996 (new measure).	New measure	8	2
Percentage of hazardous substances compliance information reviewed following amendments to the Hazardous Substances and New Organisms Act 1996.	New measure	70%	40% (amendments to legislation delayed)
Percentage of people surveyed find EPA information easy to access	New measure	70%	61 %
Percentage of people surveyed find EPA information easy to understand	New measure	70%	63 %

Decision-making

The category is intended to achieve efficient decision-making processes for: approvals or permits relating to new organisms and hazardous substances, the import/use/export of ozone- depleting substances and hazardous waste of international concern; the consideration of resource management proposals of national significance; and Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act marine consent and rulings applications.

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%	Nil referred
EPA processes all marine consent applications according to statutory processes and within statutory timeframes (as prescribed under the EEZ Act)	100%	100%	100%

Financial

Expenses	2014/15 Actual \$000	2015/16 Estimates \$000	2015/16 Supplementary estimates \$000	2015/16 Actual \$000
Non-departmental output expenses				
Monitoring and enforcement	8,404	5,944	5,944	5,944
Decision-making	9,631	13,481	13,481	13,481
Total appropriation	18,035	19,425	19,425	19,425



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