



Ministry for the
Environment
Manatū Mō Te Taiao

Annual Report *Pūrongo ā-Tau*

2020/21



Presented to the House of Representatives
pursuant to section 44 of the Public Finance Act 1989

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Ministry for the
Environment
Manatū Mō Te Taiao



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Secretary for the Environment



Ko te amorangi ki mua, ki te hapai o ki muri

COVID-19 has continued to have a significant impact over the past year. Despite the disruption and uncertainty it has caused, the Ministry has continued to deliver on the Government's priority work programmes, while also making a key contribution to the pandemic response and recovery.

The impact of the pandemic continues to be felt across the motu, and it has changed forever how we live, work, and see our world. It has also taught us two key things: that all issues – health, economic, environmental, social, and cultural – are interconnected and that by working actively together we can make a difference. Time in lockdown was undeniably challenging for many people across Aotearoa. However, many people also reported it strengthened their connection to their communities and to nature, as well as delivering small improvements in environmental outcomes such as air quality. These are lessons and insights that we can utilise to be better stewards of our environment for future generations.

We know as a country we have made progress on improving our environment, but we also know there is more work to do. The recent IPCC 6th Assessment Report is a stark reminder of the need for concerted action locally and globally. As the challenges we face are significant, so

our responses need to be similarly bold. Within our organisation we have focused our strategic direction on creating 'a flourishing environment for every generation' and the critical question we ask ourselves with all our work is "will this make a difference to the environment for those future generations?"

The Government has set an ambitious work programme across a range of key environmental priorities, including reform of the resource management system, climate change mitigation and adaptation, and waste and freshwater reform. I am proud of the progress we have made this year on delivering these significant reforms.

Our single biggest deliverable has been resource management reform, the most significant change to the environmental management system in a generation. The exposure draft of key parts of the Natural and Built Environments Act (NBA) has been delivered, and in 2022 we will introduce the full NBA and the Strategic Planning Act to Parliament. The result will be a simpler, more efficient, and more coherent system that delivers better results for both the environment and the economy – and that supports climate action. To support this work, the Government has established a new interdepartmental executive board, the Strategic Planning Reform Board, to oversee the development of the Strategic Planning Act. The Board is accountable to the Minister for the Environment and its members are the chief executives of Housing and Urban Development, Transport, Internal Affairs, Conservation, and the Treasury, with myself as Chair.

Climate adaptation and responding to the Government's climate commitments has continued to be a key focus. In March we achieved a significant milestone, five years in the making, with the first auction in the Emissions Trading Scheme taking place. We have also overseen the implementation of the Climate-related Financial Disclosures project, making us the first country in the world to legislate mandatory climate-related financial disclosures by our largest banks, insurers, asset managers, asset owners, and all organisations listed on the NZX. In response to the Climate Change Commission's advice, we are developing an Emissions Reduction Plan that will allow Aotearoa to meet emissions budgets.

Through our waste and recycling programmes we have delivered greater support and incentives for businesses and households to reduce the amount of waste sent to landfill and to move us further towards a low-carbon circular economy. Key initiatives have included an expanded and increased waste levy to divert material from landfill, regulated product stewardship schemes under the Waste Minimisation Act, the phase out of more single-use and problem plastic, and \$124 million in COVID-19 recovery funding for recycling infrastructure.

The delivery of the Essential Freshwater package in August was a significant milestone in setting new limits that will need to be achieved over the next generation. We have stepped into a new implementation role to ensure the effective delivery of these reforms, and we are working closely with regional councils, industry groups, and NGOs in the form of the Freshwater Implementation Group.

This is a new way of operating for us and denotes a shift in our strategic direction.

Our COVID-19 recovery work has seen us take up a cross-agency leadership role across the Department of Conservation, Ministry for Primary Industries, and Land Information New Zealand to deliver the Jobs for Nature programme, which has already approved more than 340 projects and created more than 3,960 jobs. The focus of the programme has shifted further towards achieving environmental outcomes, particularly supporting freshwater improvement work and implementing Te Mana o te Wai.

Within the Ministry we have continued to invest in developing our capability and capacity. Following the launch of our new transformational gains strategy, Te Ao Hurihuri, we recently established Tūmatakokiri, a new business group which focuses on strengthening the Māori voice and embedding strategies to transform our Māori Crown relations. We have also enhanced our capacity to support the delivery and implementation of policy on the ground and established a data and insights group to ensure our work is strongly grounded in science and evidence.

When I look back on what has been a challenging year, I am really proud of the contribution our people have made and all that we have achieved. I am also encouraged by the shift towards working more in partnership with others to achieve real change on the ground – whether it's councils, Māori/iwi/hapū, farmers, community groups, or environmental groups – all of us together are making a difference.

So my thanks to all the organisations and individuals across the motu who have contributed their time and expertise to the mahi of improving the environment. When we work together, we achieve better, faster, and more durable solutions.

Ehara taku toa i te toa takitahi, engari he toa takitini.

My strength is not that of a single warrior but that of many.

Nāku noa, nā



Vicky Robertson

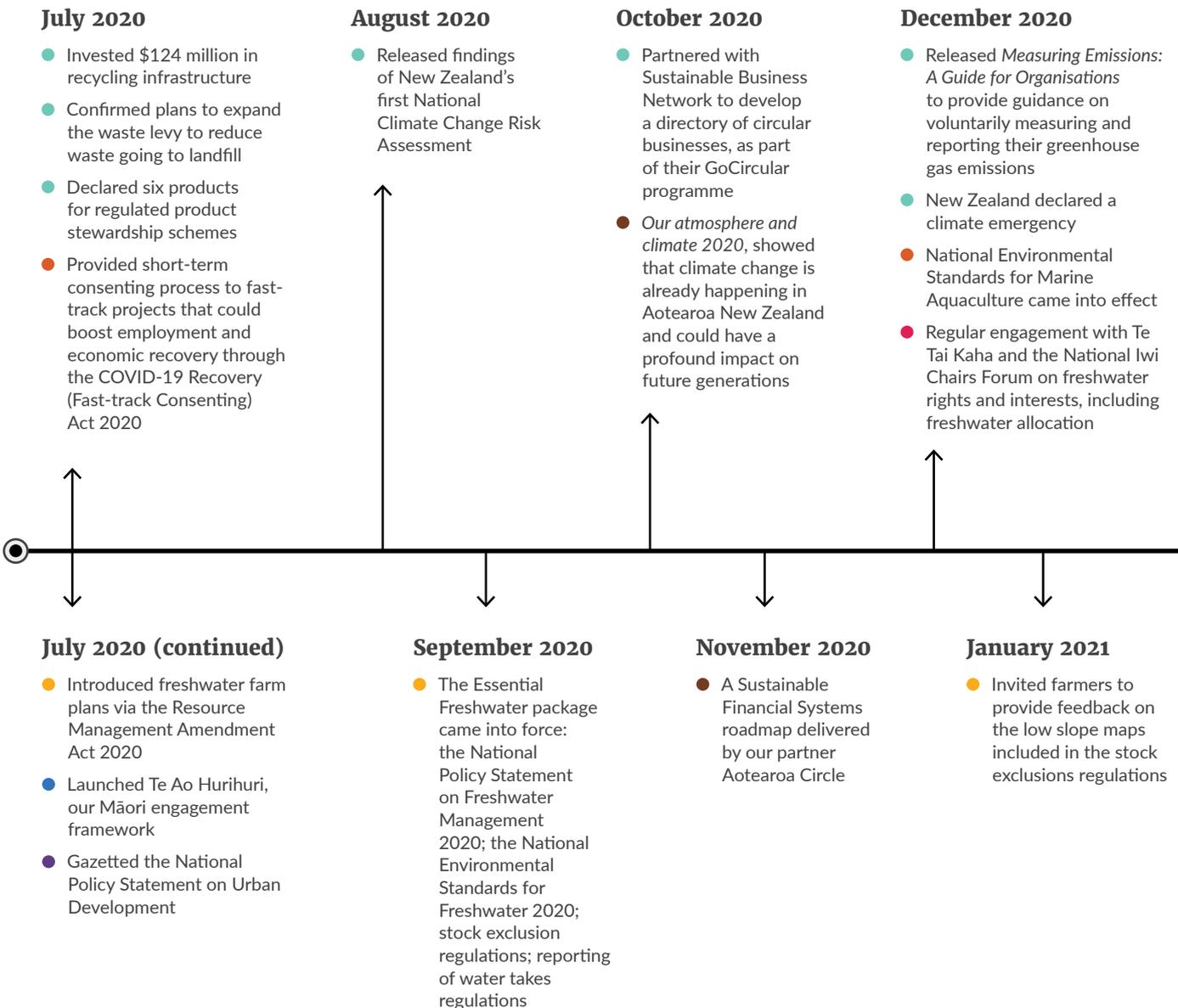
Secretary for the Environment

Highlights from 2020/21

A flourishing environment for every generation | He taiao tōnui mō ngā reanga katoa

Our strategic priorities

- **Transform the environmental management system**
- **The Treaty of Waitangi is reflected in environmental decision-making**
- **Improve the quality of New Zealand’s urban environments**
- **Build a sustainable and resilient land and food system**
- **Transition New Zealand to a climate-resilient, low-emission, and circular economy**
- **Improve how New Zealand’s natural resources are allocated**
- **Connect people and communities with te taiao**



February 2021

- Announced the repeal of the Resource Management Act 1991 as well as an intention to enact new legislation that will transform the resource management system so it is fit for purpose
- Established #Our Climate Future exhibition which brings the climate issues, and actions needed, to the regions



April 2021

- New Zealand became the first country in the world to require the financial sector to report on climate risks
- Shared the national direction on industrial greenhouse gas emissions
- *Our land 2021*, showed how the state of our land today is a legacy of the ways it was used by previous generations
- Released the fish passage assessment tool to help councils and others comply with the National Policy Statement for Freshwater Management and the National Environmental Standards for Freshwater



June 2021

- Announced phase out of problem and single-use plastics, and launched the \$50 million Plastics Innovation Fund
- Released exposure draft of the Natural and Built Environments Bill containing key elements of this legislation and referred to a select committee inquiry
- Received 56 fast-track consenting project applications since 1 July 2020 – 23 referred by the Minister(s) for consideration by an expert consenting panel
- Eight out of 17 projects listed in the Act used the fast-track process since 1 July 2020 – 3,507 direct full-time equivalent jobs created



March 2021

- Held the first Emissions Trading Scheme auction



May 2021

- Climate Change Commission report released: *Ināia tonu nei: a low emissions future for Aotearoa*
- Announced carbon neutral public service
- National Environmental Standard for the Outdoor Storage of Tyres became regulation
- Supported environmental action for our rangitahi and tamariki, through the Blake Foundation and the Toimata Foundation



June 2021 (continued)

- Announced freshwater farm plan and low slope map consultation
- Created nature-based jobs for 3,966 people since 1 July 2020 through 343 Jobs for Nature projects
- Established Tūmatatokiri, our new directorate to strengthen the Māori voice and embed strategies to transform our Māori Crown relations
- Finalist in 2021 Diversity Awards



Introduction

The Ministry for the Environment's purpose is to ensure that the environment flourishes for every generation – he taiao tōnui mō ngā reanga katoa.

Our annual report summarises what we've done to fulfil this purpose in 2020/21. We have split this report into three parts:

01

About us *Kōrero mō mātou*

Provides an overview of the Ministry for the Environment Manatū Mō Te Taiao.

02

Our performance *Ngā mahi kua mahia*

Shows how we performed in 2020/21.

03

Our finances *Kōrero pūtea*

Reports on the financial resources we have used to deliver our services.

What we are reporting on

The Ministry for the Environment

The Ministry for the Environment (the Ministry) was established under the Environment Act 1986 and is the Government's primary advisor on environmental matters.

Our Act requires us to think broadly as we develop our advice: to consider the intrinsic values of ecosystems, the importance people place on the environment, the principles of Te Tiriti o Waitangi (the Treaty of Waitangi), the sustainability of natural and physical resources, and the needs of future generations.

Strategic Planning Reform Board, hosted by the Ministry

The Strategic Planning Reform Board has been established as an interdepartmental executive board under the Public Service Act 2020, to oversee the development and implementation of the strategic planning legislation, as part of wider resource management reforms.

Financial year 2020/21 annual reporting and financial statement requirements have been waived by the Minister of Finance. This exemption was sought on the basis that the Board has only been in existence in the past few months of the financial year. The 2021/22 annual report will cover the Board's first 14 months up to 30 June 2022. The Board has been waived of the requirement to provide information on its strategic intentions, and from the requirement to separately include financial statements in its annual report, for three years.





01

About us *Kōrero mō mātou*

*An overview of the
Ministry for the Environment,
Manatū Mō Te Taiao*

Key topics

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- 10 Te Pūrengi – Our leadership team

 - 11 Our Ministers

 - 12 Our te ao Māori strategy

 - 14 Our response to COVID-19

 - 16 Our funding and impacts

 - 18 Our new strategic framework

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 - 33 Our operating principles

Te Pūrengi – Our leadership team

As a Ministry, one of our key strengths is our people. We have a great depth of capability and leadership across our organisation. This allows us to be flexible to support the shaping and delivery of our priorities.



Vicky Robertson

Secretary for the Environment
and Chief Executive



Amanda Moran

Chief Operating
Officer / Deputy
Secretary,
Organisational
Performance



Melanie Mark-Shadbolt

Deputy Secretary,
Tūmatakōkiri (Māori
Rights and Interests)



Anne Haira

Deputy Secretary,
Climate Policy
and Partnerships
and Customers



Sam Buckle

Deputy Secretary,
Water Policy and
Resource Efficiency



Natasha Lewis

Deputy Secretary,
Joint Evidence,
Data and Insights



Janine Smith

Deputy Secretary,
Natural and
Built System and
Climate Mitigation



Nadeine Dommissie

Deputy Secretary,
Sustainable Land
Use Delivery



Dr Alison Collins

Departmental Chief
Science Advisor –
Kaitohutohu Mātanga
Pūtaiao Matua

Our Ministers

During 2020/21 we worked with six Ministers.

Ministers we are working with following the election



Hon David Parker

Minister for
the Environment



Hon James Shaw

Associate Minister
for the Environment
and Minister of
Climate Change



Hon Kiritapu Allan

Associate Minister for
the Environment



Hon Phil Twyford

Associate Minister for
the Environment

Ministers we worked with before the election

Hon David Parker

Minister for the Environment

Hon James Shaw

Minister for Climate Change

Hon Nanaia Mahuta

Associate Minister for the Environment

Hon Eugenie Sage

Associate Minister for the Environment

Our te ao Māori strategy

Building on our strategy for healthy Māori Crown relations

In July 2020, we launched the *Te Ao Hurihuri – Transformational Gains Strategy*. The strategy has been adapted from the 'Pae Ora – Healthier Futures' model developed by Professor Sir Mason Durie. The strategy aims to enable our people and organisation to be confident, competent, and effective in working with our Treaty partners.

The strategy sets out our approach for coordinated, long-term engagement with Māori, and integrates Māori views into our programmes. As the lead public agency working on environmental policy, we have a responsibility to ensure we incorporate Māori perspectives, and rights and interests in the policy development process. We strive for excellence, and acknowledge we have more work to do here – starting by improving our capability in te ao Māori.

Earlier this year the Secretary for the Environment committed to the Te Arawhiti Whāinga Amorangi, a transformation leadership framework that seeks to 'develop and maintain the capability of the public service to engage with Māori and to understand Māori perspectives'.

Our progress on the Te Ao Hurihuri – Transformational Gains Strategy

- Since March 2020 more than 280 staff have participated in Te Tiriti o Waitangi education workshops.
- We launched our Whāinga Amorangi transformational leadership plan, Tātai Pou Māori capability framework, and our Māori Crown Relationship Leadership evaluation tool.
- We established Te Kākano a Māori capability team to focus on organisational performance. The team includes a Kaiako Te Ara Reo Māori, a Talent and Diversity Advisor, and a Strategic Māori Capability Advisor.
- We ran Reo Ora, our 8-week introductory te reo Māori course, led by our own Kaiako Te Ara Reo Māori.
- We continued to work with our partners Te Arawhiti and Te Taura Whiri o Te Reo Māori.

Whāinga Amorangi identifies te reo Māori as one of two core competency areas for staff capability-building across the public service. To support our commitment and work in this area, a te reo Māori learning facilitator (Kaiako Te Ara Reo Māori) was appointed on secondment in August 2020 and then permanently in June 2021. The focus of this role is to provide support, resources, and learning opportunities to develop and strengthen the Māori language capability levels of our staff. These activities have included:

- supporting the development of an organisational Māori language strategy and Māori language plan
- developing and delivering an internal Māori language learning programme
- creating language learning opportunities through staff networks, including team meetings and all-staff meetings (Kotahitanga)
- supporting and coordinating events and activities to mark significant kaupapa including Matariki and Te Wiki o Te Reo Māori
- developing and distributing language resources to support staff to further their language development.

Recruitment and talent has been a key pou in achieving transformational gains in the Te Ao Hurihuri strategy. Mātauranga and Māori worldview knowledge are a priority skill to help us achieve our aspirations. Our Talent and Diversity Advisor has been revising where we attract new people into the Ministry as well as our recruitment practices. The way we recruit in a diverse talent market has been integral to transforming our people processes. We have developed a talent pool management framework that has led to increased placements of Māori across the Ministry.

Strategy recognition

The Te Ao Hurihuri strategy, whilst only in the first of its five-year plan, has helped us build our capability to be confident, competent, and effective Treaty partners. As an organisation we have significant progress to make in this area, yet the initial progress is notable. We have received wider acknowledgement for the Te Ao Hurihuri strategy including being finalists in the:

- 2021 Diversity Works Award NZ – Finalist in the Mātauranga Māori Award
- 2021 Spirit of Service Awards – Finalist in the Māori Crown Relationships Award.

In addition, the lead author/creator of Te Ao Hurihuri, has been awarded a Learning Development Centre Fellowship. The leading author will explore the role public servants play in strengthening Māori Crown relationships based on her extensive public sector career.

Our response to COVID-19

Throughout the year the Ministry supported the Government's COVID-19 response and recovery initiatives.

*We responded swiftly to support the COVID-19 Response and Recovery Fund and the resource management consents under the COVID-19 Recovery (Fast-track Consenting) Act 2020. We report on these initiatives in **Part 02 Our performance Ngā mahi kua mahia.***

Jobs for Nature

Jobs for Nature, a \$1.3 billion programme of broad environmental funding, was launched post-Budget 2020. As part of the COVID-19 recovery package it will run over several years. Jobs for Nature provides jobs and economic support for people and communities across Aotearoa New Zealand, while ensuring environmental benefits (improvements to freshwater, biosecurity, and biodiversity).

We are responsible for a \$433 million funding package. The funds are prioritised for projects that build the capability and capacity of people to participate in the freshwater management system and deliver on-the-ground actions to support the delivery of the Essential Freshwater reforms.

Resource recovery infrastructure

We are investing in New Zealand's resource recovery infrastructure as part of the response to the economic impact of COVID-19. The Government has allocated \$124 million for 15 initiatives across the country. These include plastic recycling and reprocessing plants, weighbridges for improved waste data collection, and improved material and community resource recovery plants.

Fast-track consenting

The COVID-19 Recovery (Fast-track Consenting) Act 2020 is one of the Government's actions to support New Zealand's economic recovery from COVID-19. The Act provides access to an alternative consenting regime for eligible infrastructure and construction projects. This accelerates starting work on a range of projects that are ready to go, supports certainty of ongoing employment and investment across New Zealand, and continues to promote the sustainable management of natural and physical resources.

Impact on our ongoing work programme

COVID-19 has had a modest impact on our work programme.

- We were impacted by a delay in data submissions by local authorities due to the March 2020 lockdown.
- Our capital asset management plan was impacted by supply-chain issues arising from COVID-19.
- We are anticipating workforce challenges, in particular international recruitment to specialist roles. To attract talent in a tight candidate-driven market we are focusing our recruitment to specific skillsets, targeting secondment opportunities, and continuing to build internal capability.

Organisational response

We were well prepared for the COVID-19 pandemic thanks to our flexible-by-default working approach to how we work. Our Business Continuity and Response team provided immediate notification and coordination based on the national emergency announcements.

We continue to support our staff by offering flexible and remote working arrangements, wellbeing support, and allowing staff to continue working safely in their 'bubble', whatever the circumstances. Ensuring the health, safety, and wellbeing of our staff is essential.

Our funding and impacts

Vote Environment

Figure 1 shows the 2020/21 expenditure in Vote Environment. This is further divided into:

- figure 2 which shows non-departmental funding administered on behalf of Ministers and distributed externally (eg, for clean-up projects). The New Zealand Emissions Trading Scheme is not shown in this figure due to the scale of the appropriation
- figure 3 which shows departmental funding for our work programme.

We show the types of funding separately because of their size and significance.

All figures are \$000.

FIGURE 1: VOTE ENVIRONMENT

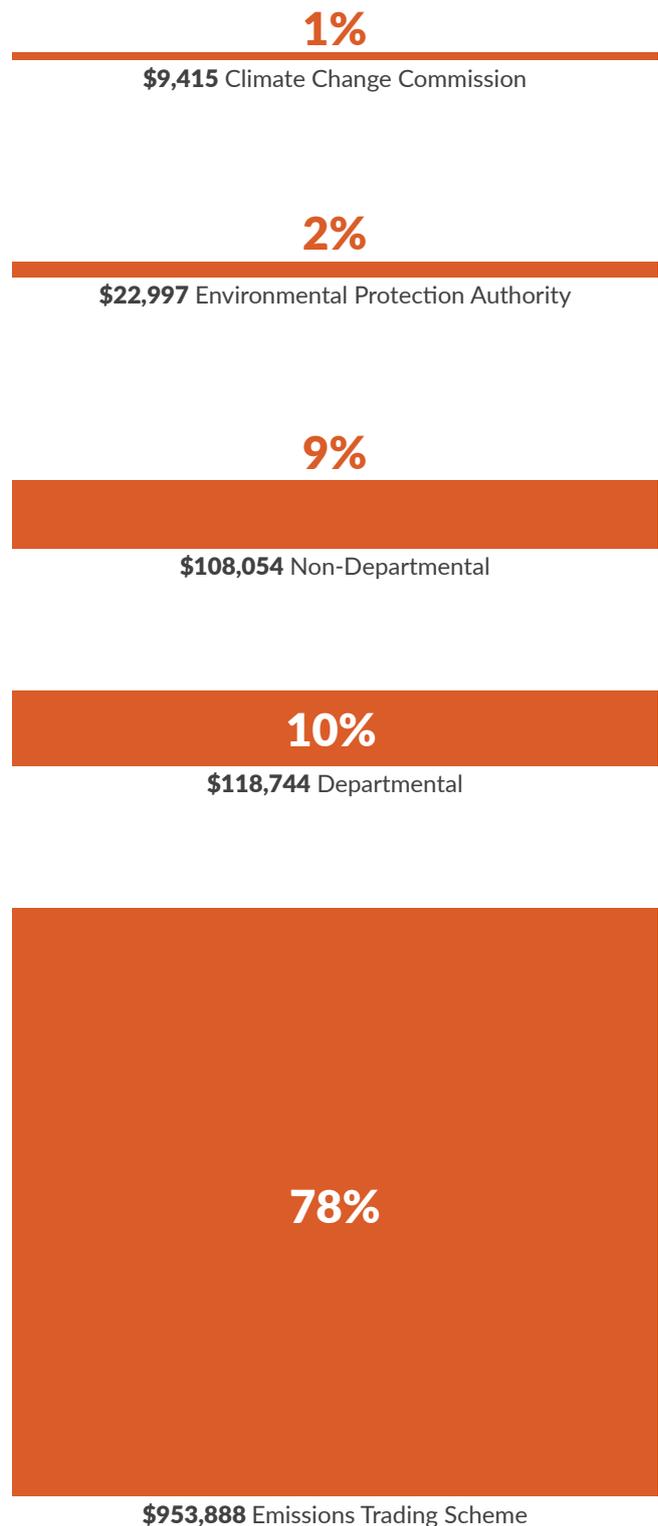


FIGURE 2: NON-DEPARTMENTAL FUNDING

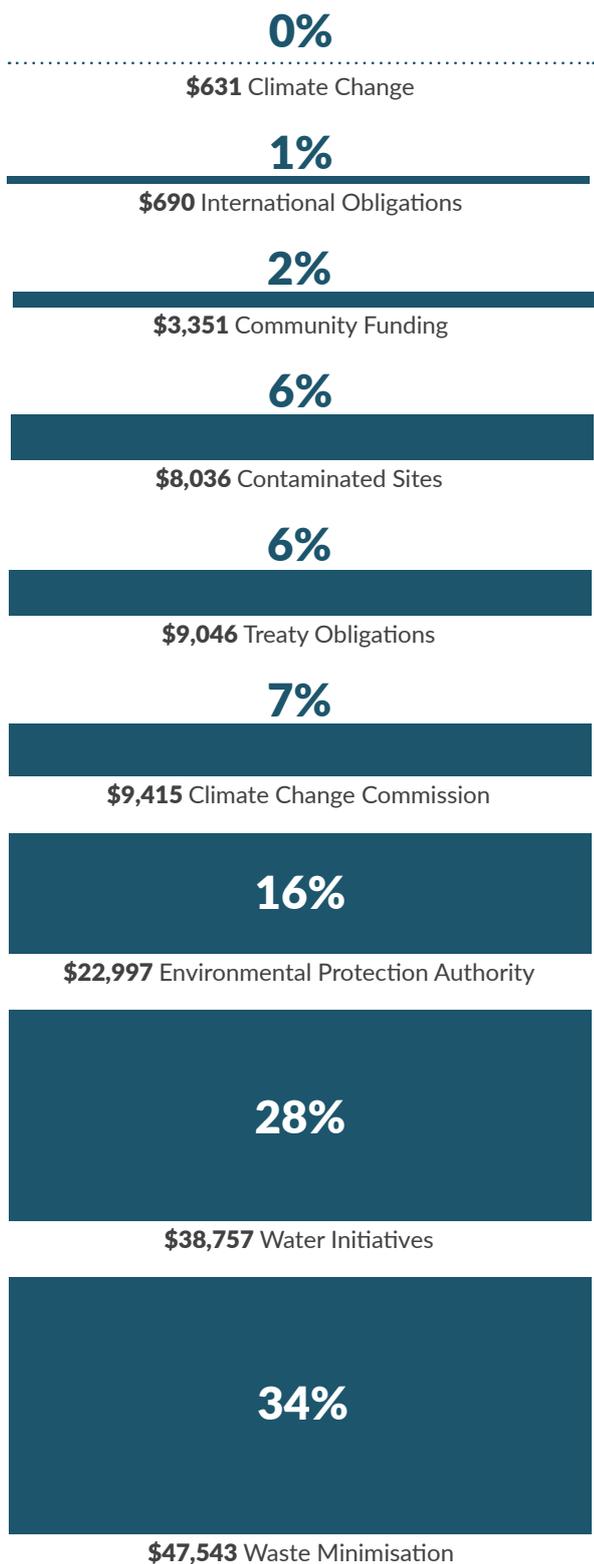
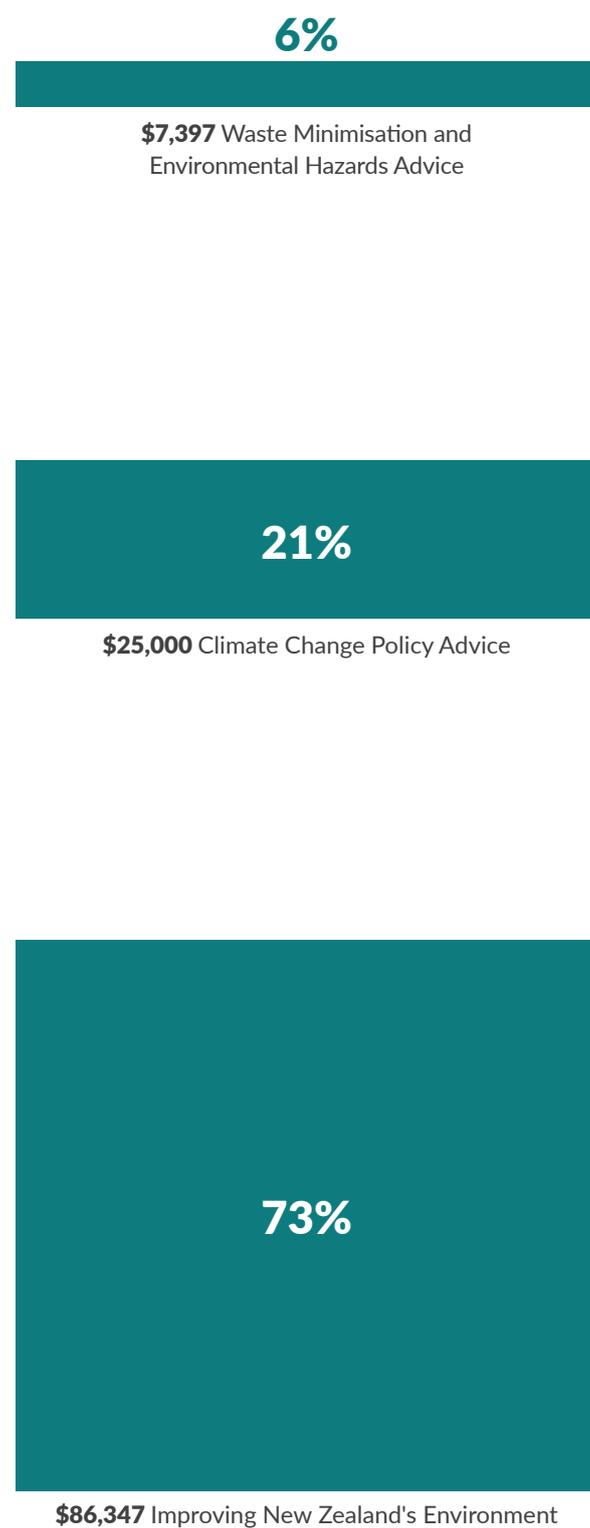


FIGURE 3: DEPARTMENTAL FUNDING



Our new strategic framework

2020/21 brought a range of challenges for the Ministry; however, with those challenges came opportunity. COVID-19 and the lockdowns that came with it, gave New Zealanders a renewed appreciation of their environment, and the challenges facing it.

From pollution and plastics to extreme weather becoming more frequent and severe, environmental issues came to the fore of the New Zealand psyche, bringing with it a groundswell of support for stronger action. Thousands have taken to our streets in climate strikes and protests about water quality and resource management reform, demanding greater urgency.

Our forests, rivers, oceans, and towns need us to transition to an economy and society that doesn't just address current environmental symptoms, but regenerates and flourishes for generations to come.

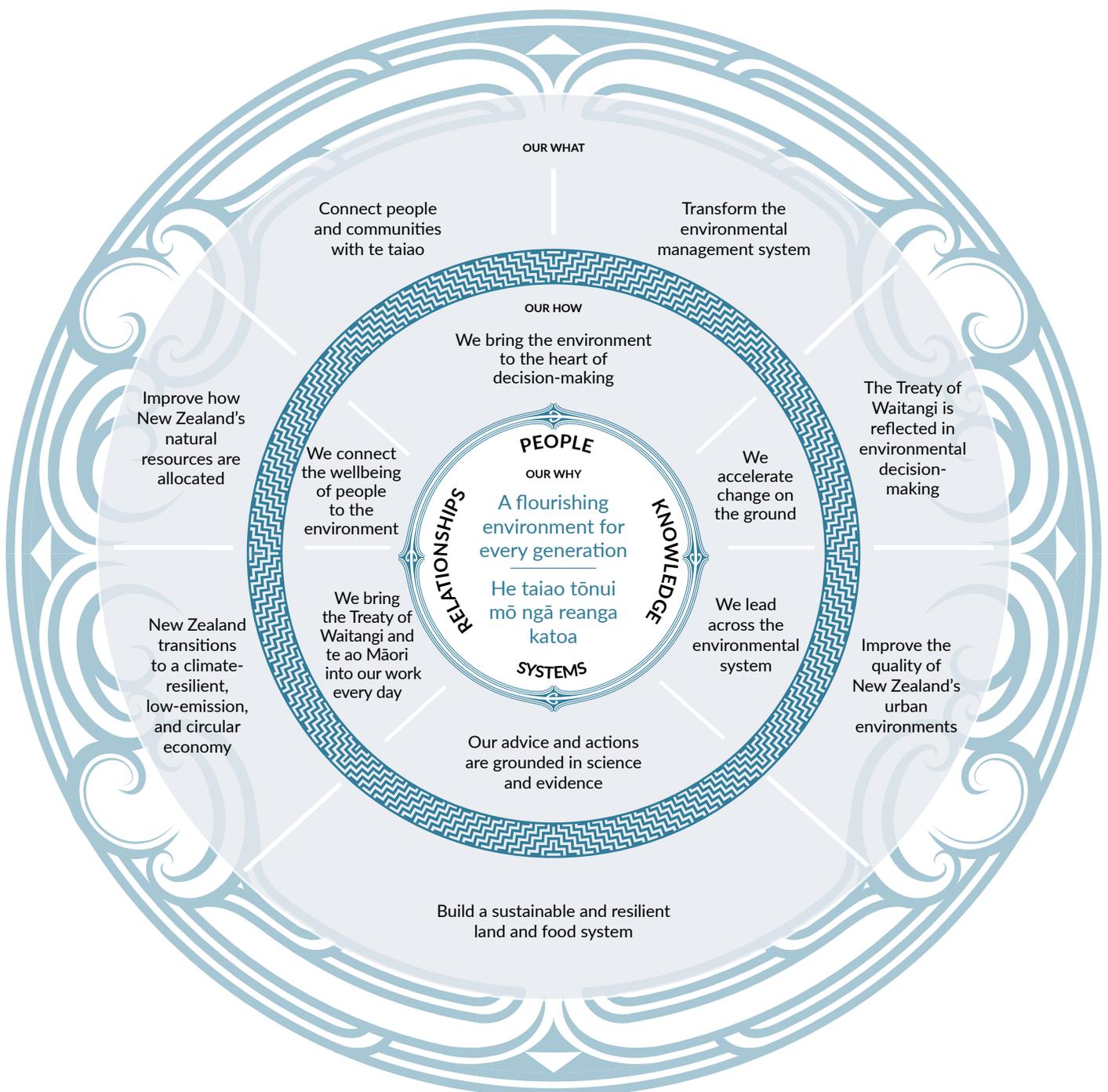
The breadth of the Ministry's work, and our role in bringing about change, have continued to develop in recent years. To reflect this, during the year we refreshed our organisational strategy. Our new strategic framework reflects the range of environmental challenges New Zealand faces, the Ministry's stewardship role, and the different ways we work with others.

The strategy is anchored in the legislation that established the Ministry, government priorities, and our reporting with Stats NZ on long-term environmental trends.

At the heart of the strategy is a fresh purpose statement: *A flourishing environment for every generation; He taiao tōnui mō ngā reanga katoa.* This aspiration is supported by a set of strategic objectives (what we want to achieve), operating principles (how we will go about our work), and critical enablers (areas we need to excel in to be successful).

Our Strategic Framework is made up of four parts:

1. **Our purpose (our why):** A flourishing environment for every generation | He taiao tōnui mō ngā reanga katoa
2. **Our critical enablers:** the things that enable us to do our mahi – discussed in this section
3. **Our operating principles (our how):** how we will go about our mahi – discussed in this section
4. **Our strategic priorities (our what):** the mahi we are doing – discussed in the next section.



Our critical enablers

Our critical enablers are the four areas that enable us to deliver our work programme successfully: our people, our knowledge, our systems, and our relationships. For this annual report, we have chosen to concentrate on select work programmes within each critical enabler.

Our people

The Ministry stands on the strength of its people. We need a workforce with the right capabilities, capacity, and organisational culture to deliver our strategy and our growing work programme; a workforce that is diverse and skilled at connecting with New Zealanders; and an inclusive work environment that supports people to do their best work.

We have offices in Wellington, Auckland, and Christchurch, and staff working in other regions around New Zealand. Over the year, we recorded an increase in staff, and our approach to flexible working has seen us continue to span the length and breadth of New Zealand. We seek to be an end-to-end systems leader, meaning that we develop policy and then deliver and implement that policy. As we do this, we will continue to grow our presence throughout New Zealand.

FIGURE 4: LOCATION OF STAFF

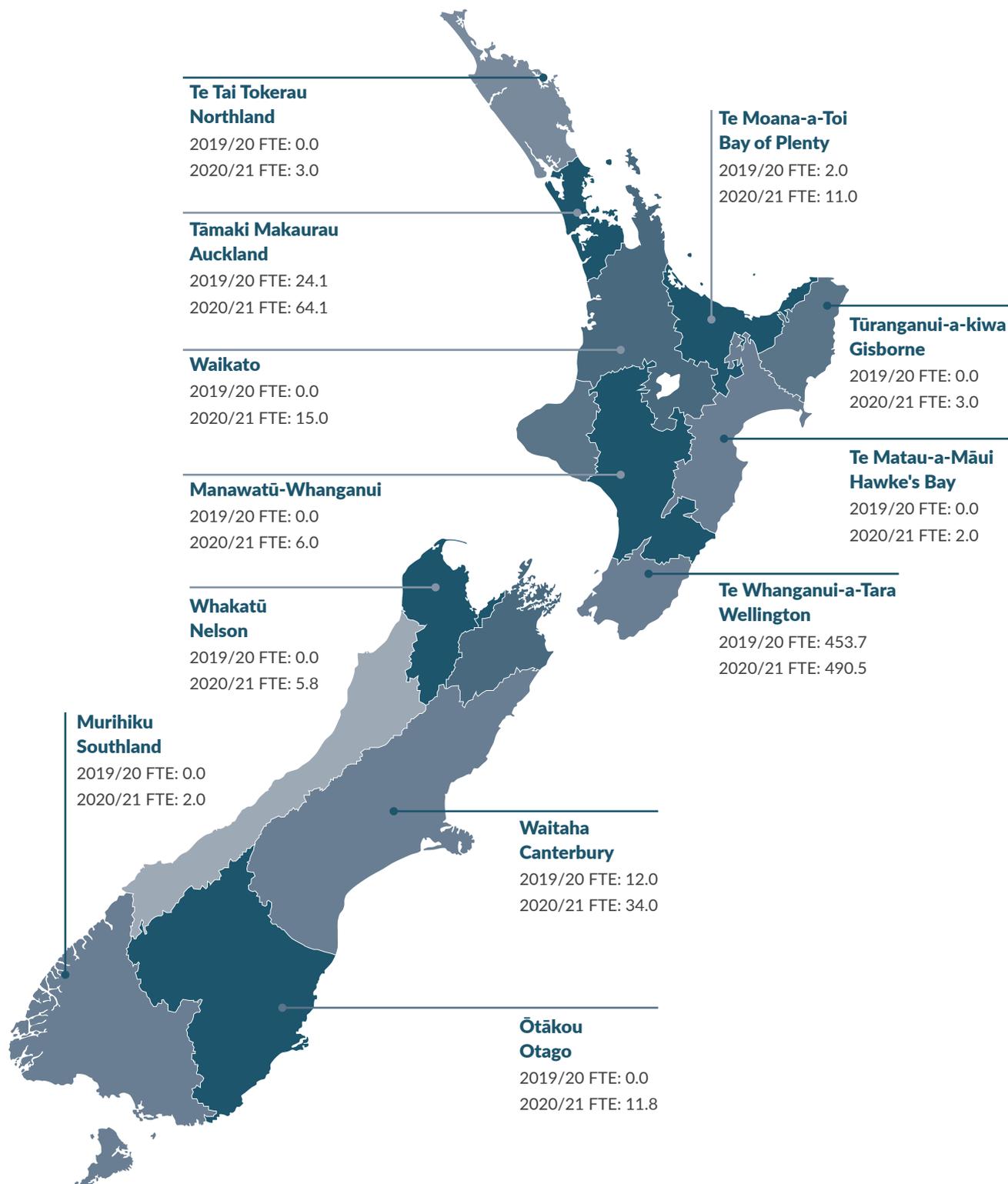


FIGURE 5: STAFF INFORMATION

		2019/20	2020/21
	FULL-TIME EQUIVALENT STAFF	491.8	648.2
	UNPLANNED TURNOVER	16.3%	9.5%
	PART-TIME	16.1%	10.3%
	MALE	36.6%	33.7%
	GENDER DIVERSE	1.1%	0.3%
	FEMALE	62.3%	66.0%
	MALE MANAGER	42.9%	32.5%
	FEMALE MANAGER	57.1%	67.5%

FIGURE 6: ETHNICITY OF STAFF

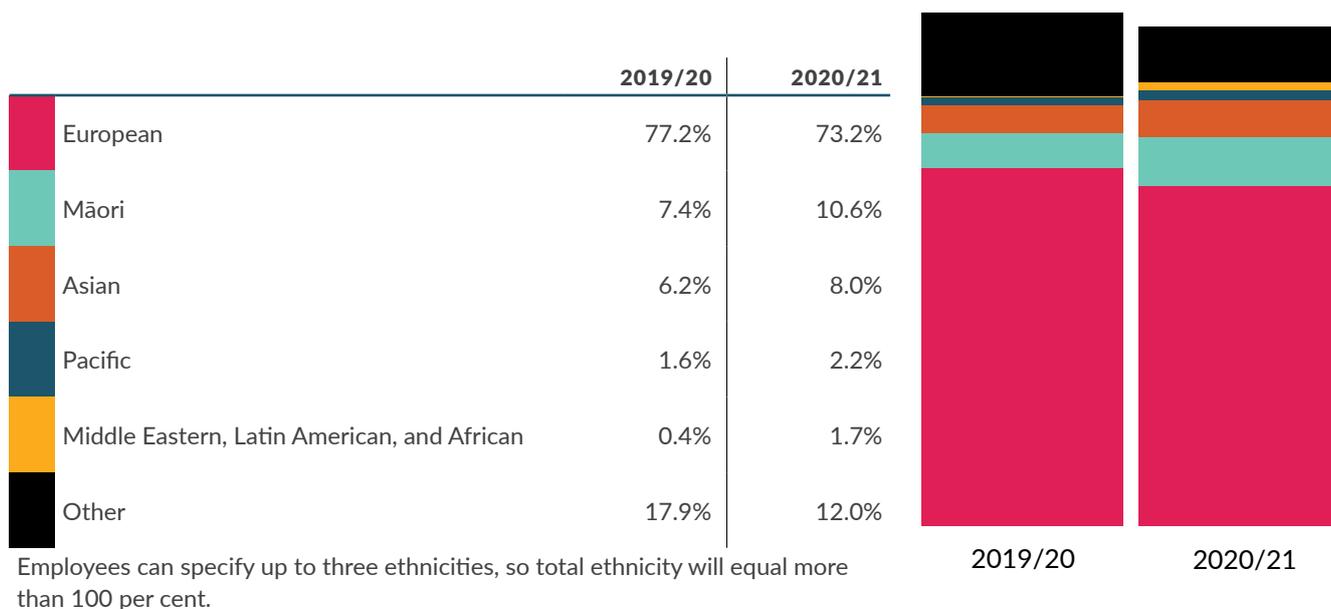


FIGURE 7: AGE OF STAFF

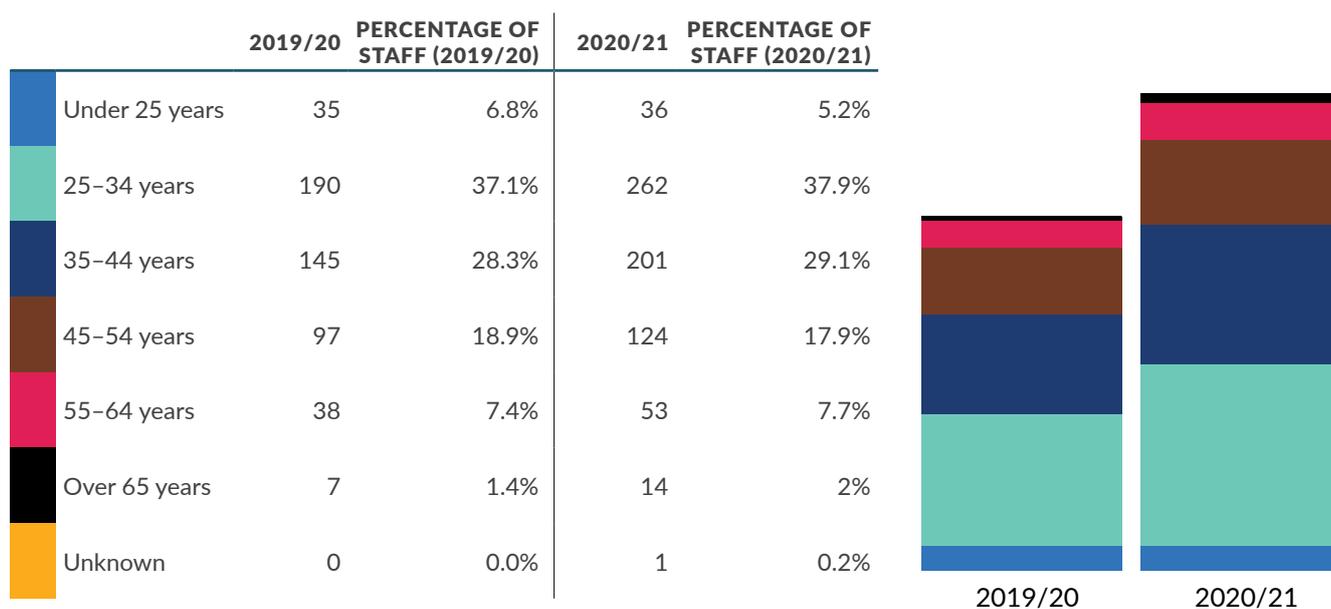
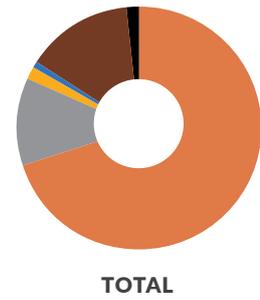


FIGURE 8: ETHNICITY OF PEOPLE LEADERS

	TEAM LEADER	MANAGER	DIRECTOR	DEPUTY SECRETARY	TOTAL
European	11	51	21	6	89
New Zealand Māori	1	8	4	2	15
Asian	0	1	1	0	2
Pacific peoples	0	1	0	0	1
Other	3	10	4	1	18
Unknown	0	1	0	1	2
Total	15	72	30	10	127



Employees can specify up to three ethnicities.

FIGURE 9: AGE OF PEOPLE LEADERS

	TEAM LEADER	MANAGER	DIRECTOR	DEPUTY SECRETARY	TOTAL
25-34 years	6	9	3	0	18
35-44 years	5	34	11	5	55
45-54 years	3	22	9	3	37
55-64 years	0	5	5	0	10
Total	14	70	28	8	120

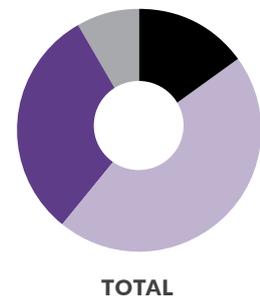
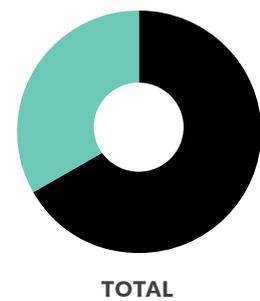


FIGURE 10: GENDER OF PEOPLE LEADERS

	TEAM LEADER	MANAGER	DIRECTOR	DEPUTY SECRETARY	TOTAL
 Female	7	49	17	7	80
 Male	7	21	11	1	40
 Gender diverse	0	0	0	0	0
Total	14	70	28	8	120



Health, safety, and wellbeing

The health, safety and wellbeing of our people is a high priority. To protect our people, we are developing a comprehensive health and safety system that manages critical risk, and improves governance and leadership of health, safety, and wellbeing.

In the last year we have continued to raise awareness and educate our people leaders on their role in supporting our people to be healthy and safe at work. We continue to build our health and safety representatives across all our business groups and regional locations.

Wellbeing is an ever-increasing priority for organisations. We are taking steps to support our people through the design and implementation of a Wellbeing Action Plan.

Diversity and inclusion

He aha te mea nui o te ao. He tāngata, he tāngata, he tāngata. What is the most important thing in the world? It is people, it is people, it is people.

In 2020, we reviewed our Diversity and Inclusion strategy and re-launched Tui Raumata, our approach and direction for diversity and inclusion for the next three years. Tui Raumata is the tapestry of the Ministry – woven from the many threads of our different backgrounds, religions, experiences, and beliefs. We are stronger when we are many. *Nā tō rourou, nā taku rourou ka ora ai te iwi: with your food basket and mine, the people will thrive.*

The foundation of Tui Raumata is in our four organisational goals:

1. Embed organisational practices that make the most of our diverse talents
2. Harness diversity of thinking
3. Create an inclusive culture
4. Demonstrate inclusive leadership.

These goals are brought to life through our three pillars of focus for 2020–23.

1. **We are inclusive:** focussed on attraction and retention of diverse applicants, a culture that promotes inclusion through leadership, commitment, and opportunity, and continuing to grow our Te Tiriti partnerships and confidence in te ao Māori.
2. **We enable:** the equipment and support needed for success are accessible to all our people, we practice flexible working, and wellbeing is at the core of what we do and how we do it.
3. **We are allies:** people can bring their authentic and whole self to work and have support and opportunity to celebrate their own and others' cultures, lifestyles, and beliefs. We lift each other up.

In 2021, we were a finalist in the Mātauranga Māori Award category of the Diversity Awards NZ, recognising our work implementing our diversity and inclusion strategy.

Equal employment opportunities

We provide equal opportunities through recruitment and selection, career development and progression, training, and employment conditions. Our flexible working policy allows staff to balance their obligations at work and beyond.

Gender pay gap

We have a Gender Pay Gap Action Plan in place and are updating this. The plan builds on previous work and guidance from the Public Service Commission in reducing the gap by setting out our principles and actions for the Ministry. This plan ensures our continued commitment to closing this gap among our people. View our **Gender Pay Gap Action Plan** on our website.

Linking Tui Raumata to Papa Pounamu

Tui Raumata draws on Papa Pounamu, the Public Service Commission's work programme to grow diversity and inclusion practices across the public service. The five focus areas of Papa Pounamu are woven into the kaupapa of Tui Raumata and inform key initiatives and areas of focus.

1. Cultural competence

Building cultural competence is reflected in Tui Raumata through commitments to increasing confidence and competence in te ao Māori, te reo Māori, and our obligations as Te Tiriti partners and implementing our learning programme, Mana Aki. Our Te Ao Hurihuri strategy provides the details and pathways for this transformation within the Ministry.

In 2021/22, we will be launching Mana Aki, a blended learning programme designed to support multi-culturalism in the workplace, and plan to introduce the Courageous Conversations about Race programme to our people leaders and key staff.

2. Addressing bias

In 2020, we implemented an online module in unconscious bias, which forms part of our induction programme. All leaders are expected to complete this, and it is part of our hiring manager guidance.

Implementing our Learning Management System over 2021 will enable us to track and report on completions for new starters and leaders.

3. Inclusive leadership

In 2020, we created an inclusive leadership guide for leaders. We are continuing to develop inclusive leadership practices by participating in Diversity Works' Inclusive Leadership workshops for senior leaders and promoting the use of the inclusive leadership guide.

4. Building relationships

Our people's ability to bring themselves fully to work and feel they are directly making a difference through their work enriches our culture. At the end of 2020, we embarked on reviewing our strategic framework and as part of this process, we empowered our leaders to have conversations with our people, focussing on getting their perceptions of, and aspirations for, the Ministry. In addition, we have developed our people strategy, using a human-centred design approach, enabling our people to engage with content early and contribute directly to the kaupapa of the Ministry.

5. Employee-led networks

We have several employee-led networks, including our Rainbow Network, Māori and Pacifica rōpu, Women's Network, and Pan Asian Staff Network.

This year, we have supported events and days of significance for cultural and ethnic groups. These include Eid al-Fitr, Ramadan, Lunar New Year, Te Wiki o Te Reo Māori, and Diwali.

Our knowledge

We have multiple work programmes to support the knowledge critical enabler. Grounding our decisions in data, science, and evidence is critical to our stewardship responsibility, to help map the path towards a flourishing environment for every generation.

The Joint Evidence, Data and Insights group was set up at the end of 2020 to spearhead this work. It is the result of a growing maturity in how to embed a central tenet from the Ministry's Performance Improvement Framework reviews, which pointed to the need of a powerhouse that can connect evidence, strategy, and policy.

The group enables the organisation and mobilises New Zealanders through statutory reporting and insights products on the state of our environment, what it means for how we live and make a living. To do this effectively, the group lead the improvement of the underlying investment drivers, processes, and systems that support the collection and transfer of knowledge.

The mahi for this group covers three core functions:

1. data collections and management: more holistic approach to data collection, standards, and overall architecture to connect data across knowledge systems and wider aspects of New Zealand society
2. strategic assessments and insights: adding value to our information (data, science, and evidence) by turning it into actionable insights, and doing future-oriented work that can support policy design and development to be fit for future needs of New Zealand society
3. science investment and services: influencing and maintaining strong networks to drive science investment across the science system.

This group has worked on preparations to fulfil the new statutory requirement of a Long-term Insights Briefing (due in 2022), Environment Aotearoa 2022 (our next state of the environment synthesis report), and environmental targets and limits, particularly for the Natural and Built Environments Act. It is also developing standards for embedding te ao Māori and mātauranga Māori in our evidence base and products, amendments to the Environmental Reporting Act 2015, and system improvements to investments in environmental research, science, and innovation in response to two recent reviews by the Parliamentary Commissioner for the Environment.

Looking forward

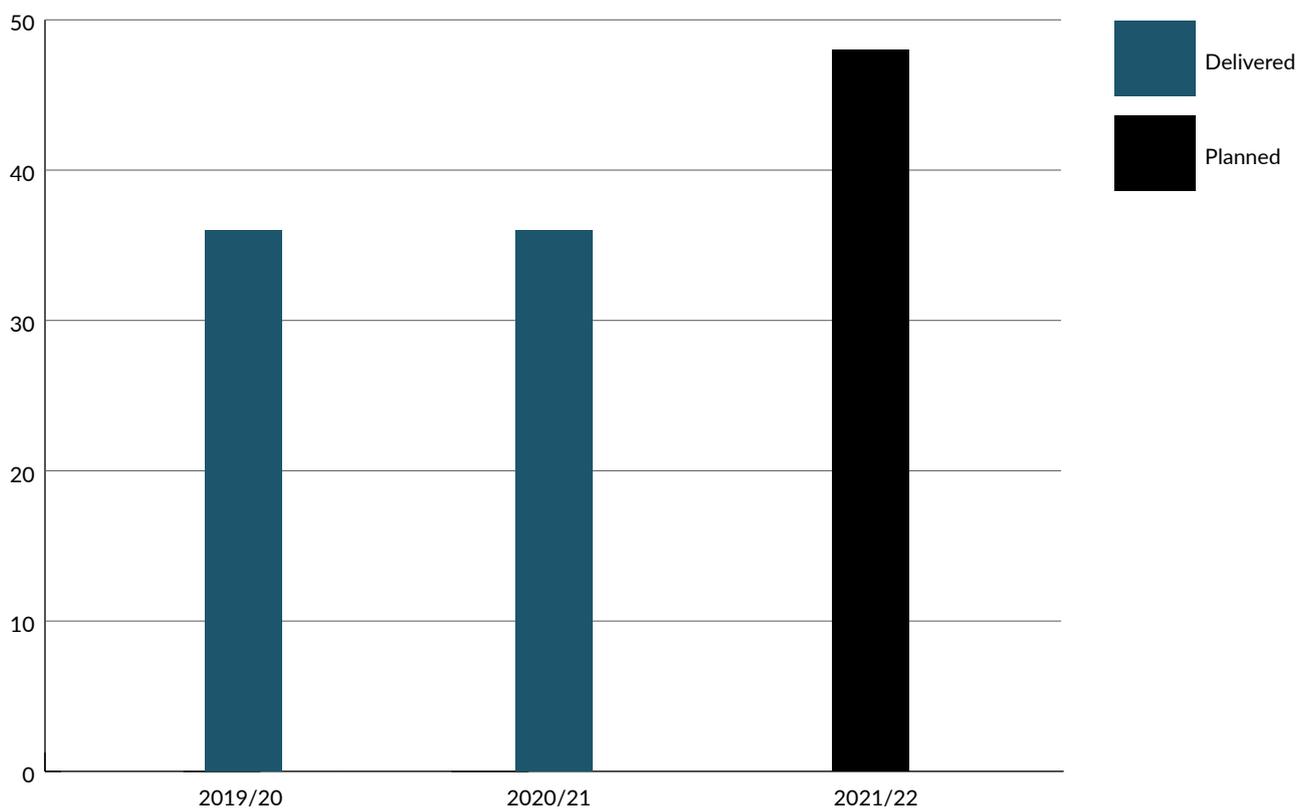
The way we report on the environment is changing, and the way we monitor our performance in the future will change too. The group is focussed on opportunities to create a system that increases connection between environmental outcomes and legislative levers. This work will happen alongside the development of a system that draws across knowledge systems to enable a richer understanding of our environment, how people connect to it, and what it means for communities.

We are expanding our capability and use of tools into the intelligence analysis discipline, behavioural science, economics, and te ao Māori and mātauranga Māori. Bringing diversity of skills and thought, and strengthening our ways of engaging partners, youth, and communities.

Our systems

Our Digital Transformation Programme is one of the main ways to lift this critical enabler. During 2020/21 we have introduced systems across delivery and support areas such as contract management, fast-track resource system, freshwater engagement portals, and document management systems, and Taku Mahi for Ministerial services. Figure 11 shows that the transformation programme continues with a step-up next year.

FIGURE 11: PROJECTS DELIVERED AND PLANNED



The Digital Transformation Programme is addressing the following five workstreams.

1. DATA AND EVIDENCE	2. TELLING OUR STORY	3. DIGITAL FOUNDATIONS	4. PLATFORMS AND INTEGRATIONS	5. SECURITY
Having clear, accessible, and accurate data and evidence helps us develop our policy and keeps Ministers and stakeholders informed about the impact of our work.	We are supported with the tools to engage with stakeholders at every stage of policy development and implementation.	The core functions and processes that maintain our technical systems.	The software, programmes, and workflows needed so we can work efficiently and effectively.	Protecting our people, information, and interests by ensuring the right people have the right access to information and systems.

Our relationships

Our 2018 Performance Improvement Framework review called for us to use a broader range of interventions to address New Zealand's environmental challenges including partnering with others to increase awareness and action to support the environment.

In addition to partnering with Māori as outlined in our te ao Māori strategy, we have been sharing partnership stories of New Zealanders doing their part for the environment and championing new ways of engaging with central and local government and communities.

Key achievements include:

- Developing key partnerships to complement and help implement policy that results in tangible, improved environmental outcomes. Key partnerships include Creative HQ's Climate Response Accelerator, Festival for the Future, Callaghan Innovation, The Aotearoa Circle, and the Sustainable Business Council.
- Running a pop-up exhibition about the impact of climate change, with information and case studies from the *Our atmosphere and climate 2020* report. This exhibition was seen by around 20,000 people and will continue to tour the country until July 2022.
- Launching a series of videos, produced with the Department of Conservation, about the Jobs for Nature programme. We tell stories of people doing the mahi to showcase the outcomes of our work. Contributors included council staff, Māori community partners, and those employed through the programme. These videos averaged 20,000 views each.
- Launching the new Ministry website: **environment.govt.nz**. The website provides information to help people to take positive action for the environment.
- Undertaking foundational work to understand our brand strategy, which plays a crucial role in building trust and credibility for the Ministry. This work will extend our social licence and position us as a modern, knowledge-based organisation, recognised as the lead, credible, and impartial source of knowledge about New Zealand's environment.

Our sustainability

Walking the talk

As the Ministry for the Environment, we know that we need to walk the talk and lead by example to achieve our **Sustainability Strategy's** targets.

For us, sustainability as an organisation means operating within our baseline, minimising our environmental footprint, and giving our people what they need to thrive.

We launched our latest Sustainability Strategy covering 2020–22 at the beginning of the 2020/21 financial year. The strategy contains many ambitious short-term targets and longer-term goals.

Since then, the Government has announced a climate emergency and has launched the Carbon Neutral Government Programme. Our work ensures we are meeting all the commitments outlined as part of this programme. This includes setting gross emissions reduction targets in line with a no more than 1.5 degrees of warming

pathway (for us, this means reducing our gross emissions by 50 per cent by 2030 from our 2017 baseline).

In 2020/21, we have achieved or made significant progress towards many of our targets across tangata (our people); taiao (our environment); and pūtea (our finances). Some highlights include:

- recertification of the Rainbow Tick
- reducing turnover from 25.8 per cent in June 2019 to 9.5 per cent in June 2021
- implementing our Gender Pay Gap Action Plan
- reducing our emissions by more than 26 per cent (figure 12)
- reducing our head office's waste to landfill by 55 per cent
- reducing our paper use by 69 per cent.

Reducing our emissions

In our Sustainability Strategy, and to meet the Carbon Neutral Government Programme requirements, we have committed to measuring, reducing, and reporting our emissions profile, and having it externally verified.

We are proud to have achieved the Toitū carbonreduce certification for the fourth consecutive year.

In 2020/21, we emitted 367.46 tCO₂e (tonnes of carbon dioxide equivalent), a 44 per cent reduction on the previous year (660.31 tCO₂e), and 72 per cent lower than our 2017/18 base year (1324.12 tCO₂e) (figure 12). The bulk of our emissions come from air travel and electricity for our three offices. COVID-19 has prompted us to place a much greater emphasis on online meetings, and we have improved our in-house technology and software to help this shift.

FIGURE 12: TOTAL EMISSIONS (tCO₂e) 2017/18 - 2020/21

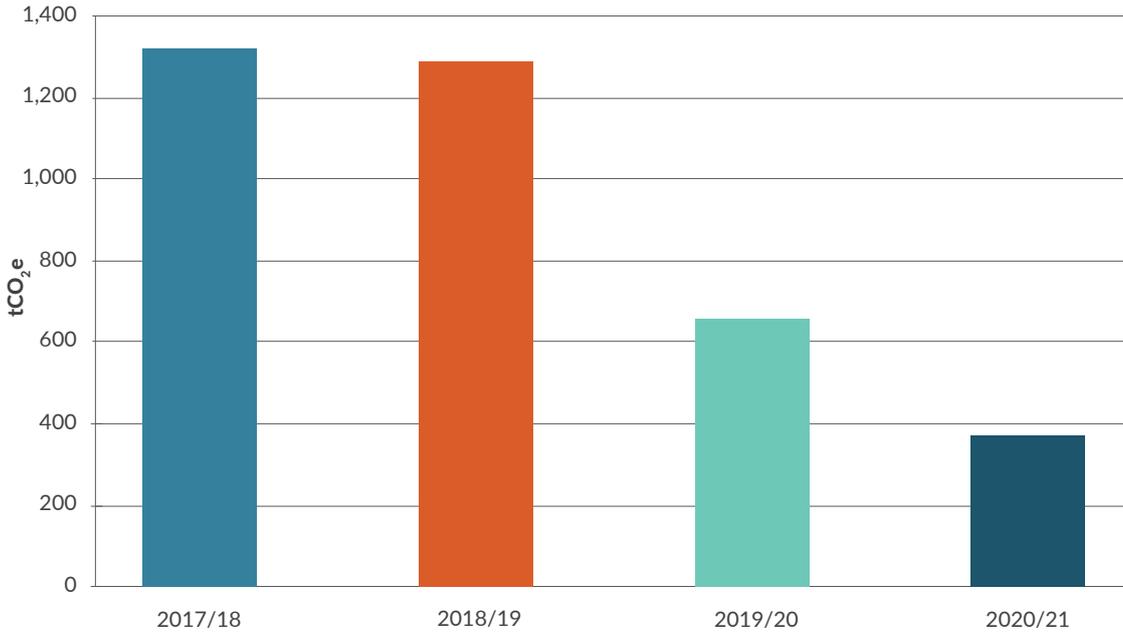
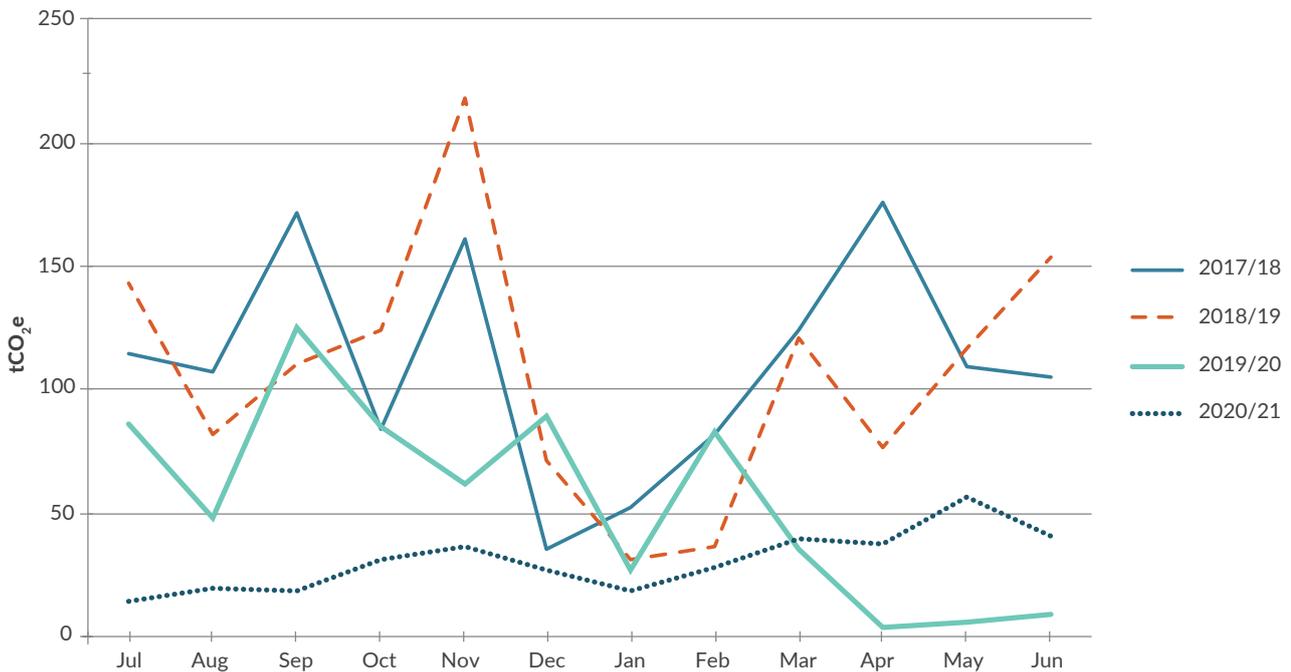


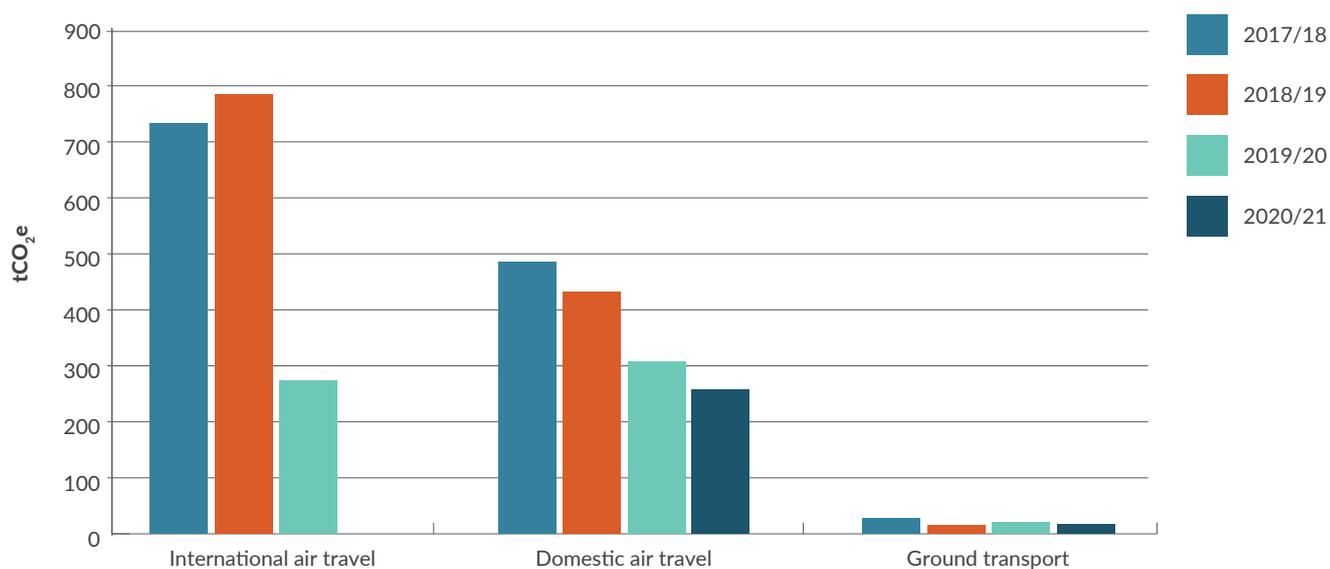
Figure 13 shows how our emissions vary per month. The impact of COVID-19 lockdown is apparent from April onwards in our 2019/20 trendline.

FIGURE 13: TOTAL EMISSIONS (tCO₂e) - COMPARISON BY MONTH



No international flights were taken in 2020/21 (figure 14) as we suspended all international travel. We have instead met our international obligations by using technology to participate in meetings online.

FIGURE 14: TOTAL TRANSPORT EMISSIONS (tCO₂e), 2017/18 - 2020/21



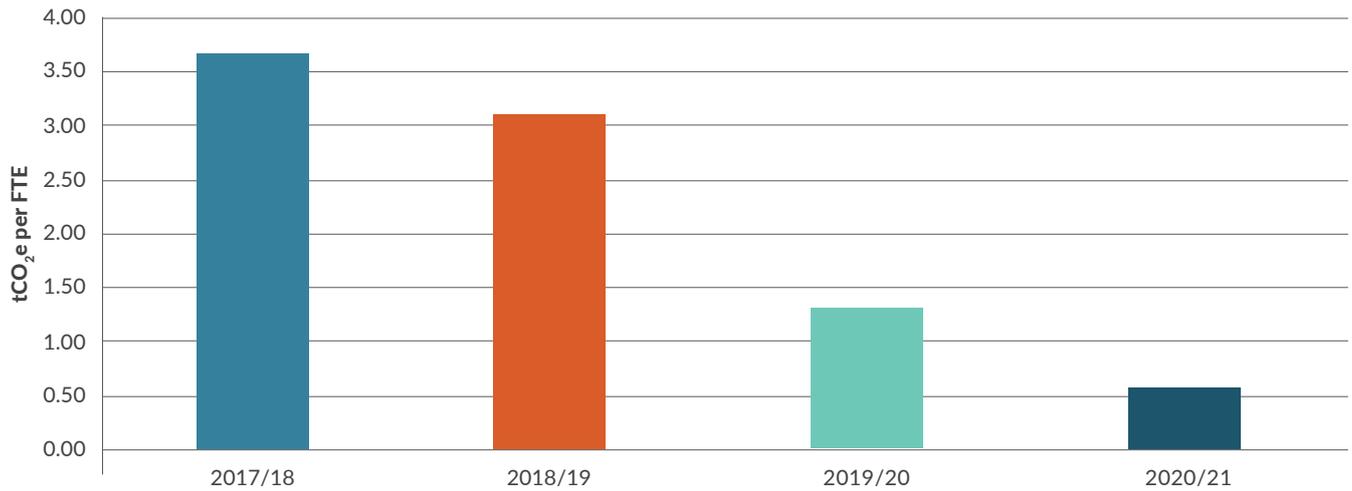
We have measures to support reductions in our travel emissions including:

- guiding staff on sustainable travel options and behaviours
- setting internal emissions budgets, alongside financial budgets
- rolling out better video conference technology for working remotely and meeting with stakeholders around the country
- providing a low-emissions fleet of an e-bike, bikes, and scooters for staff to attend meetings.

Despite growing our full-time equivalent (FTE) staff numbers over the past four years, our overall greenhouse gas emissions and emissions per FTE have decreased (figure 15). Our emissions per FTE (tCO₂e) have decreased by 84.7 per cent compared to our 2017/18 baseline year, despite becoming an organisation with a larger work programme and growing staff numbers in four years.

We have made a conscious effort to cut our travel emissions in addition to the significant emissions reductions due to the impact of COVID-19. The pandemic has taught us a great deal about working effectively online. Over the past year, we have continued to change our travel behaviour and work with stakeholders in new ways.

FIGURE 15: TOTAL GROSS GREENHOUSE GAS EMISSIONS PER FULL TIME EQUIVALENT, 2017/18 – 2020/21



Our first Climate-related Disclosure

The Ministry is leading the development of New Zealand’s new climate-related reporting regime and, while not mandatory for the Ministry, we have adopted this reporting to enable assessing, managing, and disclosing our own climate-related risks and opportunities.

This disclosure is based on the recommendations of the Taskforce on Climate-related Financial Disclosure.

We are using our climate-related disclosures to share our actions and performance as we progress on our journey to address our climate-related risk, build organisational resilience, and achieve carbon neutrality.

We are committed to ongoing improvement

To date, our efforts have focused on:

- using scenario analysis to identify and interrogate our climate-related risks and opportunities
- committing to carbon neutrality by 2025 as part of the Carbon Neutral Government Programme and setting targets to reduce our emissions by 26 per cent by June 2022 and halve our absolute emissions by 2030 from 2017/18 levels
- publicly disclosing our yearly emissions reduction performance and developing an action plan to reduce our carbon emissions under the **Toitū carbonreduce programme**
- joining the Climate Leaders Coalition and Sustainable Business Council to signpost our intentions and be part of a network of organisations committed to improving performance.

As part of our commitment to ongoing improvement, our plans for the 2021/22 financial year include:

- setting up governance arrangements for managing climate-related risk
- setting up risk management processes and accountabilities for climate-related risk
- conducting regular scenario planning to identify and assess our climate-related risk
- reviewing stakeholders and partner plans to ensure we are supporting them well with climate change knowledge and tools
- ensuring climate risk is consistently and systematically considered in our investments and policy work.

You can read our full **Climate-related disclosure 2020/21** on our website.

Our operating principles

Our operating principles describe how we will go about our work.

We bring the environment to the heart of decision-making

The Ministry brings the environment to the heart of decision-making – from local and central government decisions to individual choices made by consumers. We focus on the intergenerational implications of decisions and ensuring the environment flourishes rather than simply managing effects. We do this through evidence-based policy advice, emphasising the intrinsic values of ecosystems, and by providing information to New Zealanders on the cumulative impact of our choices through environmental reporting.

We connect the wellbeing of people to the environment

An essential part of our work is understanding the relationship between wellbeing, quality, and access to the natural environment. We see this as accelerating positive environmental change, potentially contributing to individual and community wellbeing.

We bring the Treaty of Waitangi and te ao Māori into our work every day

To be authentic and effective, we need to bring Te Tiriti o Waitangi and te ao Māori into every aspect of our work, every day. It's something everyone at the Ministry is responsible for – from weaving Māori perspectives and mātauranga Māori into our policy advice and environmental reporting to our relationships with iwi under settlement agreements and our business practices.

Our advice and actions are grounded in science and evidence

This principle is about our role as the Government's principal policy advisor on environmental matters. Environmental science and evidence will show how well interventions work to achieve a flourishing environment. As an effective steward, we will weave together knowledge and disciplines (including mātauranga Māori and social science) and environmental intelligence. We'll also know how to turn knowledge into insights that can guide decision-makers (every New Zealander) and create the foundation for change.

We lead across the environmental system

Our 2018 Performance Improvement Framework review called for the Ministry to play a more substantial leadership role in managing the environment. There have also been calls from government and stakeholders to have a stronger focus on the whole system's performance, in addition to our policy advisory role. In practice, this means working with central and local government, business, Māori and iwi, and communities to achieve improved environmental outcomes.

We accelerate change on the ground

Being able to implement government policy effectively is a crucial part of our work programme. This includes the Essential Freshwater package, working in response to climate change, and assisting New Zealand's economic recovery through fast-track consenting, Jobs for Nature, and investment in waste minimisation and resource recovery infrastructure.





02

Our performance *Ngā mahi kua mahia*

*How we performed in 2020/21.
The Statement of Intent
2020–2025 signals new
performance criteria for the
Ministry; we report on our
progress against our measures.*

Key topics

36 Our operating performance

49 Our strategic priorities

Our operating performance

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

Climate Change

Departmental Output Expense

Managing Climate Change in New Zealand

This appropriation is intended to achieve quality policy advice to Ministers on domestic and international climate change issues.

	2019/20* Actual \$000	2020/21 Budget \$000	2020/21 Revised Budget \$000	2020/21 Actual \$000	2021/22 Forecast \$000
Revenue					
Crown	27,721	19,231	24,849	24,849	25,681
Departmental	171	92	222	367	92
Other	85	56	120	236	56
Total revenue	27,977	19,379	25,191	25,452	25,829
Total expenses	27,844	19,379	25,191	25,000	25,829
Net surplus (deficit)	133	-	-	452	-

* 2019/20 figures are regrouped to match the current structure of the appropriations.

At the Pre-Election Economic and Fiscal Update, the 2020/21 budget for this output class was \$19.379 million. During the year, this class increased by \$5.812 million to \$25.191 million.

This increase was due to:

- a reprioritisation of \$3 million from other Departmental Output Expense: Improving New Zealand's Environment appropriation to progress various work programmes related to climate change
- an increase of \$2 million for Adaptation Legislation – Proposed Timelines and Process
- draw down of \$580,000 from the State Sector Decarbonisation Fund contingency to progress the establishment of the Carbon Neutral Government Programme
- an increase of \$194,000 due to changes in third party revenue
- an expense transfer of \$38,000 from 2019/20.

Actual expenditure for 2020/21 was close to the revised budget.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Technical quality of advice papers (assessed by a survey with methodical robustness of 100%)	59%	Primary target: At least 3.5 out of 5	Primary target: 2.75 out 5.0 (55%) Secondary target: 4.3 out 5.0 (86%) The secondary target is 80% of papers achieve a rating of at least 4.0 out of 5.0. Prioritising rapid delivery of advice has affected this result given the volume of advice and specialist knowledge required. An improvement programme to support teams is being implemented.
All emissions trading unit auctions are held in accordance with the published calendar	New measure	100%	100% The first auction was held in March and the second one in June.
Percentage of business hours (excluding agreed maintenance outages) web services of national imagery data sets and land-use mapping published by the Ministry for the Environment are available to key stakeholders	New measure	98%	99% Achieved the required percentage of business hours the service was available.
All reports required under the Climate Change Response Act 2002 are delivered on time	New measure	100%	100% The New Zealand's Greenhouse Gas Inventory report was delivered in April 2021.
New Zealand meets agreed deadlines for international reporting on its greenhouse gas emissions and progress towards its targets	100%	100%	100% The national greenhouse gas inventory report 2021 (<i>New Zealand's Greenhouse Gas Inventory 1990-2019</i>) was published on the UNFCCC website on 14 April 2021.
Administer the funding for the ongoing costs of collecting the synthetic greenhouse gas levy by Waka Kotahi NZ Transport Agency and New Zealand Customs Service in accordance with respective memoranda of understanding	Achieved	Achieved	Achieved The Ministry administered the funding for the ongoing costs of collecting the Synthetic Greenhouse Gas Levy by Waka Kotahi NZ Transport Agency and New Zealand Customs Service in accordance with respective Memoranda of Understanding

Non-Departmental Appropriations Performance Measures

The below non-departmental performance measures are not subject to audit and are also presented in a separate non-departmental appropriation report, which will be reported by the Minister of Climate Change.

Non-Departmental Other Expense*

Allocation of New Zealand Units

This appropriation is intended to achieve compensation of eligible participants of the Emissions Trading Scheme who face increased costs as a result of the scheme.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of applicants deemed to be eligible to receive units to compensate for increased costs resulting from the Emissions Trading Scheme receive an allocation of units within either set timeframes (20 working days) or extensions agreed with participants	100%	100%	98.5% The Environmental Protection Authority processed 71 industrial allocation applications in 2021. Seventy applicants received their units with 20 working days (98.5%), and the remainder received them within 23 days.
Percentage of emission returns lodged by forestry participants with a net entitlement for units, which resulted in a direction sent to the Register to transfer units to the participant within either legislated timeframes or extensions as approved	New measure	80%	98.5% There were 608 Voluntary Emission Returns submitted between 1 January–30 June 2021. Of these, nine were processed outside the legislative timeline.

* Financials for non-departmental other expense provided in Part 3.

Environment

Departmental Output Expense

Improving New Zealand's Environment

This appropriation is intended to achieve quality advice and solutions with a focus on improving environmental management frameworks.

	2019/20* Actual \$000	2020/21 Budget \$000	2020/21 Revised Budget \$000	2020/21 Actual \$000	2021/22 Forecast \$000
Revenue					
Crown	59,585	83,149	89,449	89,449	127,048
Departmental	987	476	776	1,038	476
Other	280	331	482	418	331
Total revenue	60,852	83,956	90,707	90,905	127,855
Total expenses	58,836	83,956	90,707	86,347	127,855
Net surplus (deficit)	2,016	-	-	4,558	-

* 2019/20 figures are regrouped to match the current structure of the appropriations.

At the Pre-Election Economic and Fiscal Update, the 2020/21 budget for this output class was \$83.956 million. During the year, this output class increased by \$6.751 million to \$90.707 million due to:

- an increase of \$5 million for reforming the resource management system
- an increase of \$2.040 million for addressing contamination of New Zealand's waterways
- an expense transfer of \$1.217 million from 2019/20 for resource management and the freshwater implementation project
- a reprioritisation of \$1.098 million from the Non-Departmental Waste Minimisation and Resource Recovery initiatives appropriation to meet the administration costs of the initiatives
- an increase of \$615,000 for the Crown response to Water Rights Litigation
- an increase of \$451,000 due to changes in third-party revenue.

The above is offset by:

- a reprioritisation of \$3 million to other Departmental Output Expense: Managing Climate Change in New Zealand appropriation to progress various work programmes related to climate change
- a fiscally neutral transfer of \$350,000 to Vote Business, Science and Innovation for administration costs of the Waste Infrastructure loans
- an expense transfer of \$258,000 to 2021/22 to meet the administration costs of the waste minimisation and resource recovery initiatives
- a reduction of \$62,000 for the decrease in Capital charge rate from 6% to 5%.

Actual expenditure for 2020/21 was lower than the revised budget, due to:

- delays in spending in resource management reforms due to delays in policy decisions
- delays in spending in freshwater related reforms due to delays in associated Court processes and hearings
- delays in spending in waste minimisation related activities due to extended timelines for external finalisation of funded projects
- delays in spending in Information, Communications and Technology digital work programme due to external vendor delays.

We have sought an in-principle expense transfer of funding to continue the programme of works in 2021/22.

Quality of Advice

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Technical quality of advice papers (assessed by a survey with methodical robustness of 100%)	76%	Primary target: At least 3.5 out of 5 (70%)	Primary target: 3.8 out of 5.0 (76%) Secondary target: 4.55 out 5.0 (91%) The secondary target is 80% of papers achieve a rating of at least 4.0 out of 5.0.
The satisfaction of the Minister for the Environment and the Minister of Climate Change with the advice service, as per the common satisfaction survey	75% (includes results from three Ministers)	At least 4 out of 5 (80%)	3.81 (76%) Includes results from two Ministers.
Percentage of all regulatory impact statements that partially or fully meet quality assurance criteria	100%	At least 90% (with 70% fully meeting criteria)	100% of regulatory impact statements partially or fully met the criteria. The secondary criteria result was 60% of regulatory impact statements fully meet the quality assurance criteria.
Minimum six weeks public consultation for all national direction workstreams	New measure	100%	100% Public consultation period for all national direction workstreams was achieved.

Ministerial Services

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of ministerial Official Information Act requests submitted within the timeframes agreed with the Ministers' office	91.50%	95%	84% 75 out of 89 ministerial Official Information Act requests were completed within the agreed timeframes.
Percentage of responses to departmental Official Information Act requests sent within statutory deadlines	96.30%	95%	93% 217 out of 233 departmental Official Information Act requests were completed within statutory deadlines.

Data and Evidence

Our advice and actions are grounded in science and evidence

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Number of months for the Ministry to publish the National Monitoring System data after receiving the complete data set from local authorities	New measure	No more than six months	<p>On track</p> <p>The last submission of 2019/20 planning and consent data from councils was received in March 2021. The National Monitoring System national dataset has been collated and released to the public in August 2021. Note the Ministry was managing a delay in data submission due to the impact of the COVID-19 lockdown.</p>
Produce environmental reports required by the Environmental Reporting Act 2015	Achieved	Two reports	<p>Achieved</p> <p>We released two state of the environment reports in compliance with the Environmental Reporting Act 2015: <i>Our atmosphere and climate 2020</i> (October 2020) and <i>Our land 2021</i> (April 2021).</p>

Non-Departmental Appropriations Performance Measures

The below non-departmental performance measures are not subject to audit and are also presented in a separate non-departmental appropriation report, which will be reported by the Minister for the Environment.

Non-Departmental Output Expense*

Community Environment Fund**

This appropriation is intended to achieve support for collaborative partnerships that raise environmental awareness and encourage community participation in environmental initiatives.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of completed Community Environment Fund projects that achieved stated objectives	New measure	50%	76% Seventeen projects funded by the Community Environment Fund closed in 2020/21. Thirteen achieved 100% of their stated objectives.

Water science and economics**

This appropriation is intended to achieve building science and economics knowledge and capability by developing the science underpinning the attributes for the National Objectives Framework, and the understanding of the economic impacts.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of completed Water science and economics fund projects that achieved stated objectives	80%	80%	86% Six of the seven contracts funded by the Water science and economics fund completed in the 2020/21 financial year achieved all of their objectives.

** An exemption was sought for the above two appropriations under S.15D(b)(iii) of the Public Finance Act as the amount (or annual average equivalent) of each of these non-departmental expense appropriations is less than \$5 million.

Contaminated Sites Remediation Fund

This appropriation is intended to achieve a reduction in the risks from contaminated sites.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of completed contaminated sites projects that achieve stated objectives	New measure	100%	100% Two projects were completed and successfully met all their stated outcomes.

* Financials for non-departmental output expense provided in Part 3.

Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme

This appropriation is intended to achieve improved and sustained water quality by targeted interventions in the Rotorua Lakes.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of deed-funded lakes showing a decrease in their average Trophic Level Index from the previous year	100%	50%	66% One of the three funded lakes did not show a decrease in Trophic Level Index.

Freshwater Improvement Fund

This appropriation is intended to achieve improvements in the water quality of New Zealand's freshwater bodies in partnership with others.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of completed Freshwater Improvement Fund projects that achieved stated objectives	100%	80%	57% Four of the seven projects funded by the Freshwater Improvement Fund in 2020/21 achieved their stated objectives. The remaining three projects achieved eight of their 12 objectives. Overall, 86% of the individual objectives were achieved.
Percentage of completed Public Waterways and Ecosystem Restoration Fund projects that achieved stated objectives	New measure	Projects commenced in 2020/21	There are no completed projects to report on this year. The fund has contracted all of its 24 projects in the 2020/21 financial year. All projects are on track to meet their stated objectives.
Percentage of completed At-Risk Catchment projects that achieved stated objectives	New measure	Projects commenced in 2020/21	There are no completed projects to report on this year. This fund will contract the catchment projects in the 2021/22 financial year.

Kaipara Moana Remediation

This appropriation is intended to achieve the remediation of the Kaipara Moana by halting degradation and working towards more productive, sustainable, and high value use of land within the Kaipara catchment.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of completed Kaipara Moana Remediation Programme projects that achieved stated objectives	New measure	90%	No results for this financial year. Six projects were notified (provisionally) as being successfully completed in the 2020/21 financial year and achieving their stated objectives. The performance results will be confirmed in the next financial year 2021/22.

* Financials for non-departmental output expense provided in Part 3.

Te Mana o Te Wai Fund

Te Mana o Te Wai Fund was established to support Māori to improve freshwater quality. The fund objectives are to:

- help Māori improve the health of freshwater bodies of importance to them
- create nature-based employment opportunities
- build capacity and capability for Māori to participate in and make decisions for freshwater management, including in the implementation of Essential Freshwater reforms.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of completed Te Mana o Te Wai Fund projects that achieved stated objectives	New measure	90%	There are no completed projects to be reported on this year. We expect to finalise the next funding round by December 2021, with funding deeds in place by June 2022.

Waste and Resource Recovery

This category is intended to achieve a resilient system for reducing, recycling, and managing New Zealand's waste responsibly by supporting research and development, innovation and commercialisation opportunities, information and education, regulatory activities (including compliance, monitoring, and enforcement), data, evidence, and evaluation and resource recovery infrastructure by improving New Zealand's capacity to recycle and recover materials.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of contracted COVID-19 Response and Recovery Fund – waste and resource recovery initiatives that have achieved stated milestones (measured through milestone reporting)	New measure	80%	100% All milestones as per deeds of funding are on track. Most COVID-19 Response and Recovery Fund projects have recently entered into deed / begun, so only a small number of milestones are in the delivery phase based on the project timeline for the 2020/21 financial year.

* Financials for non-departmental output expense provided in Part 3.

Waste Minimisation

Departmental Output Expense

Waste Minimisation Administration

This appropriation is intended to boost New Zealand's performance in waste minimisation through quality policy advice and funding of waste minimisation projects.

	2019/20 Actual \$000	2020/21 Budget \$000	2020/21 Revised Budget \$000	2020/21 Actual \$000	2021/22 Forecast \$000
Revenue					
Crown	6,706	5,906	7,602	7,602	5,906
Departmental	-	-	-	-	-
Other	-	-	-	-	-
Total revenue	6,706	5,906	7,602	7,602	5,906
Total expenses	5,010	5,906	7,602	7,397	5,906
Net surplus (deficit)	1,696	-	-	205	-

At the Pre-Election Economic and Fiscal Update, the 2020/21 budget for this output class was \$5.906 million. During the year, this class increased by \$1.696 million to \$7.602 million for 2020/21 due to an expense transfer of funding from 2019/20 to meet the cost of managing and monitoring a higher number of projects being funded through the contestable Waste Minimisation Fund.

Actual expenditure for 2020/21 was close to the revised budget.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Technical quality of advice papers (assessed by a survey with methodical robustness of 100%)	Target not met (only one paper assessed)	Primary target: At least 3.5 out of 5 (70%)	Primary target: 0 out of 5.0 (0%) (small sample size, only two papers assessed). Secondary target: 2.5 out of 5 (50%) The secondary target is 80% of papers achieve a rating of at least 4.0 out of 5.0. Low numbers of advice papers reflect operational function of teams. Commissioning and support measures to be implemented for improved performance.
Percentage of levy payments withheld under section 33 of the Waste Minimisation Act 2008 due to territorial authorities not meeting their requirements	This is a new measure but an existing process. The statutory duty for the Secretary for the Environment is clear and provides for no discretion	100%	100% The Ministry has met its obligations each quarter to withhold levy funding from councils who do not comply with requirements, in accordance with section 33 of the Act.
Percentage of levy payments to qualifying territorial authorities paid on time	This is a new measure but an existing process. The statutory duty for the Secretary for the Environment is clear and provides for no discretion	100%	100% The Ministry has met its obligation to distribute levy payments on time each quarter to councils which have met their obligations.
Number of audits of disposal facilities completed 2020/21	New measure	36 (100%)	36 (100%) All scheduled audits have been completed. One audit was postponed for safety reasons due to a fire at the landfill.
Number of audits of territorial authorities completed 2020/21	New measure	48 (100%)	48 (100%) All scheduled annual programme audits have been completed for the 2020/21 financial year.
Deed of funding negotiations for 80% of projects are completed within four months of receiving approval for funding by the Minister for Environment	New measure	80%	10% The average time for completion of deed of funding negotiations for the 18 projects was 6–7 months, rather than 4 months. Responsible negotiation of deeds of funding balances timeliness to ensure investment in waste minimisation initiatives is achieved.

Non-Departmental Appropriations Performance Measures

The below non-departmental performance measures are not subject to audit and are also presented in a separate non-departmental appropriation report, which will be reported by the Minister for the Environment.

Non-Departmental Output Expense*

Contestable Waste Minimisation Fund

This category is intended to boost New Zealand's performance in waste minimisation through grants for waste minimisation initiatives.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of completed Waste Minimisation Fund projects that have achieved a minimum of 80% of the stated objectives	84%	80%	88% This target has been exceeded. 88% of projects met their stated objective.

* Financials for non-departmental output expense provided in Part 3.

Non-Departmental Other Expense*

Waste Disposal Levy Disbursements to Territorial Local Authorities

This category is intended to provide territorial local authorities their proportion of the Waste Disposal Levy as prescribed under the Waste Minimisation Act 2008.

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Percentage of territorial authorities that have met statutory requirements to undertake a waste assessment for their district and developed a waste management and minimisation plan, including actions on how they will spend their portion of the levy	New measure	100%	98% Of the 67 territorial authorities, 66 have an up-to-date waste minimisation and management plan.

* Financials for non-departmental other expense provided in Part 3.

Departmental Capital Expenditure

This appropriation is intended to achieve the renewal, upgrade, and/or redesign of assets to support our service delivery.

	2019/20 Actual \$000	2020/21 Budget \$000	2020/21 Revised Budget \$000	2020/21 Actual \$000	2021/22 Forecast \$000
Expenditure is in accordance with the Ministry's capital asset management plan					
Property, plant and equipment	548	825	1,225	575	1,400
Intangibles	106	1,500	2,100	2,097	1,500
Total	654	2,325	3,325	2,672	2,900

PERFORMANCE MEASURE	2019/20 PERFORMANCE	TARGET	2020/21 PERFORMANCE
Expenditure is in accordance with the Ministry's capital asset management plan	Property, plant and equipment: \$548* Intangibles: \$106* Total: \$654*	Computer hardware: \$750* Computer software: \$2,100* Office equipment: \$25* Furniture and fittings: \$450* Total: \$3,325*	Partially achieved We met the target for software, partially met the target for hardware (one large order was delayed due to supply-chain issues arising from COVID-19), and due to our national office move being deferred by 12 months the timing of the furniture and fittings spend was deferred.

*\$000

Our strategic priorities

The Ministry has seven strategic priorities, covering a work programme that spans every aspect of New Zealand's natural and built environments.

- Transform the environmental management system
- The Treaty of Waitangi is reflected in environmental decision-making
- Improve the quality of New Zealand's urban environments
- Build a sustainable and resilient land and food system
- New Zealand transitions to a climate-resilient, low-emission, and circular economy
- Improve how New Zealand's natural resources are allocated
- Connect people and communities with te taiao.

Performance in this section is divided into progress on impact indicators intended to help us understand our progress against the outcomes, impacts, and critical shifts identified in our Statement of Intent. These indicators do not have fixed targets but are designed to show the direction we want to go in over time. The second part is our one-to-two-year shifts.

1. Transform the environmental management system

Our objective: To deliver a step-change in New Zealand's planning and environmental management system.

We began a significant work programme to reform the environmental management system. This means repealing the Resource Management Act 1991 (RMA) and replacing it with three acts: the Natural and Built Environments Act, the Strategic Planning Act, and the Climate Adaptation Act.

The purpose of the Natural and Built Environments Act is to enhance the quality of the built and natural environment for the wellbeing of current and future generations through achieving positive outcomes (within biophysical environment limits). The Act proposes a system of outcomes, limits, and targets set through a national planning framework which will be incorporated into regional combined plans prepared by central government, local government, and mana whenua.

The proposed Strategic Planning Act provides for the development of long-term regional spatial strategies that integrate land-use planning, environmental regulation, infrastructure provision, and climate change response matters that fall under various legislative functions including the Natural and Built Environments Act, Local Government Act, Land Transport Management Act, and Climate Change Response Act.

The proposed Climate Adaptation Act deals with the many complex legal and technical issues involved in the process of managed retreat and funding and financing of adaptation.

We are also continuing to support the operation of the Resource Management Act with local government, as they are key partners in implementing the new system. The implementation plans include:

- developing the first national planning framework, including limits and targets
- developing and testing combined plans to serve as models for local authorities
- supporting the increase in the capacity and capability throughout the system (including for iwi and local authorities).

We are engaging with iwi and Māori groups to ensure they have a voice in the shape of reforms and that a new system is workable and enduring. This includes working with agencies who also have responsibility for Crown/Māori relationships such as Te Arawhiti, the Department of Internal Affairs, and Te Puni Kōkiri.

We are also supporting a work programme on oceans and fisheries, working alongside other marine agencies. Cabinet has agreed to a vision, objectives, and principles for oceans. Policy work is underway to align decisions on resource management reform.

Impact indicators

FUNCTION	IMPACT INDICATOR	2020/21 PROGRESS
To develop new planning and environmental management legislation	The Government has a robust basis for reform and policy change, informed by evidence-based advice	<p>Currently in the legislation development phase with an exposure draft completed at the end of June 2021 for public consultation through select committee.</p> <p>Briefings were developed with officials from the relevant central government agencies and provided to eight scheduled ministerial oversight group meetings in the 2020/21 financial year.</p> <p>A joint agency board was established at the end of April to oversee the development of the Strategic Planning Act and meet fortnightly.</p> <p>Senior and political engagement with local government on policy and the reform programme including transition, targeted engagement on policy with technical local government experts, regular newsletters, and advice to Ministers on transitioning to the new system (by way of briefings).</p>
To develop and update national direction (national policy statements and national environmental standards)	Stakeholders have greater clarity and certainty about New Zealand's environmental policy settings	<p>Current Resource Management Act and future national directions are communicated to stakeholders.</p> <p>Changes to the national direction work programme are communicated to Treaty partners and regional and local governments at least quarterly.</p> <p>Release the exposure draft of the Natural and Built Environments Act to enable stakeholders to review and respond to critical policy directions.</p>
	Environmental decision-making is more consistent across central and local government	<p>Statutory decisions made by the Minister for the Environment under the Resource Management Act are upheld through any legal challenge.</p> <p>National Monitoring System data is collected and reported at least annually.</p>
To support the efficient and effective operation of the Resource Management Act	Central and local government can access technical support and capacity to support planning and decision-making, including the transition to the future system	<p>Currently in the legislation development phase with an exposure draft completed at the end of June 2021 for public consultation through select committee. Briefings developed with officials from the relevant central government agencies and provided to eight scheduled ministerial oversight group meetings in the 2020/21 financial year. Joint agency board established end of April to oversee development of the Strategic Planning Act and meeting fortnightly. Senior and political engagement with local government on policy and the reform programme including transition, targeted engagement on policy with technical local government experts, regular newsletters, and advice to Ministers on transitioning to the new system (by way of briefings).</p>
To provide a system perspective on oceans policy to ensure alignment with wider reforms	The Government has a robust basis for oceans management reform	<p>Tracking well to build basis for advice to Ministers on oceans reform.</p> <p>Release of the Office of the Prime Minister's Chief Science Advisor report is raising profile. Environmental Defence Society issues and options paper to be released in the middle of 2021.</p> <p>Cabinet agreed to a vision, objectives, and principles for oceans.</p>

Shifts

FUNCTION	1- 2-YEAR SHIFT	2020/21 RESULT
To develop new planning and environmental management legislation	New planning and environmental legislation is introduced to Parliament	<p>Achieved</p> <p>Our exposure draft of the Natural and Built Environments Act was introduced to the House and released for public submissions on 29 June. We are working on the draft Natural and Built Environments Act and the Strategic Planning Act. These will be introduced to the House at the end of March 2022.</p>
To develop and update national direction (national policy statements and national environmental standards)	National direction is delivered as agreed with the Government and will support the transition to the future system	<p>Achieved</p> <p>All of national direction meetings are held and the programme overview timeline is updated at least quarterly.</p>
To support the efficient and effective operation of the Resource Management Act	Fast-track consenting and streamlined planning applications are delivered within agreed timeframes	<p>Achieved</p> <p>The fast-track consenting process had received 55 applications by the end of the financial year. Of those, 22 were referred to the Environmental Protection Authority to allow expert consenting panel consideration by year-end. We have received positive feedback from the industry on time saved by this consenting pathway option.</p>
To provide a system perspective on oceans policy to ensure alignment with wider reforms	The oceans work programme is aligned with the new planning and environmental management system	<p>Achieved</p> <p>Oceans work programme aligns with decisions on resource management reform, where relevant.</p>

2. The Treaty of Waitangi is reflected in environmental decision-making

Our objective: To give effect to partnership with Māori and iwi in the delivery of the planning and environmental management system.

We understand that Māori, as Treaty partners and tangata whenua, play an important role in addressing our urgent environmental issues. Recognising the vital links between tangata whenua and te taiao, mātauranga Māori guides us in our efforts to live in harmony with nature.

The lessons from mātauranga Māori can help us find solutions for Aotearoa. For the past two years, Te Manatū Mō Te Taiao has been on a journey to build better Treaty relationships. Our strategy reflects this.

Impact indicators

FUNCTION	IMPACT INDICATOR	2020/21 PROGRESS
To provide advice on environmental redress in Treaty settlements and ensure its effective implementation	Policy advice reflects the Treaty of Waitangi and any specific requirements included in Treaty settlements	During the 2020/21 financial year, approval was gained to establish a new business group, Tūmatakōkiri, from 1 July 2021. An engagement contact system, Tono Āwhina, has been established and we are ensuring it is being used across the Ministry to access support and advice on Te Tiriti o Waitangi.
	Implementation work programmes include specific actions to address commitments in Treaty settlements	We began scoping a commitments database. Further work is required to ensure information is held in an easily accessible, cross-referenced database. Tono Āwhina is in place. We are continuing to educate staff to ensure they are using it to access support around existing settlement commitments, and at the right stage in the process.
	Other specific actions in Treaty settlement agreements are met	A high level stocktake of other commitments has been carried out; however, further analysis of this is required to determine business planning requirements for 2022/23.
To provide advice on options to strengthen consideration of the Treaty of Waitangi in environmental decision-making	Māori and iwi engaged as Treaty partners in the policy options	Work is being carried out on scoping an engagement plan (focus on internal coordination and external implementation).
To implement the Te Ao Hurihuri strategy to lift Ministry capability	The Ministry's capability to engage with Māori and iwi is developed and maintained	We are implementing the Te Ao Hurihuri strategy objectives and have a dedicated new business group, Tūmatakōkiri, to support the Ministry's engagement capability uplift.

Shifts

FUNCTION	1- 2-YEAR SHIFT	2020/21 RESULT
To provide advice on environmental redress in Te Tiriti settlements and ensure its effective implementation	The development and implementation of a Te Tiriti settlements policy toolkit	<p>Achieved</p> <p>A toolkit has been developed and implemented for resource management reform and we have almost completed a toolkit for water and climate. Policy teams will be responsible for using the toolkit, with feedback on its impact centralised. The toolkit is being reviewed within the Treaty Partnerships team.</p>
To advise on options to strengthen consideration of Te Tiriti o Waitangi in environmental decision-making	Advice is developed on options to strengthen consideration of Te Tiriti o Waitangi	<p>On track</p> <p>A Treaty clause was included in the exposure draft of the Natural and Built Environments Act. The Select Committee process is underway to address public submissions on this and other provisions in the exposure draft. Treaty analysis is being completed, and we are working to improve the quality of this analysis with support from the Māori policy and partnering workstream of the resource management reform.</p>
To implement the Te Ao Hurihuri strategy to lift Ministry capability	Te Ao Hurihuri is implemented across the organisation	<p>Achieved</p> <p>Programme aligned to Te Arawhiti (Office of Māori Crown Relations) standards. For the 2020/21 financial year we targeted the training and development standard at a 'comfortable' level. Initiatives included:</p> <ul style="list-style-type: none"> • putting language planning in place as per the Maihi Karauna • providing training to ensure staff have a basic understanding of: <ul style="list-style-type: none"> - why the Māori Crown relationship is important (Te Arawhiti – Engagement with Māori workshops) - te reo Māori me ona tikanga Māori - New Zealand history and the Treaty of Waitangi • being open to secondments when staff proactively identify opportunities (eg, secondment to Te Arawhiti to help develop Whāinga Amorangi).

3. Improve the quality of New Zealand's urban environments

Our objective: To work in partnership with central and local government in planning, designing, and delivering sustainable urban environments for all people and communities.

The National Policy Statement on Urban Development was gazetted in July 2020 and an implementation plan is being developed.

We completed public consultation on proposed amendments to the National Environmental Standards for Air Quality. This work programme is on hold due to other work programme commitments and because we are waiting for evidence updates from the World Health Organisation and the Health and Air Pollution in New Zealand model. Under the proposed new national planning framework, air quality will be a mandatory topic.

We focused on developing internal strategic thinking on the three waters system, aided by consultant reports and initial engagement on wastewater. This work has set us up to work with the Department of Internal Affairs on the Three Waters review. We also developed guidance on urban water topics to create understanding and uptake of best practice.

Impact indicators

FUNCTION	IMPACT INDICATOR	2020/21 PROGRESS
To implement the National Policy Statement on Urban Development	The needs of current and future communities are identified by local authorities as required by the National Policy Statement on Urban Development	Councils are continuing to implement the National Policy Statement on Urban Development, which ensures RMA plans are better identified and provides for the needs of current and future communities. Our comprehensive guidance and messaging to councils identifies the expectations of what councils need to do.
	Local councils are monitoring whether communities' needs are being met in accordance with the National Policy Statement on Urban Development	Councils are using the data they collect as they consider their planning decisions and implement the National Policy Statement on Urban Development. The data and findings are also providing useful insights for our work programmes and some councils are leading more evidence-based discussions about future policies, based on the data that they collect. The method for collecting the data varies across councils and there are opportunities to provide more targeted support from central government to support councils monitoring programmes.
To support the effective regulation and integrated management of urban land use and water infrastructure	Local authorities and water service providers can demonstrate progress towards improving urban water outcomes and upholding Te Mana o te Wai	We have issued guidance on modelling drinking water source protection areas. Work to amend the National Environmental Standards for Sources of Human Drinking Water is underway, with gazettal expected early 2022. Work to support the uptake of water sensitive urban design is in progress.
The National Environmental Standards for Air Quality are amended	Regional plans are updated to reflect the requirements of the National Environmental Standard for Air Quality	Amendments to the National Environmental Standards for Air Quality have been postponed. This is partly due to having to shift focus to other parts of our work programme. In addition, the air quality work programme is awaiting evidence updates from the <i>WHO ambient air quality guidelines</i> update and the <i>Health and Air Pollution in NZ</i> update. Work undertaken in the last financial year included a public consultation process. The summary of submissions was published in 2020.
	Local government participate in the National Air Quality Working Group	Biannual National Air Quality Work Group meetings were held and attended by representatives from most of the regional councils: 24–25 September 2020 and 25–26 March 2021. The Ministry presented work programme updates at both meetings.

Shifts

FUNCTION	1- 2-YEAR SHIFT	2020/21 RESULT
To implement the National Policy Statement on Urban Development	An implementation plan for the National Policy Statement on Urban Development is developed	<p>Partially achieved</p> <p>A good working relationship has been developed with the Ministry of Housing and Urban Development, and joint decisions have been made about the implementation activities. However, the implementation plan has not been signed off because the focus in the last half of the year was on re-setting some policy aspects. This diverted resources from implementation activities and will significantly change the scope of the implementation actions.</p>
	The Auckland Joint Work Programme is implemented	<p>Achieved</p> <p>We have developed our relationship with Auckland Council through our involvement in the joint work programme, detailed discussion on National Policy Statement on Urban Development implementation, working with the Council to explore trends seen in the National Monitoring System data, and identifying opportunities for improved practices.</p>
To support the effective regulation and integrated management of urban land use and water infrastructure	A new regulatory framework for Three Waters is enacted through the Water Services Bill and any necessary changes under the resource management system	<p>On track</p> <p>We are working with the Department of Internal Affairs on the Water Services Bill and wider Three Waters reform. Work to amend National Environmental Standards for Sources of Human Drinking Water is underway, with gazettal expected early 2022.</p>
	The National Environmental Standards for Air Quality are amended	<p>Not achieved</p> <p>Amendments to the National Environmental Standards for Air Quality have been postponed. This is partly due to having to shift focus to other parts of our work programme. In addition, the Air Quality work programme is awaiting evidence updates from the <i>WHO ambient air quality guidelines</i> update and the <i>Health and Air Pollution in NZ</i> update. Work undertaken in the last financial year included a public consultation process. The summary of submissions was published in 2020.</p>
	Local government is well supported to implement the National Environmental Standards for Air Quality	

4. Build a sustainable and resilient land and food system

Our objective: New Zealand has a productive and innovative land and food system that drives improved environmental outcomes.

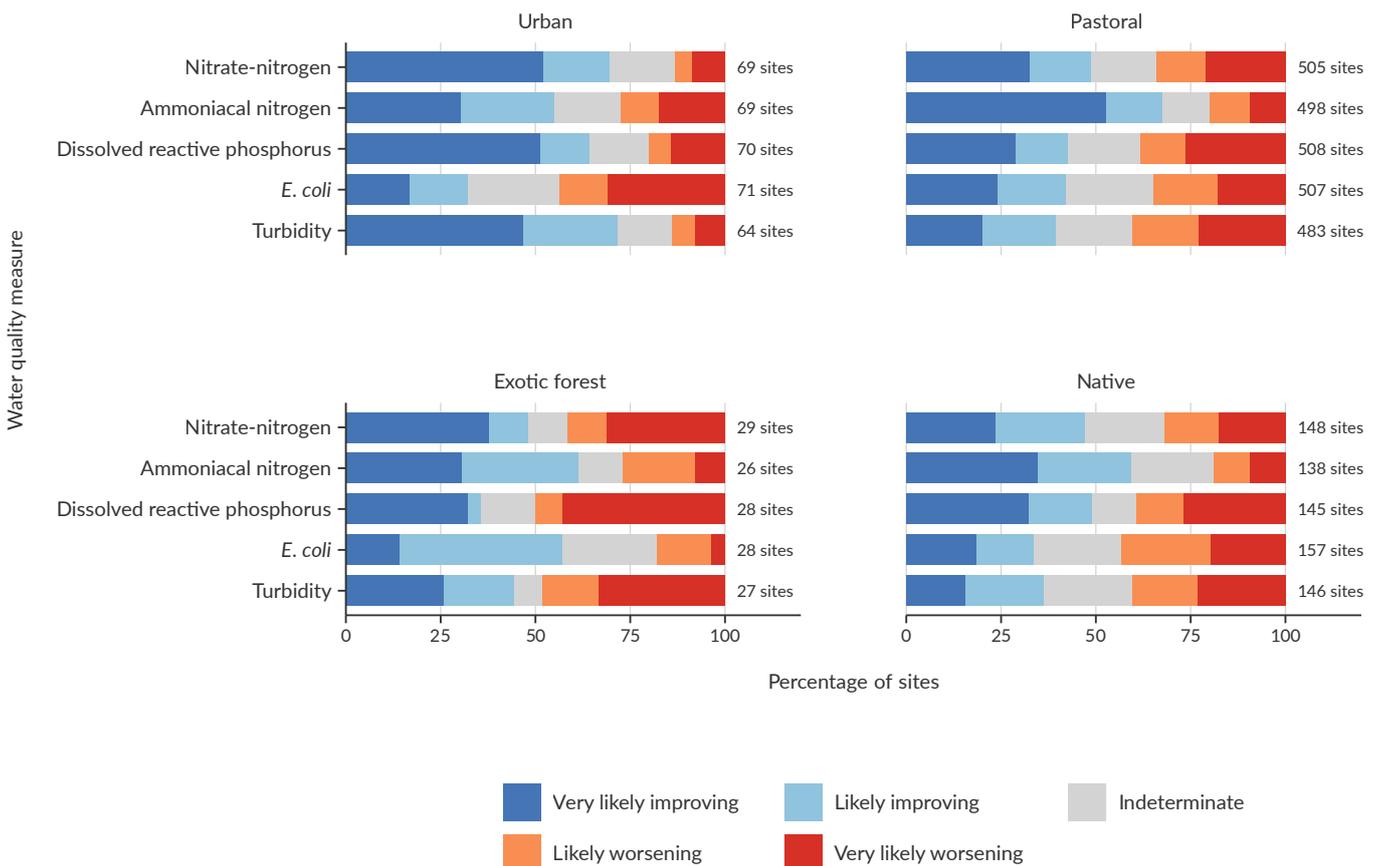
Essential Freshwater

Throughout the past year we have established a policy implementation and delivery function to accelerate delivery on the ground and support our stakeholders and partners in giving effect to policy, starting with freshwater regulations.

We've developed a number of products and services as part of the Freshwater Implementation Programme with the support of regional councils and iwi/Māori. We will continue to build on implementation support and broaden this from freshwater policy into other environmental policy areas over the coming year.

The overall river quality trends for nutrients (nitrate-nitrogen, ammoniacal nitrogen, and dissolved reactive phosphorus), *E. coli*, and turbidity are mixed. Improving water quality trends were found at slightly more monitoring sites than worsening trends in the 10 years from 2008 to 2017.

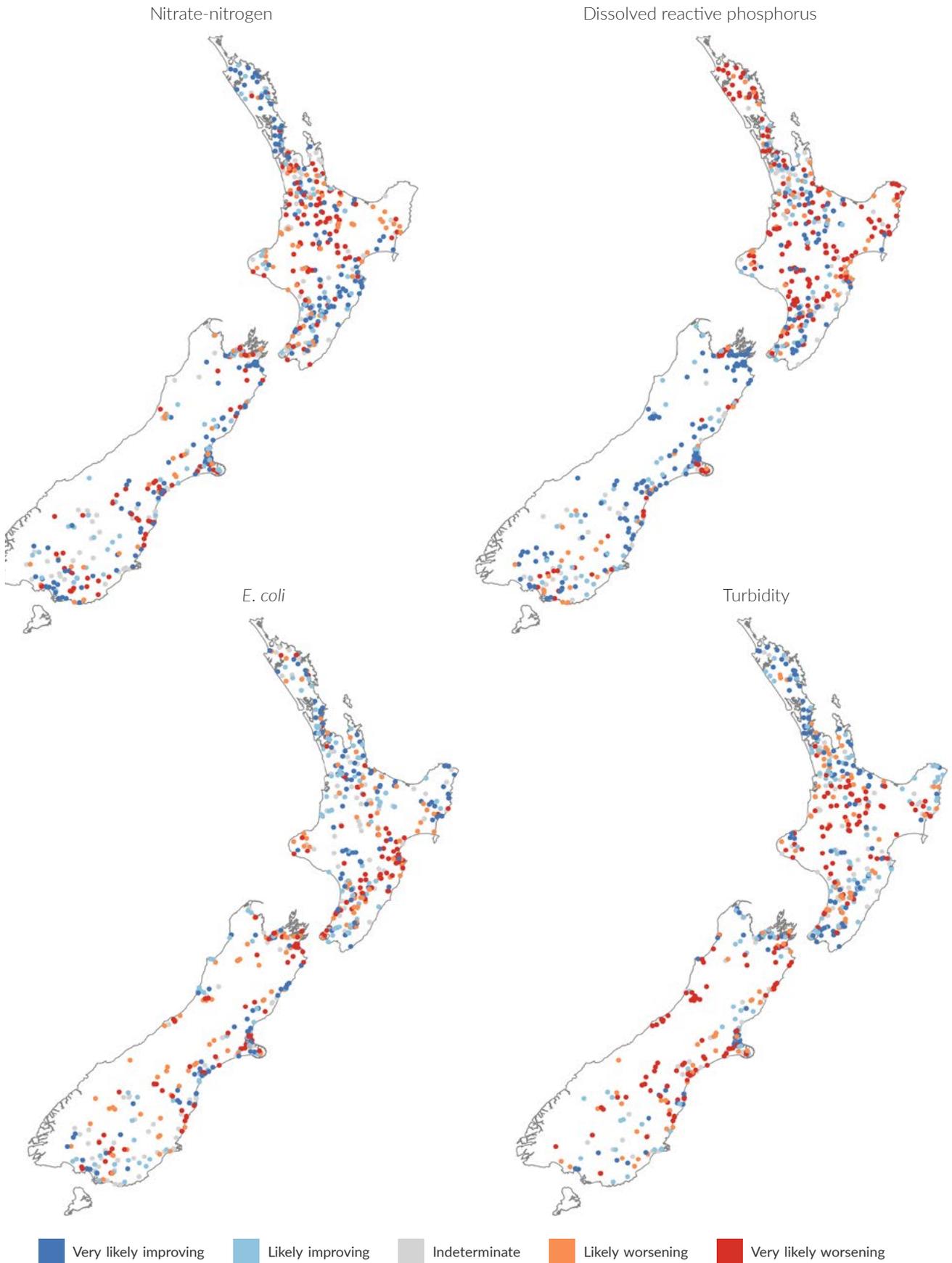
FIGURE 16: WATER QUALITY TRENDS FOR RIVER MONITORING SITES BY DOMINANT LAND COVER IN CATCHMENT, 2008-17



Note: Excludes catchments in 'other' land cover, which are dominated by gorse, broom, surface mines, dumps, exotic shrubland, or transport infrastructure. Catchments in the native and exotic forest land-cover classes can contain up to 15 percent urban and up to 25 percent pastoral land cover. The number to the right of each bar shows the number of sites where a trend could be assessed.

Source: Our freshwater 2020

FIGURE 17: RIVER WATER QUALITY MEASURED TRENDS FOR ALL LAND-COVER CLASSES, 2008-17



Source: Environment Aotearoa 2019

Our investment portfolio

Our investment portfolio has been recently shaped by two significant events.

1. The Essential Freshwater reforms, introduced by the Government in June 2020. This reform provides the policy framework to lead and drive widespread change in behaviour. It includes the National Policy Statement for Freshwater 2020, National Environmental Standards for Freshwater, Stock Exclusion Regulations, and the developing Freshwater Farm Plan policy.
2. The Government's \$1.3 billion investment into the Jobs for Nature programme as an environmentally friendly recovery package in response to COVID-19. Areas of work include biosecurity, conservation, fencing and riparian management, and tree planting. Within this, we are responsible for a \$433 million funding package to address contamination of New Zealand's waterways.

These two events complement the existing investment portfolio, including the Community Environment Fund and broader policy programme, building capability within the Ministry and freshwater management system, ultimately driving towards building a sustainable and resilient land and food system.

National Policy Statement for Indigenous Biodiversity

Some of New Zealand's native birds, animals, and plants, along with their ecosystems, are under threat of extinction. In response, the Government is proposing a National Policy Statement for Indigenous Biodiversity (NPS-IB). The NPS-IB was built on a draft created by the Biodiversity Collaborative Group and was developed by the Ministry and the Department of Conservation.

In 2019 and 2020, we consulted the public on the proposed NPS-IB and received more than 7,000 submissions. The Associate Minister for the Environment recently agreed to extend the timeframe for delivering the National Policy Statement for Indigenous Biodiversity to enable the development of an exposure draft and work on an implementation plan.

Impact indicators

FUNCTION	IMPACT INDICATOR	2020/21 PROGRESS
To implement the Essential Freshwater package on a kaupapa of Te Mana o te Wai	Councils update their freshwater management plans as required by the National Policy Statement for Freshwater Management	<p>The Resource Management Act amendment in June 2020 introduced the freshwater planning process and we are responsible for establishing this process. As freshwater planning instruments are heard the Ministry has a role to check alignment with the Governments policy positions. The freshwater planning process is set up to start hearings from July 2021.</p> <p>An Office of the Freshwater Commissioner has been set up and commissioners have been recruited. The Ministry is providing secretariate support to the Office of the Chief Freshwater Commissioner. Office logistics will get underway in the second half of 2021.</p>
	Technical guidance products are used by landowners and councils	There was strong demand for publications explaining the new regulatory package. New guidance is being added regularly, each of which will have a more focussed audience and therefore attract a smaller but highly relevant audience.
To develop a farm-level greenhouse gas emission pricing mechanism and regulations to give effect to a freshwater farm-planning system	Landowners know their total on-farm emissions and have plans to manage them	Work is well underway in the He Waka Eke Noa Partnership with industry to develop an on-farm agriculture emissions pricing system. The partnership published <i>Greenhouses gases: Farm Planning Guidance</i> in December 2020, achieving its first legislated milestone. It is on track to achieve its next milestone of 25% of farmers knowing their emissions number by 31 December 2021 but is currently carrying some risk in relation to its subsequent milestone of 25% of farmers having a greenhouse gas farm plan by 1 January 2022. The Partnership is due to deliver its recommendations to government on the design of a farm-level pricing system by the end of March 2022, for implementation by 1 January 2025.
	Freshwater farm plans are being put in place across New Zealand	Public consultation is underway on freshwater farm plans and project planning is on track to have regulations in place by mid-2022. Transition and implementation are being explored.
To invest in action to improve water quality	Funded projects achieve their stated objectives to improve ecosystem health	There is significant investment being delivered by the freshwater investment portfolio to improve ecosystem health. Twenty-three projects achieved 100% of stated objectives. Funding and performance of freshwater funds is further described on pages 42 – 44.
To advise on the development of national direction on indigenous biodiversity	Significant indigenous vegetation and habitats of significant indigenous fauna are being identified and managed by councils	Identification and management of significant indigenous vegetation and habitat will be required under the proposed National Policy Statement for Indigenous Biodiversity.

Shifts

FUNCTION	1- 2-YEAR SHIFT	2020/21 RESULT
To implement the Essential Freshwater package on a kaupapa of Te Mana o te Wai	Essential Freshwater package implemented with the Freshwater Implementation Group	<p>Achieved</p> <p>Freshwater Implementation Group was set up, providing governance and oversight of key freshwater programmes.</p>
To develop a farm-level greenhouse gas emission pricing mechanism and regulations to give effect to a freshwater farm-planning system	Farm-level emission pricing is designed and implemented	<p>On track</p> <p>The He Waka Eke Noa Partnership achieved its first statutory milestone by publishing greenhouse gas farm planning guidance in December 2020.</p> <p>The Partnership is on track to achieve its next milestone of 25% of farms knowing their target greenhouse gas emissions by the end of 2021.</p> <p>Advice on a farm-level pricing system is due to Ministers in March 2022.</p> <p>Implementation will take place between 2022 and 2025.</p>
	Freshwater farm plan regulations are implemented	<p>On track</p> <p>Regulations are due at the end of 2021. The implementation will begin in early 2022.</p>
To invest in action to improve water quality	There is a clear strategy for prioritising projects for funding	<p>Achieved</p> <p>While there isn't a single investment strategy document for all freshwater funds, every fund's objective and funding criteria are clearly stated and documented. A Cabinet or Ministerial mandate guides these.</p>
	Funding is allocated to projects each year	<p>Achieved</p> <p>In financial year 2020/21, all freshwater funding has been allocated to projects according to the approved investment criteria and processes.</p>
To advise on the development of national direction on indigenous biodiversity	National direction on indigenous biodiversity is developed	<p>On track</p> <p>We have delivered a recommendations report and advice to Ministers and put in place systems to enable the delivery of the National Policy Statement for Indigenous Biodiversity in 2021/22. We are on track to have national direction in force in 2021/22.</p>

5. New Zealand transitions to a climate-resilient, low-emission, and circular economy

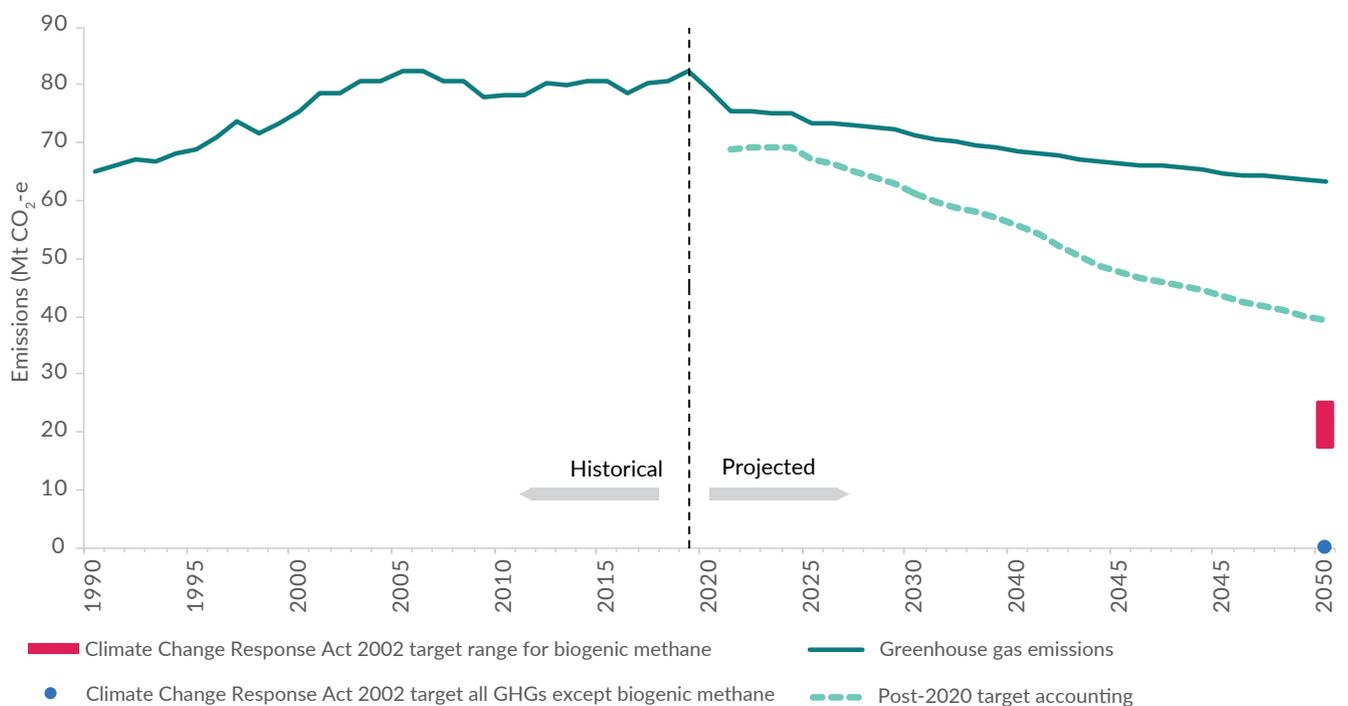
Our objective: New Zealand has an innovative and productive economy, with less waste and fewer greenhouse gas emissions, that is resilient to the physical and economic impacts of climate change.

How New Zealand is tracking towards our greenhouse gas emissions targets

The Ministry continues to collect data and track progress towards domestic and international climate change targets, and to build a robust, scientific basis for policy. Figure 18 shows how we are tracking towards emissions reduction targets that were set under the Climate Change Response Act 2002 (through the 2019 Zero Carbon Bill amendment).

Figure 18 contains greenhouse gas emissions projections (2020–50), published in January 2021, and historical emissions from New Zealand's most recent greenhouse gas inventory (1990–2019) published in April 2021.

FIGURE 18: NEW ZEALAND'S GREENHOUSE GAS EMISSIONS



This graph shows:

- New Zealand's greenhouse gas emissions¹ have remained relatively steady since peaking in 2006
- New Zealand's target accounting emissions² are projected to decrease from 67.1 Mt CO₂-e in 2020 to 61.3 Mt CO₂-e in 2030, and to 39.4 Mt CO₂-e by 2050
- the gap between the target accounting emissions and the projections shows how much more we need to reduce emissions by to achieve them.

The projections show that New Zealand is not on track to meet our 2050 emissions reduction targets. In response, the Government has a significant work programme underway to address this.

¹ Only gross emissions are shown because these are what our targets are set against.

² Target accounting includes gross emissions and a subset of forestry activities and excludes Tokelau.

The Climate Change Response Act 2002 underpins the emissions reduction programme. The Zero Carbon amendment put domestic emissions reduction targets into law and established an independent Climate Change Commission. The Climate Change Commission plays a key role in advising the Government on taking climate action and in monitoring progress of the emissions reduction and adaptation plans.

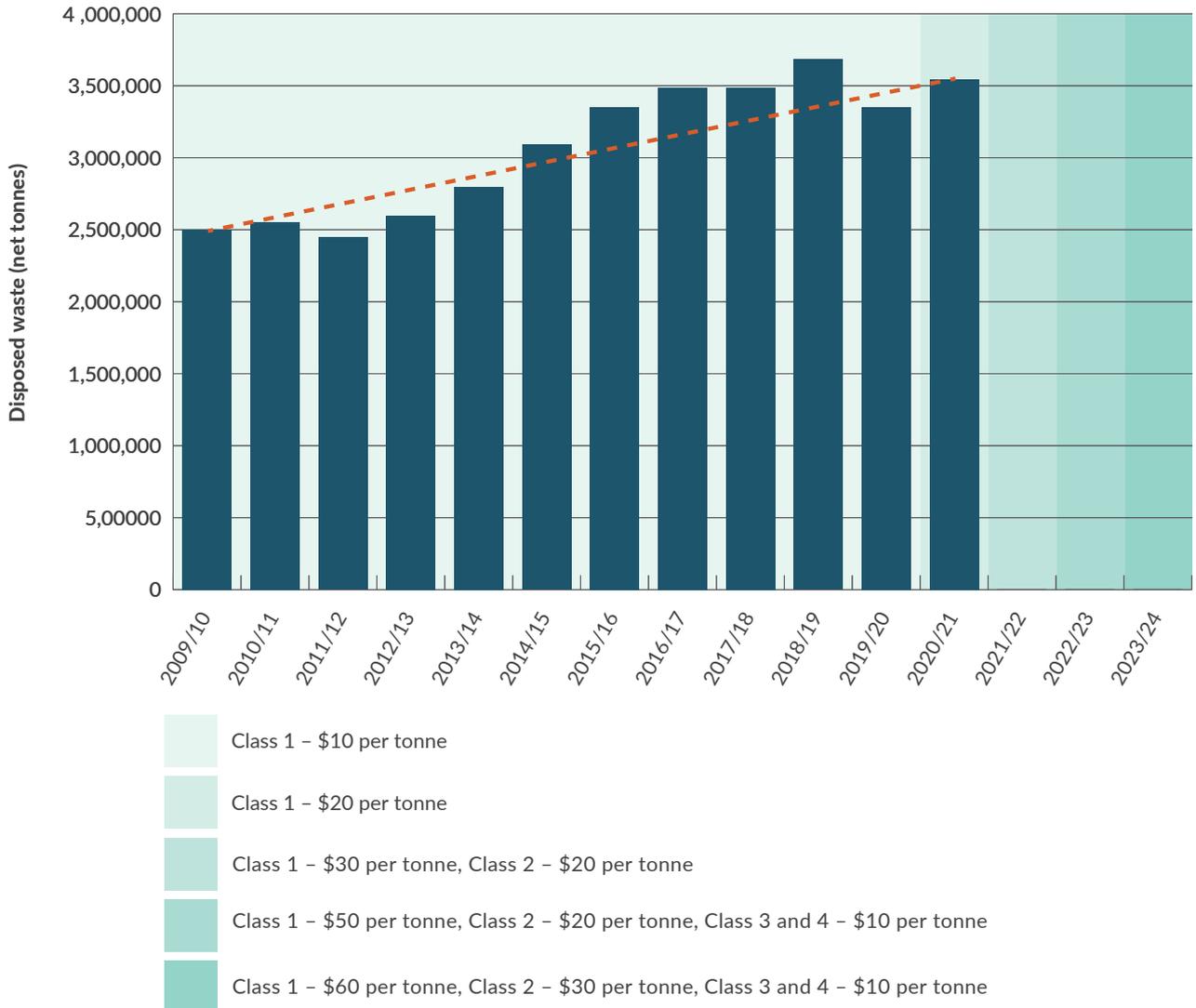
In May 2021, the Climate Change Commission delivered its first set of advice to the Government recommending the first three emissions budgets to 2035 and providing advice on pathways to meet these budgets through an Emissions Reduction Plan 2022-25. The Government has until December 2021 to set the first three emissions budgets out to 2035 and release the country's first plan to reduce emissions, detailing the policies it will use to achieve the budgets. The Emissions Reduction Plan will comprise sector specific as well as multi-sector policies and strategies to meet emissions budgets, while ensuring the impact of the transition is fair and equitable to all.

The Emissions Trading Scheme is another major component of the Government's climate change programme, to help us meet our emissions reduction targets.

Progressing towards a circular economy – waste disposed to landfills

While the level of waste disposed to landfill in New Zealand remains high, the Ministry took significant steps to begin lifting Aotearoa New Zealand's waste performance and to accelerate the transition to a low-carbon circular economy. In particular, in 2020/21 the scope of the Waste Disposal Levy was increased and expanded. This will significantly increase incentives to avoid sending waste to landfill. It will also increase funds available for investment back into waste-reduction initiatives, from around \$40 million per year at present to an estimated \$270 million from the end of 2024/25.

FIGURE 19: WASTE DISPOSAL LEVY INCREASE AND EXPANSION



Over the last year we have continued to invest in waste minimisation through the Waste Minimisation Fund and invested in resource recovery infrastructure as part of the response to the economic impact of COVID-19.

There are three stages of our journey to reduce the level of waste disposed to landfill and move towards a circular economy:

- **Stage 1: Catching up (to 2030)** – getting the basics in place and working to sow the seeds for transformational change, bring our resource recovery systems up to global standards, and reduce emissions from waste.
- **Stage 2: Pushing ahead (2030–40)** – increasing support and pressure for widespread changes in mindset, systems, and behaviour; optimising the resource recovery system for growing circular systems; and a major effort to remediate and regenerate.
- **Stage 3: Embedding a new normal (2040–50)** – embedding and integrating circular systems and behaviours across society, resource recovery systems into closed circular loops, and regeneration into systems of production and use.

As part of the first stage, we are developing, implementing, and funding initiatives which aim to reduce the amount of waste produced and disposed of in New Zealand, including:

- implementing the Waste Disposal Levy expansion and increase
- publishing a Plastics Action Plan, launching and delivering the Plastics Innovation Fund, and phasing out hard-to-recycle plastics
- designing and implementing regulated product stewardship schemes
- reviewing the New Zealand Waste Strategy and legislation
- standardising kerbside collections.

Impact indicators

FUNCTION	IMPACT INDICATOR	2020/21 PROGRESS
To provide advice on the development of an Emissions Reduction Plan	New Zealand has a suite of policies and measures that reduce emissions in line with our 2050 target	Work is underway to develop strategies and policies as part of the Emissions Reduction Plan. The Emissions Reduction Plan will set out how New Zealand will meet its first three emissions budgets and put us on a path to meeting our 2050 targets. The Climate Change Commission delivered its final advice on emissions budgets in May 2021. The Emissions Reduction Plan must be finalised by 31 December 2021.
To provide advice on the development of a National Adaptation Plan	Central and local government are taking an active role in planning for the impacts of climate change	Voluntary guidance is in place to support central government to consider the impacts of climate change within their policy development processes. A framework for assessing risk at a regional level has been drafted. A baseline has been established of how prepared policy development and service delivery agencies are for the impacts of climate change.
To revise the New Zealand Waste Strategy and expand the coverage and level of the Waste Disposal Levy	New Zealand has policy measures and targets to guide its transition to a more circular economy	We have written a draft New Zealand Waste Strategy that includes policy measures and targets. This has been reviewed internally. In 2021/22, we will undertake public consultation and publish the strategy. 2020/21 milestones include: approval and publication of the National Environmental Standards for Storing Tyres Outdoors; Cabinet approval to phase out problem plastics and some single-use plastics by July 2025; confirmation of the Waste Disposal Levy expansion and increases; approval to launch a \$50 million Plastics Innovation Fund.
To provide advice on the development of new product stewardship schemes	The level of waste produced in New Zealand reduces	There was an annual per capita increase of 4.5% of waste to class 1 landfills in 2020/21. However, the comparison between 2019/20 and 2020/21 was affected due to COVID-19. There was an annual per capita decrease in 2020/21 of 6.3% compared to 2018/19. The measure's second target, for Cabinet to approve the Waste Disposal Levy increases and expansion, was achieved.
To invest in projects that support resource efficiency, reuse, recovery, and recycling, and decrease waste to landfill	Sustainable design, manufacturing, and resource recovery sectors are expanding and reducing the level of waste to landfill	This measure relates primarily to delivering an economic stimulus package allocated to resource recovery infrastructure over three years. Deeds of funding under the COVID-19 Response and Recovery Fund for \$56.24 million were fully executed in the 2020/21 financial year. Waste Minimisation Fund funding was approved for 27 executed deeds is \$12.54 million. The Plastics Innovation Fund was announced in June 2021, and we have begun to set up this workstream.

Shifts

FUNCTION	1- 2-YEAR SHIFT	2020/21 RESULT
To advise on the development of an Emissions Reduction Plan	New Zealand has an Emissions Reduction Plan in place	On track In 2020/21, we defined the scope, timeline, and accountability for the first Emissions Reduction Plan. Draft chapters are being developed for the different sectors.
	New Zealand reports its greenhouse gas emissions internationally	Achieved New Zealand's Greenhouse Gas Inventory report was published in April 2021.
To advise on the development of a National Adaptation Plan	New Zealand has a National Adaptation Plan	On track The 2020/21 goal to have Cabinet agreement (in principle) to the strategic direction of the National Adaptation Plan was achieved.
To revise the New Zealand Waste Strategy and expand the coverage and level of the Waste Disposal Levy	The New Zealand Waste Strategy is reviewed	On track A draft New Zealand Waste Strategy, including policy measures and targets, has been reviewed internally. Next year we will undertake public consultation and publish the strategy.
	Changes are made to the Waste Disposal Levy	Achieved Waste Disposal Levy changes were confirmed by Cabinet in 2020/21.
To advise on the development of new product stewardship schemes	Three new product stewardship schemes have been designed	On track The Government has declared six priority products for regulated product stewardship under the Waste Minimisation Act. Co-design has been completed for tyres, refrigerants, and agrichemicals. Co-design is underway for farm plastics, e-waste, and large batteries and is yet to be started for plastic packaging.
To invest in projects that support resource efficiency, reuse, recovery, and recycling, and decrease waste to landfill	Investment approved for five large-scale projects	Achieved This target was exceeded. Seven projects had deeds of funding approved in the 2020/21 financial year, representing \$56.24 million in investment. These projects will be delivered over the next two years.

6. Improve how New Zealand's natural resources are allocated

Our objective: The development of a fair and enduring allocation system for freshwater and contaminants that addresses Māori rights and interests and improves the state of New Zealand's freshwater resources.

We have focussed on building our internal policy capability in this area. We have established a workstream exploring policy options, have made initial plans for measuring these, and are consulting with iwi/Māori and other stakeholders. We are working on these issues across the Ministry to ensure we are taking a coherent approach.

The Government has committed to developing a fair and enduring allocation system for freshwater and contaminants that addresses Māori rights and interests and improves the state of New Zealand's freshwater resources. This requires us to engage with Māori as Treaty partners in developing a new system to allocate freshwater and contaminants.

Impact indicators

FUNCTION	IMPACT INDICATOR	2020/21 PROGRESS
To advise on the development of a new system to allocate freshwater and contaminants	The Government has a robust basis for improving water allocation in New Zealand, informed by evidence-based advice	National level economic impact model is being peer-reviewed and planning for impact analysis is underway.
	Options have been consulted on with a broad range of stakeholders	We are seeking further direction from Cabinet on an agreed approach to engagement.
To engage with Māori as Te Tiriti partners in developing a new system to allocate freshwater and contaminants	Māori are engaged as Te Tiriti partners in developing policy options to improve the allocation of water and contaminants in New Zealand	We have had ongoing, regular engagement with Te Tai Kaha and the National Iwi Chairs Forum since December on freshwater rights and interests, including freshwater allocation.

Shifts

FUNCTION	1- 2-YEAR SHIFT	2020/21 RESULT
To advise on developing a new system to allocate freshwater and contaminants	Advice is provided on a new system to allocate freshwater and contaminants	Not achieved We are seeking further direction from Cabinet on an agreed approach to engagement.
To engage with Māori as Te Tiriti partners in developing a new system to allocate freshwater and contaminants	Advice is provided on a new system to allocate freshwater and contaminants	Achieved We have had ongoing, regular engagement with Te Tai Kaha and the National Iwi Chairs Forum since December on freshwater rights and interests, including freshwater allocation.

7. Connect people and communities with te taiao

Our objective: To accelerate change through compelling communication, partnerships, and engagement, using data and insights.

A key pillar for our engagement with New Zealanders is our environmental reporting, which helps strengthen people's understanding of the relationship between our way of life and the environment. Data and evidence on environmental trends highlight how our decisions affect te taiao and enables people to make informed decisions. We produce regular reports on different aspects of the environment with Stats NZ.

The Parliamentary Commissioner for the Environment released recommendations to improve the environmental reporting system. Some recommendations have been implemented, while others require more systemic change. In addition to our environmental reporting, we will partner with environmental leaders across New Zealand, and invest in public education activities, to accelerate action and achieve better environmental outcomes sooner.

Impact indicators

FUNCTION	IMPACT INDICATOR	2020/21 PROGRESS
To report on the state of the environment	The media and civil society engage in our environmental reporting programme	We produced a range of resources on the Stats NZ and Ministry websites, and short-form and long-form reports. For this measure, we use the number of long-form reports downloaded as a metric of public interest. Downloads of the <i>Our atmosphere and climate 2020</i> and <i>Our land 2021</i> exceeded 750 individual downloads (within six months of their release). This has seen a steady increase since <i>Environment Aotearoa 2019</i> .
To partner with stakeholders across New Zealand	The number of partnership agreements and scale of intended impact increases over time	We are increasingly taking a partnering approach to achieve system change. We continue to deliver and leverage our longstanding partnerships, such as The Aotearoa Circle and Blake Foundation. We also formalised new partnerships over the year, some formally with memoranda of understanding, others with partnership agreements. Since July 2020, the Strategic Partnerships team has established six new partnerships or agreements to address environmental challenges. We are in the final stages of negotiations and co-design of several others.
	Public sector sustainability targets are being met	Programme requirements have been mandated through instruction letters and a whole-of-government direction being consulted on. Of the 41 tranche 1 (central agencies), 39 have started their emissions reporting work. Over half of tranche 2 (Crown agents) have started their emissions reporting work (a year ahead of programme requirements). We have provided tools and guidance and some one-to-one support to agencies to help them. We are also participating in the programme and are meeting or exceeding the measuring and reporting requirements.
To undertake public engagement, awareness, and communication activities	Level of awareness of environmental issues by the public	We produce an audience research survey, contract a research agency to administer the survey, and collate results annually. We will report the survey results of audience research which we commissioned in June 2021.

Shifts

FUNCTION	1- 2-YEAR SHIFT	2020/21 RESULT
To report on the state of the environment	Environmental reporting through the Environmental Reporting Act	<p>On track</p> <p>We released two state of environment reports in compliance with the Environmental Reporting Act 2015: <i>Our Atmosphere and Climate 2020</i> (October 2020) and <i>Our Land 2021</i> (April 2021).</p>
To partner with stakeholders across New Zealand	The Partnerships Strategy is implemented	<p>On track</p> <p>Our Partnerships Strategy was confirmed in early 2020. The Strategy confirms our 'Partnering with Purpose' approach, working with like-minded others to help solve complex environmental problems.</p>
To undertake public engagement, awareness, and communication activities	Stakeholder engagement framework is developed	<p>Achieved</p> <p>An engagement framework was approved by Te Pūrengi April 2021.</p>





03

Our finances *Kōrero pūtea*

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

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Financial statements for the Ministry for the Environment

for the year ended 30 June 2021

Performance indicators for the year ended 30 June 2021

	Unit	2020/21 Actual	2020/21 Revised Budget*
Operating results			
Revenue: Crown	\$000	121,900	121,900
Revenue: Departmental and other	\$000	2,059	1,600
Output expenses	\$000	118,744	123,500
Gain on sale of assets	\$000	-	5
Net surplus	\$000	5,215	5
Working capital			
Net current assets	\$000	5,784	5,786
Current ratio	Ratio	1.23	1.53
Resource utilisation			
Plant and equipment			
Plant and equipment at year end	\$000	866	1,418
Value per employee	\$000	1.34	2.27
Additions as % of plant and equipment	%	66.40	86.39
Plant and equipment as % of total assets	%	2.57	6.97
Intangible assets			
Intangible assets at year end	\$000	2,188	2,130
Value per employee	\$000	3.38	3.40
Additions as % of intangible assets	%	95.84	98.59
Intangible assets as % of total assets	%	6.50	10.47
Taxpayers' funds			
Level at year end	\$000	7,242	7,242
Level per employee	\$000	11.17	11.57
Net cash flows			
Surplus/(deficit) from operating activities	\$000	14,508	6,866
Surplus/(deficit) from investing activities	\$000	(2,672)	(3,320)
Surplus/(deficit) from financing activities	\$000	(2,845)	(2,845)
Net increase/(decrease) in cash held	\$000	8,991	701
Human resources			
Staff turnover	%	9.5	9.5
Average length of service	Years	3.3	3.3
Total staff (full time equivalent)	No.	648.2	626

* 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 2021

	Notes	2019/20 Actual \$000	2020/21 Budget* \$000	2020/21 Actual \$000	2021/22 Forecast* \$000
Revenue					
Funding from the Crown		94,012	108,286	121,900	158,635
Other revenue	2	1,523	955	2,059	955
Gains		-	5	-	5
Total revenue		95,535	109,246	123,959	159,595
Expenses					
Personnel costs	3	51,569	71,912	69,289	89,086
Depreciation and amortisation expense	9, 10	1,012	1,173	1,016	1,703
Capital charge	4	360	596	312	497
Finance cost	5	119	-	62	-
Other expenses	6	38,630	35,560	48,065	68,304
Total expenses		91,690	109,241	118,744	159,590
Net surplus and total comprehensive revenue and expense		3,845	5	5,215	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 19.

Statement of financial position as at 30 June 2021

	Notes	2019/20 Actual \$000	2020/21 Budget* \$000	2020/21 Actual \$000	2021/22 Forecast* \$000
Assets					
Current assets					
Cash and cash equivalents	7	3,897	6,960	12,888	5,203
Receivables	8	16,032	11,100	16,211	12,100
Prepayments		89	100	1,518	100
Total current assets		20,018	18,160	30,617	17,403
Non-current assets					
Plant and equipment	9	695	1,089	866	2,059
Intangible assets	10	703	2,442	2,188	2,686
Total non-current assets		1,398	3,531	3,054	4,745
Total assets		21,416	21,691	33,671	22,148
Liabilities					
Current liabilities					
Payables	11	4,692	6,831	12,660	6,462
Return of operating surplus	12	3,845	5	5,215	5
Provisions	13	896	-	958	-
Employee entitlements	14	4,545	3,719	6,000	4,545
Total current liabilities		13,978	10,555	24,833	11,012
Non-current liabilities					
Employee entitlements	14	1,196	1,196	1,596	1,196
Total non-current liabilities		1,196	1,196	1,596	1,196
Total liabilities		15,174	11,751	26,429	12,208
Net assets		6,242	9,940	7,242	9,940
Equity					
Taxpayers' funds		6,242	9,940	7,242	9,940
Total equity		6,242	9,940	7,242	9,940

* 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 19.

Statement of changes in equity for the year ended 30 June 2021

	Notes	2019/20 Actual \$000	2020/21 Budget* \$000	2020/21 Actual \$000	2021/22 Forecast* \$000
Balance as at 1 July		5,992	6,242	6,242	7,242
Comprehensive revenue and expense					
Surplus for the year		3,845	5	5,215	5
Total comprehensive revenue		3,845	5	5,215	5
Return of operating surplus to the Crown	12	(3,845)	(5)	(5,215)	(5)
Capital contribution		250	3,698	1,000	2,698
Balance as at 30 June		6,242	9,940	7,242	9,940

* 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 2021

	2019/20 Actual \$000	2020/21 Budget* \$000	2020/21 Actual \$000	2021/22 Forecast* \$000
Cash flows from operating activities				
Receipts from the Crown	95,022	113,285	121,846	158,635
Receipts from other revenue	1,459	888	1,934	955
Payments to suppliers	(39,748)	(35,038)	(41,518)	(69,200)
Payments to employees	(49,599)	(71,912)	(67,464)	(89,086)
Payments for capital charge	(180)	(776)	(492)	(497)
Goods and services tax (net)	(554)	86	202	-
Net cash flow from operating activities	6,400	6,533	14,508	807
Cash flows from investing activities				
Receipts from sale of plant and equipment	-	5	-	5
Purchase of plant and equipment	(549)	(825)	(575)	(1,400)
Purchase of intangible assets	(105)	(2,481)	(2,097)	(1,500)
Net cash flow from investing activities	(654)	(3,301)	(2,672)	(2,895)
Cash flows from financing activities				
Capital contribution received	250	3,698	1,000	2,698
Return of operating surplus	(5,387)	(3,870)	(3,845)	(5)
Net cash flow from financing activities	(5,137)	(172)	(2,845)	2,693
Net increase/(decrease) in cash	609	3,060	8,991	605
Cash at the beginning of the year	3,288	3,900	3,897	4,598
Cash at the end of the year	3,897	6,960	12,888	5,203

* 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 cash flows for the year ended 30 June 2021 (continued)

Reconciliation of net surplus to net cash flow from operating activities

	2019/20 Actual \$000	2020/21 Actual \$000
Net surplus	3,845	5,215
Add/(less) non-cash items:		
Depreciation and amortisation expense	1,012	1,016
Restoration costs	119	62
Total non-cash items	1,131	1,078
Add/(less) movements in statement of financial position items		
(Increase)/decrease in receivables	1,096	(179)
(Increase)/decrease in prepayments	81	(1,429)
Increase/(decrease) in payables ³	(1,725)	7,968
Increase/(decrease) in employee entitlements	1,972	1,855
Total net movement in working capital items	1,424	8,215
Net cash flow from operating activities	6,400	14,508

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

³ Creditors and accruals for capital expenditure are excluded when calculating this increase or decrease.

Statement of commitments as at 30 June 2021

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 \$137,377 (2019/20: \$206,066).

	2019/20 Actual \$000	2020/21 Actual \$000
Capital commitments		
Intangible assets	194	238
Total capital commitments	194	238
Operating leases as lessee		
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
Not later than one year	2,165	2,534
Later than one year but not later than five years	4,206	2,472
Total non-cancellable operating lease commitments	6,371	5,006
Total commitments	6,565	5,244

Statement of contingent liabilities and contingent assets as at 30 June 2021

Contingent liabilities

Legal matters

There were six potential liabilities in relation to legal matters, with a total contingent liability of up to \$410,000 as at 30 June 2021 (2019/20: three potential liabilities in relation to legal matters at up to \$270,000).

Others

In December 2020, the Ministry entered into an agreement with Invercargill City Council to licence an area for the storage of aluminium dross by-product in containers. This agreement included an indemnity for any losses or damage caused in the event the Ministry breaches an obligation under the Building Act. This indemnity was granted under s 65ZE of the Public Finance Act 1989, in accordance with the Public Finance (Departmental Guarantees and Indemnities) Regulations 2007, and is for a contingent liability of less than \$10 million. This agreement is no longer required and the Ministry intends to negotiate with the Council to terminate this agreement.

Contingent assets

There were no contingent assets as at 30 June 2021 (2019/20: nil).

Notes to the financial statements

1. Statement of accounting policies for the year ended 30 June 2021

Reporting entity

The Ministry for the Environment (the Ministry) is a government department as defined by section 5 of the Public Service Act 2020 and is domiciled and operates in New Zealand. The relevant legislation governing the Ministry's operations includes the Public Finance Act 1989, Public Service Act 2020, 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 2021. The financial statements were authorised for issue by the Chief Executive of the Ministry on 30 September 2021.

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. There have been no changes in the Ministry's accounting policies since the date of the last audited financial statements.

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

Accounting standards issued and not yet effective and not early adopted

Standards and amendments, issued but not yet effective, that have not been early adopted are:

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for the year ending 30 June 2022, with early application permitted. This amendment will result in additional disclosures. The Ministry does not intend to early adopt the amendment.

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 replaces PBE IFRS 9 Financial Instruments and is effective for the year ending 30 June 2023, with earlier adoption permitted. The Ministry has assessed that there will be little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9. The Ministry does not intend to early adopt the standard.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for the year ending 30 June 2023, with early adopted permitted. The Ministry has not yet determined how application of PBE FRS 48 will affect its statement of service performance. It does not plan to adopt the standard early.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

Budgeting and forecasting figures

The budget figures are those included in the 2020 Pre-election Economic and Fiscal Update (PREFU 2020) for the year ending 30 June 2021 (the Budget is 2020 Pre-election Economic and Fiscal Update (PREFU 2020) out-year 1 figures) and were published in the 2019/20 annual report.

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 Estimates of Appropriations for the year ending 30 June 2022 (the Forecast is 2021 Budget Economic and Fiscal Update (BEFU 2021) 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 Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures. The forecast financial statements were approved for issue by the Chief Executive on 12 April 2021.

Although the Ministry regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2022 will not be published.

Significant assumptions – forecast figures

The forecast figures contained in these financial statements reflect the Ministry's purpose and activities and are based on a number of assumptions on what may occur during the year 2021/22. Events and circumstances may not occur as expected. Factors that could lead to material differences between the forecast financial statements and the 2021/22 actual financial statements include changes to the baseline forecast through new initiatives, or technical adjustments.

The forecast figures have been compiled on the basis of existing government policies and Ministerial expectations at the time the BEFU 2021 was finalised.

The main assumptions were:

- The Ministry's activities will remain substantially the same as the previous year, based on the Government's current priorities. These priorities include the major themes of resource management, climate change policy, waste minimisation, and water management.
- Personnel costs were based on 860 full-time equivalent staff, which takes into account staff turnover.
- Operating costs were based on historical experience and various other factors that were believed to be reasonable under the circumstances.
- The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.
- Estimated year-end information for 2020/21 was used as the opening position for the 2021/22 forecasts.

The actual financial results achieved for 30 June 2022 are likely to vary from the forecast information presented, and the variations might be material.

Expenses

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.

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 2021, direct costs accounted for 60 per cent of the Ministry's costs (2019/20: 60 per cent) and indirect costs accounted for 40 per cent of the Ministry's costs (2019/20: 40 per cent).

There were no material changes to the cost allocation model since the date of the last audited financial statements.

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.

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.

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.

The net GST paid to or received from the Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

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 10 provides the key assumptions used in determining the useful life of software.

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

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into as 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.

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. Revenue

Accounting policy

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.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

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.

Breakdown of other revenue

	2019/20 Actual \$000	2020/21 Actual \$000
Departmental	1,158	1,405
Other	365	654
Total other revenue	1,523	2,059

3. Personnel costs

Accounting policy

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

Superannuation schemes

Defined contribution schemes

Employee contributions to the State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

Breakdown of personnel costs

	2019/20 Actual \$000	2020/21 Actual \$000
Salaries and wages	45,507	65,351
Employer contributions to defined contribution plans	1,484	1,983
ACC Levy	35	53
Net employee entitlements	4,485	1,809
Other	58	93
Total personnel costs	51,569	69,289

4. Capital charge

Accounting policy

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

Further information

The Ministry pays a capital charge to the Crown on its equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2021 was 5 per cent (2019/20: 6 per cent).

5. Finance costs

	2019/20 Actual \$000	2020/21 Actual \$000
Restoration costs (note 13)	119	62
Total finance costs	119	62

6. Other expenses

Accounting policy

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.

Other expenses

Other expenses are recognised as goods and services are received. Recognition of Contractors and consulting fees expenses aligns to the Public Service Commission guidelines.

Breakdown of other expenses and further information

	2019/20 Actual \$000	2020/21 Actual \$000
Audit fees for the financial statement audit	224	240
Operating lease expenses	2,477	3,307
Advertising and publicity	802	770
Contributions and sponsorship	871	2,402
External resources*		
Contractors and consulting fees	16,747	23,420
Advisory groups	443	599
Legal advice	645	1,468
Annual outsourced specialist services	5,585	6,782
Services provided by other government agencies	2,555	1,561
General and administration	4,360	3,024
Other expenses	3,921	4,492
Total other expenses	38,630	48,065

* The external resources expenses figures for 2019/20 are restated to ensure consistency with the current year.

7. Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Breakdown of cash and cash equivalents and further information

	2019/20 Actual \$000	2020/21 Actual \$000
Cash at bank and on hand	3,897	12,888

While cash and cash equivalents as at 30 June 2021 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

8. Receivables

Accounting policy

Receivables are initially measured at their face value, less an allowance for expected credit losses. The Ministry applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Breakdown of receivables and further information

	2019/20 Actual \$000	2020/21 Actual \$000
Receivables from non-exchange transactions		
Debtor Crown	15,999	16,053
Total receivables from non-exchange transactions	15,999	16,053
Receivables from exchange transactions		
Debtors other	33	158
Total receivable from exchange transactions	33	158
Total receivables	16,032	16,211

There have been no changes during the reporting in the estimation techniques or significant assumptions used in measuring the loss allowance.

The allowance for credit losses is determined as follows:

30 June 2021	Receivable days past due				Total
	Current	More than 30 days	More than 60 days	More than 90 days	
Expected credit loss rate	0%	0%	0%	0%	-
Gross carrying amount (\$000)	16,160	33	18	0	16,211
Lifetime expected credit loss (\$000)	0	0	0	0	0

30 June 2021	Receivable days past due				Total
	Current	More than 30 days	More than 60 days	More than 90 days	
Expected credit loss rate	0%	0%	0%	0%	-
Gross carrying amount (\$000)	16,032	0	0	0	16,032
Lifetime expected credit loss (\$000)	0	0	0	0	0

There is no movement in the allowance for credit losses (2019/20: \$nil).

9. Plant and equipment

Accounting policy

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

Additions

The cost of an item of plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

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.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

The costs of day-to-day servicing of plant and equipment are recognised in surplus or deficit as they are incurred.

Depreciation

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

Asset class	Useful life (years)	Depreciation rate (%)
Furniture and fittings	5–13	8.39–20.0
Office equipment	5	20.0
Computer hardware	3–4	25.0–33.33

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

Impairment

Plant and equipment 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.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to its recoverable amount.

Breakdown of plant and equipment and further information

	Furniture and fittings \$000	Office equipment \$000	Computer hardware \$000	Total \$000
Cost				
Balance as at 1 July 2019	2,714	362	2,145	5,221
Additions	-	3	493	496
Add: Closing work in progress	-	-	53	53
Less: Opening work in progress	-	-	-	-
Disposals	-	-	-	-
Balance as at 30 June 2020	2,714	365	2,691	5,770
Balance as at 1 July 2020	2,714	365	2,691	5,770
Additions	23	32	507	562
Add: Closing work in progress	66	-	-	66
Less: Opening work in progress	-	-	(53)	(53)
Disposals	-	-	-	-
Balance as at 30 June 2021	2,803	397	3,145	6,345
Accumulated depreciation and impairment losses				
Balance as at 1 July 2019	2,599	348	1,653	4,600
Depreciation expense	87	5	383	475
Elimination on disposal	-	-	-	-
Balance as at 30 June 2020	2,686	353	2,036	5,075
Balance as at 1 July 2020	2,686	353	2,036	5,075
Depreciation expense	17	13	374	404
Elimination on disposal	-	-	-	-
Balance as at 30 June 2021	2,703	366	2,410	5,479
Carrying amounts				
As at 1 July 2019	115	14	492	621
As at 30 June/1 July 2020	28	12	655	695
As at 30 June 2021	100	31	735	866

Restrictions

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

10. Intangible assets

Accounting policy

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
Developed computer software	3	33.33

Impairment

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.

Critical accounting estimates and assumptions

Useful lives of software

The useful life of software is determined at the time the software is acquired and brought into use and is reviewed at each reporting date for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Ministry will receive benefits from the software, but not exceeding the licence term. For internally generated software developed by the Ministry, the useful life is based on historical experience with similar systems as well as anticipation of future events that may impact the useful life, such as changes in technology.

Breakdown of intangible assets and further information

Movements in the carrying value for each class of intangible asset are as follows:

	Acquired software \$000	Acquired software licences \$000	Internally generated software (others) \$000	Internally generated software (LUCAS) \$000	Total \$000
Cost					
Balance as at 1 July 2019	3,796	25	1,429	1,843	7,093
Additions	143	-	-	-	143
Add: Closing work in progress	69	-	-	-	69
Less: Opening work in progress	(106)	-	-	-	(106)
Balance as at 30 June 2020	3,902	25	1,429	1,843	7,199
Balance as at 1 July 2020	3,902	25	1,429	1,843	7,199
Additions	1,715	-	-	-	1,715
Add: Closing work in progress	451	-	-	-	451
Less: Opening work in progress	(69)	-	-	-	(69)
Balance as at 30 June 2021	5,999	25	1,429	1,843	9,296
Accumulated amortisation and impairment losses					
Balance as at 1 July 2019	2,756	25	1,334	1,843	5,958
Amortisation expense	537	-	1	-	538
Balance as at 30 June 2020	3,293	25	1,335	1,843	6,496
Balance as at 1 July 2020	3,293	25	1,335	1,843	6,496
Amortisation expense	558	-	54	-	612
Balance as at 30 June 2021	3,851	25	1,389	1,843	7,108
Carrying amounts					
As at 1 July 2019	1,040	-	95	-	1,135
As at 30 June/1 July 2019	609	-	94	-	703
As at 30 June 2021	2,148	-	40	-	2,188

Restrictions

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

11. Payables

Accounting policy

Creditors and other payables are non-interest bearing and are normally settled within 30 days, therefore payables are recorded at the amount payable.

Breakdown of payables and further information

	2019/20 Actual \$000	2020/21 Actual \$000
Payables under exchange transactions		
Creditors	1,571	3,598
Accrued expenses	2,711	8,450
Total payables under exchange transactions	4,282	12,048
Payables under non-exchange transactions		
GST payable	410	612
Total payables	4,692	12,660

12. Return of operating surplus

	2019/20 Actual \$000	2020/21 Actual \$000
Net surplus	3,845	5,215
Total return of operating surplus	3,845	5,215

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

13. Provisions

Accounting policy

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
- 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 expected to be required to settle the obligation using a pre-tax discount rate based on 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 costs' (see note 5).

Breakdown of provisions and further information

	2019/20 Actual \$000	2020/21 Actual \$000
Current portion		
Restoration costs	896	958
Total current portion	896	958
Non-current portion		
Restoration costs	-	-
Total provisions	896	958

Movements for each class of provision are as follows:

	Restoration costs \$000
Balance as at 1 July 2019	777
Additional provisions made	119
Amounts used	-
Unused amounts reversed	-
Balance as at 30 June 2020	896
Balance as at 1 July 2020	896
Additional provisions made (note 5)	62
Amounts used	-
Unused amounts reversed	-
Balance as at 30 June 2021	958

Provisions represents restoration costs in respect of the Ministry's leased premises. The Ministry is required at the expiry of the lease term to make good any damage caused to the premises and to remove any signage, fixtures, and fittings installed by the Ministry.

14. Employee entitlements

Accounting policy

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, 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.

Critical accounting estimates and assumptions

Long-service leave and retirement gratuities

The measurement of the long-service leave and retirement gratuities obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The rates used range from 0.38 per cent to 3.08 per cent (2019/20: 0.22 per cent to 1.63 per cent) and a long-term salary growth of 3.08 per cent (2019/20: 2.72 per cent) were used. The discount rates and salary inflation factor used are those advised by the Treasury.

If the discount rate were to differ by 1 per cent from the Ministry's estimates, with all other factors held constant, the carrying amount of the liability and the surplus/deficit would be an estimated \$6,000 higher/lower.

If the salary inflation factor were to differ by 1 per cent from the Ministry's estimates, with all other factors held constant, the carrying amount of the liability and the surplus/deficit would be an estimated \$6,000 higher/lower.

Breakdown of employee entitlements

	2019/20 Actual \$000	2020/21 Actual \$000
Current portion		
Salary accruals	826	1,419
Annual leave	3,357	4,169
Long-service leave and retirement gratuities	362	412
Total current portion	4,545	6,000
Non-current portion		
Long-service leave and retirement gratuities	1,196	1,596
Total employee entitlements	5,741	7,596

15. Capital management

Accounting policy

The Ministry's capital is its equity, which comprise taxpayers' funds and 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 government budget processes, Treasury instructions, and the Public Finance Act.

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

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

	2019/20 Actual	2020/21 Actual
Executive Leadership Team, including the Chief Executive		
Remuneration	\$2,807,074	\$2,542,218
Full-time equivalent staff	9.1	9.01

The above key management personnel compensation excludes the remuneration and other benefits received by the Minister for the Environment and the Minister of Climate Change. 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 Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority, and not paid by the Ministry.

The above compensation also takes into account the salary sacrificed by the Chief Executive at the end of the last financial year and the first four months of the current financial year relating to COVID-19.

17. Events after the balance sheet date

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

18. Financial instruments

Financial instrument categories

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

	2019/20 Actual \$000	2020/21 Actual \$000
Financial assets measured at amortised cost		
Cash and cash equivalents	3,897	12,888
Receivables	33	158
Total financial assets measured at amortised cost	3,930	13,046
Financial liabilities measured at amortised cost		
Payables (excluding GST payable)	4,282	12,048

Financial instrument 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 makes purchases of goods and services overseas that require it to enter into transactions denominated in foreign currencies and as a result, exposure to currency risk arises. This is considered to be immaterial and accordingly, no sensitivity analysis has been completed.

Fair value interest rate risk

Interest rate risk is the risk that the return on invested funds will fluctuate due to changes in market interest rates.

The Ministry has no significant exposure to interest rate risk because it has no interest-bearing 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 receivables and deposits with banks.

The Ministry is permitted to deposit funds only 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. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Cash and cash equivalents (note 7) and receivables (note 8) are subject to the expected credit loss model prescribed by PBE IFRS 9. The notes for these items provide relevant information on impairment.

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.

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

Contractual maturity analysis of financial liabilities

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
2021						
Payables (note 11)	12,048	12,048	12,048	-	-	-
2020						
Payables (note 11)	4,282	4,282	4,282	-	-	-

19. Explanations of major variances against budget

Explanations for major variances from the Ministry's original 2020/21 budget figures are:

(i) Statement of comprehensive income

	2020/21 Actual \$000	2020/21 Budget \$000	2020/21 Variance \$000
Revenue Crown	121,900	108,286	13,614
Revenue other	2,059	955	1,104
Personnel	69,289	71,912	(2,623)
Contribution and Sponsorship	2,402	136	2,266
External resources	33,830	25,935	7,895
Other operating costs	4,492	3,165	1,327

Revenue Crown: The actual Crown revenue was higher than budget mainly due to:

- a transfer of funding from 2019/20 for progressing work on the Comprehensive Review of the Resource Management Act, part of resource management reforms, and the nutrient allocation system design for the freshwater
- a transfer of funding from 2019/20 for progressing work on climate change related work programme
- additional funding allocated for reforming the resource management system
- additional funding allocated in relation to the Crown response to water rights litigation
- additional funding allocated in relation to addressing contamination of New Zealand's waterways
- additional funding allocated to progress work on adaptation legislation and the Carbon Neutral Government Programme
- additional funding allocated for costs of collecting and administering waste levies and monitoring projects funded by the levy and administering the waste minimisation and resource recovery initiatives.

Revenue other: The actual other revenue was higher than budget primarily due to revenue received from other agencies for staff secondments, and other services provided by the Ministry.

Personnel: The actual expense was lower than budget due to higher utilisation of specialist external resources.

Contribution and Sponsorship: The actual expense was higher than budget due to evolving engagement and partnership funding models with Ministry stakeholders.

External resources: The actual expense was higher than budget to reflect the increased work programme in the Environment and Climate Change work programmes mentioned above.

Other operating costs: The actual expense was higher than budget resulting from increased software costs to support the Digital Transform strategy and increased personnel base (staff and contractors).

(ii) Statement of financial position

	2020/21 Actual \$000	2020/21 Budget \$000	2020/21 Variance \$000
Cash and cash equivalents	12,888	6,960	5,928
Receivables	16,211	11,100	5,111
Prepayments	1,518	100	1,418
Payables	12,660	6,831	5,829
Employee entitlements	7,596	4,915	2,681
Provisions	958	-	958

Cash and cash equivalents: The Ministry drew more funding from the Crown in anticipation of payments due to creditors. This has resulted in higher than the forecast cash and cash equivalents.

Receivables: The higher level of receivables primarily relates to amounts receivable from the Crown. Funds drawn down by the Ministry during the year differed from budget, leaving an increased amount receivable at year-end.

Prepayments: The actual prepayments were higher than anticipated at budget. These prepayments relate to Auckland Office space service charges and laptop purchases.

Payables: The actual payables were higher than budget due to higher-than-expected year-end accruals. This is due to additional funding allocated to progress climate change related work programme and resource management reforms.

Employee entitlements: The higher level of employee entitlements results from the timing of the final payroll payment in the year increasing the salary accrual. Further, there is an increased annual leave and retirement/long-service provision, resulting from increasing staff in the Ministry and leave balances accruing under restricted travel under global COVID-19 conditions.

Provisions: Provisions relates to restoration costs for Ministry's leased premises. This provision was not anticipated when budget was finalised.

(iii) Statement of cash flows

	2020/21 Actual \$000	2020/21 Budget \$000	2020/21 Variance \$000
Receipts from the Crown	121,846	113,285	8,561
Receipts from revenue other	1,934	888	1,046
Payments to suppliers	41,518	35,038	6,480
Payments to employees	67,464	71,912	(4,448)

Explanations for variances in the Statement of cash flows are explained above.

20. Impact of COVID-19 on the Ministry

During August and September 2020 and February and March 2021, the Auckland region moved into Alert Levels 3 and 2 and other parts of the country moved into Alert Level 2. Towards the end of June 2021, the Wellington region moved into Alert Level 2 for one week.

Impact on operations

The Ministry has an office in Auckland, resulting in Auckland staff working from home when possible while the region was at Alert Level 3. There was a minimal impact to operations as the Ministry was able to carry out services.

Receivables impairment

The COVID-19 pandemic reduced the ability of some debtors to pay, which is likely to be a short-term impact. The Ministry does not expect any significant impact on the receivables (refer to note 8).

Non-departmental statements and schedules

for the year ended 30 June 2021

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

Schedule of non-departmental revenue for the year ended 30 June 2021

	2019/20 Actual \$000	2020/21 Mains Forecast* \$000	2020/21 Actual \$000	2021/22 Forecast* \$000
Revenue				
Royalties	506	750	621	750
Levies	38,774	45,500	40,897	70,500
Emissions trading	1,043,163	1,151,562	1,633,571	1,534,196
Emissions Trading Scheme penalty revenue	116	-	674	-
Grants refund	-	-	5,000	-
Total non-departmental revenue	1,082,559	1,197,812	1,680,763	1,605,446

* 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 9.

Schedule of non-departmental capital receipts for the year ended 30 June 2021

The Ministry on behalf of the Crown has no capital receipts (2019/20: \$nil).

Schedule of non-departmental expenses for the year ended 30 June 2021

	Notes	2019/20 Actual \$000	2020/21 Mains Forecast* \$000	2020/21 Actual \$000	2021/22 Forecast* \$000
Expenses					
Grants and settlements		54,621	162,005	86,255	187,764
Promotions		1,000	800	800	800
Subscriptions and contributions to international forums		1,126	1,215	1,144	1,215
Crown entity funding		30,977	36,812	38,089	39,156
Levy disbursement		16,973	20,000	17,515	32,500
Allocation of New Zealand Units		649,943	746,935	875,034	843,940
Net changes in carbon price of New Zealand Units	6	1,094,732	-	1,507,166	-
Loss on sale of New Zealand Units		1,993	-	72,065	-
GST input expense		13,359	31,933	17,272	38,118
Other		3,622	1,677	1,986	1,677
Total non-departmental expenses		1,868,346	1,001,377	2,617,326	1,145,170

* 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 9

Schedule of non-departmental assets as at 30 June 2021

	Notes	2019/20 Actual \$000	2020/21 Mains Forecast* \$000	2020/21 Actual \$000	2021/22 Forecast* \$000
Assets					
Current assets					
Cash and cash equivalents	2	5,035	4,043	10,535	5,918
Receivables	3	8,723	8,750	9,713	8,750
Total current assets		13,758	12,793	20,248	14,668
Non-current assets					
		-	-	-	-
Total non-departmental assets		13,758	12,793	20,248	14,668

* 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 9.

In addition, the Ministry monitors two Crown entities: the Environmental Protection Authority and the Climate Change Commission. The investments in these entities are recorded within the Financial Statements of the Government on a line-by-line basis. The investment in those entities is not included in this schedule.

Schedule of non-departmental liabilities as at 30 June 2021

	Notes	2019/20 Actual \$000	2020/21 Mains Forecast* \$000	2020/21 Actual \$000	2021/22 Forecast* \$000
Liabilities					
Current liabilities					
Payables	4	63,071	45,463	78,725	56,986
Provisions	6	3,803,735	3,519,823	6,053,023	5,338,510
Total current liabilities		3,866,806	3,565,286	6,131,748	5,395,496
Non-current liabilities					
Payables	4	104,489	99,164	99,164	93,484
Total non-current liabilities		104,489	99,164	99,164	93,484
Total non-departmental liabilities		3,971,295	3,664,450	6,230,912	5,488,980

* 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 9.

Schedule of non-departmental commitments as at 30 June 2021

The Ministry, on behalf of the Crown, has no non-cancellable capital or lease commitments (2019/20: \$nil).

Schedule of non-departmental contingent liabilities and contingent assets as at 30 June 2021

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 registered their post-1989 forest land or who have deregistered from the scheme have until the end of 2022 (the third five-year period beginning 1 January 2018 to 31 December 2022) to decide whether to re-register post-1989 forest land and receive NZUs for the period beginning from 1 January 2018. If they re-register, they can claim NZUs for all the carbon stored in their forest from 1 January 2018, 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 statements and schedules to the extent that participants have registered in the scheme at 30 June 2021.

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 occurred up to 2019 and \$35 per unit for emissions resulting from deforestation in 2020.

At 30 June 2021, there may be some deforestation which has not yet been reported to the Crown.

Reimbursement of Excess New Zealand Units surrendered to the Crown

There may be potential liability of reimbursing New Zealand Emission Units to participants who have surrendered units in excess of their obligations. The extent of potential liability is unknown and unquantifiable at this time.

Quantifiable contingent liabilities

Sand royalties

Customary marine title holders under the Marine Coastal Area (Takutai Moana) Act 2011 could have payments issued to them retrospectively with regard to sand and shingle royalties if the royalty is taken in the customary marine title area. The amount could be between \$500,000 and \$2 million (2019/20: Between \$500,000 and \$2 million).

The Ministry on behalf of the Crown has no other contingent liability or assets (2019/20: \$nil).

Notes to the non-departmental statements and schedules

1. Statement of accounting policies for the year ended 30 June 2021

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, refer to the Financial Statements of the Government for the year ended 30 June 2021.

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.

Function and presentation of currency

The non-departmental statements and schedules 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.

Standard issued and not yet effective and not early adopted

PBE IPSAS 41 Financial Instruments replaces PBE IFRS 9 Financial Instruments and is effective for year ending 30 June 2023, with earlier adoption permitted. The Ministry has assessed that there will be little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9. The Ministry does not intend to early adopt the standard for the non-departmental statements.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

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

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

Budgeting and forecasting figures

The budget figures are those included in the 2020 Pre-election Economic and Fiscal Update (PREFU 2020) for the year ending 30 June 2021 (the Budget is 2020 Pre-election Economic and Fiscal Update (PREFU 2020) out-year 1 figures) and were published in the 2019/20 annual report.

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

The Budget figures used in these statements and schedules for the New Zealand Emissions Trading Scheme (NZ ETS) surrender of units and allocation of New Zealand Units (NZUs) were valued using market prices per carbon unit at the time of the 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 (mains forecast) figure for the appropriation of Allocation of New Zealand Units is based on NZ\$35 per carbon unit and the budget (revised forecast) figure for the appropriation of Allocation of New Zealand Units is based on NZ\$50 per carbon unit to mitigate the risk of breaching the appropriation.

The forecast figures are those included in the Budget Economic and Fiscal Update (BEFU 2021 forecast) out-year 1 figures for the year ending 30 June 2022 except for the figures used in these statements and schedules 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 2021 forecast. Similarly, the liability provision for the NZ ETS is valued using market prices per carbon unit at the time of BEFU 2021 forecast. The forecast figure for the appropriation of Allocation of New Zealand Units was valued at NZ\$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 2021/22. Events and circumstances may not occur as expected. Factors that could lead to material differences between the forecast financial statements and the 2021/22 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 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 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 is the system in which New Zealand Units are traded. Under the NZ 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](#).

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-1989 and Permanent Forest Sink Initiative 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.

The Climate Change Response (Emission Trading Reform) Amendment Act 2020 introduced auctioning in the NZ ETS, to align the supply of units in the scheme with New Zealand's emission reduction targets. The first auction took place in March 2021, with auctions occurring on a quarterly basis. The units allocated to the market through the auctioning process increases the overall ETS provision in-line with the general ETS accounting treatment. Further information on the auctioning process can be found on the Ministry's website.

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 Waka Kotahi NZ 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 under the NZ ETS

Expenses (including accruals) arising from the allocation of NZUs under the NZ ETS are 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.

Levy disbursement

Expenses arising from waste levy disbursements are recognised in the month the waste is disposed at landfill. Under the Waste Minimisation Act 2008, 50 per cent of the levy collected must be distributed to territorial local authorities.

Settlement expenditure

An expense and an associated provision are 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 expenses.

Goods and services tax

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

Commitments

Future expenses and liabilities to be incurred on non-cancellable contracts that have been entered into as 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.

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 6 provides the key assumptions used in determining the provision for the allocation of NZUs.

2. Cash and cash equivalents**Accounting policy**

Cash and cash equivalents include cash on hand, cash in transit, and funds held in bank accounts administered by the Ministry. All cash held in bank accounts is held in on demand accounts and no interest is payable to the Ministry.

Breakdown of cash and cash equivalents and further information

	2019/20 Actual \$000	2020/21 Actual \$000
Cash at bank and on hand	5,035	10,535

While cash and cash equivalents as at 30 June 2021 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

3. Receivables

Accounting policy

Receivables are initially measured at their face value, less an allowance for expected credit losses. The Ministry applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Breakdown of receivables and further information

	2019/20 Actual \$000	2020/21 Actual \$000
Receivables	7,439	6,002
Fines and penalties receivable	49	379
Accrued revenue	3,020	3,332
Total receivables	10,508	9,713
Less allowance for credit losses	(1,785)	-
Total receivables - non-exchange	8,723	9,713

The expected credit loss rates for receivables as at 30 June 2021 and 30 June 2020 are based on the payment profile of revenue on credit over the prior 12 months at the measurement date and the corresponding historical credit losses experienced for that period. Judgement is also applied to determine whether historical loss rates are expected to continue into the future, and any adjustment to the loss rates due to current and forward-looking macroeconomic factors that might affect the recoverability of receivables.

There have been no changes during the reporting in the estimation techniques or significant assumptions used in measuring the loss allowance.

The allowance for credit losses as at 30 June 2021 and 30 June 2020 was determined as follows:

30 June 2021	Receivable days past due				Total
	Current	More than 30 days	More than 60 days	More than 90 days	
Expected credit loss rate	0%	0%	0%	0%	-
Gross carrying amount (\$000)	9,334	330	0	49	9,713
Lifetime expected credit loss (\$000)	0	0	0	0	0

30 June 2020	Receivable days past due				Total
	Current	More than 30 days	More than 60 days	More than 90 days	
Expected credit loss rate	0%	0%	0%	0%	-
Gross carrying amount (\$000)	8,674	1	0	48	8,723
Lifetime expected credit loss (\$000)	0	0	0	0	0

The movement in the allowance for credit losses is as follows:

	2019/20 Actual \$000	2020/21 Actual \$000
Allowance for credit losses as at 1 July calculated under PBE IPSAS 29	-	-
PBE IFRS 9 expected credit loss adjustment	-	-
Opening allowance for credit losses as at 1 July	-	-
Increase in loss allowance made during the year	1,785	-
Receivables written off during the year	(1,785)	-
Balance as at 30 June	-	-

4. Payables

Accounting policy

Short-term payables are recorded at the amount payable.

Breakdown of payables and further information

	2019/20 Actual \$000	2020/21 Actual \$000
Current payables are represented by:		
Waikato River Co-management	5,708	5,709
Waikato River Clean-up Fund	6,904	6,905
Te Pou Tupua	590	590
Transitional Support for Local Government and Iwi	4,006	4,647
GST payable	530	506
Other payables	45,333	60,368
Total current portion	63,071	78,725
Non-current payables are represented by:		
Waikato River Co-management	30,748	27,950
Waikato River Clean-up Fund	72,015	69,583
Te Pou Tupua	1,726	1,631
Total non-current portion	104,489	99,164
Total payables - non-exchange	167,560	177,889

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

	Payables					Total
	2021-2022 \$000	2023-2027 \$000	2028-2032 \$000	2033-2037 \$000	2038 \$000	\$000
Co-management						
Nominal	6,000	25,000	13,000	-	-	44,000
Discount	(291)	(5,213)	(4,837)	-	-	(10,341)
Recognised	5,709	19,787	8,163	-	-	33,659
Clean up						
Nominal	7,333	36,665	36,665	36,665	7,342	124,670
Discount	(428)	(7,651)	(14,999)	(20,475)	(4,629)	(48,182)
Recognised	6,905	29,014	21,666	16,190	2,713	76,488

The table above reconciles the cash outflows that will occur over the next 17 years.

Recognition of future discounted cash flows for the Whanganui River Funds

	Payables				Total
	2021–2022 \$000	2023–2027 \$000	2028–2032 \$000	2033–2037 \$000	\$000
Te Pou Tupua					
Nominal	600	1,000	1,000	400	3,000
Discount	(10)	(191)	(382)	(196)	(779)
Recognised	590	809	618	204	2,221

The table above reconciles the cash outflows that will occur over the next 13 years.

5. Financial instruments

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

	2019/20 Actual \$000	2020/21 Actual \$000
Financial assets measured at amortised cost		
Cash and cash equivalents	5,035	10,535
Receivables (excludes fines and penalties receivable)	8,674	9,334
Total financial assets measured at amortised cost	13,709	19,869
Financial liabilities measured at amortised cost		
Payables (excluding GST payable)	167,030	177,383

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 deposits with banks and receivables.

The Ministry is permitted to deposit funds only 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 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.

Cash and cash equivalents (note 2) and receivables (note 3) are subject to the expected credit loss model prescribed by PBE IFRS 9. The notes for these items provide relevant information on impairment.

6. Provisions

Accounting policy

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

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

The provision for the allocation of NZ Units is remeasured using the current spot price at each reporting date.

	2019/20 Actual \$000	2020/21 Actual \$000
Current portion		
Allocation of New Zealand Units	3,803,735	6,053,023
Total current portion	3,803,735	6,053,023
Non-current portion	–	–
Total provisions	3,803,735	6,053,023

	Allocation of New Zealand Units \$000
Balance as at 1 July 2019	2,883,678
Additional provisions made	649,943
Amounts used	(824,618)
(Gains)/losses	1,094,732
Balance as at 30 June 2020	3,803,735
Balance as at 1 July 2020	3,803,735
Additional provisions made	1,244,109
Amounts used	(574,053)
(Gains)/losses	1,579,232
Balance as at 30 June 2021	6,053,023

Provision for NZ ETS credits

	2019/20 Units in million	2019/20 Amount in \$million	2020/21 Units in million	2020/21 Amount in \$million
Opening provision	124.5	2,883	118.5	3,804
New provision recognised during the period*	22.4	650	31.2	1,244
Provision used during the period	(28.4)	(824)	(10.4)	(574)
(Gains)/losses	-	1,095	-	1,579
Closing provision	118.5	3,804	139.3	6,053

* 2020/21 figures include a total of 9.5 million units auctioned for \$369 million in March and June 2021.

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 (including auctioned 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 fixed price option of \$25 per unit for emissions occurred up to 2019 and \$35 per unit for emissions occurred in 2020 to settle their emission obligation.

The Ministry has classified the provision for allocation of NZ Units as a current liability because it does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Based on forecasts of ETS activity, expected recovery/settlement is expected to occur as follows:

- within 12 months: \$1,726.964 million (2019/20: \$1,341.748 million)
- after more than 12 months: \$4,326.059 million (2019/20: \$2,461.987 million).

The carbon price of NZ\$43.45 (2019/20: NZ\$32.10) has been used to value NZ Units. This price is determined based on the current quoted NZ Units spot price at the end of the reporting date published by Jarden Securities Limited and reported on their Jarden CommTrade carbon website.

Details of current climate change policies are listed at on the [Ministry for the Environment's website](#).

New Zealand's obligation under the Kyoto Protocol

New Zealand has fully complied with its first commitment period (CP1) commitments and met obligations under the Kyoto Protocol. In mid-2020 the Government cancelled 95.4 million carryover units that were of low or questionable quality. This leaves a total of 28.3 million surplus units from CP1, some of which will be used to meet our 2020 UNFCCC emissions reduction target. These surplus units have no market value as they cannot be traded.

New Zealand's 2020 target under the UNFCCC

New Zealand's unconditional target is to reduce emissions to 5 per cent below 1990 gross GHG levels for the period 2013 to 2020. New Zealand is projected to meet its unconditional 2020 emissions reduction target by using 109.2 million units from forestry activities and 28.3 million units carried over from CP1 which we deemed to have environmental integrity. In mid-2020 the Government cancelled 95.4 million carryover units that were of low or questionable quality.

New Zealand chose to take its 2020 emission reduction target under the United Nations Framework Convention on Climate Change (UNFCCC) rather than the Kyoto Protocol, as it did for the 2008 to 2012 CP1. However, New Zealand continues to apply the Kyoto Protocol framework of rules in tracking progress towards its target.

Progress towards our 2020 target will become clearer when the 2020 Greenhouse Gas Inventory is released in 2022. The Ministry continues to report progress towards this target through its [2020 net position web page](#).

New Zealand's 2030 climate change target under the Paris Agreement

New Zealand signed the Paris Agreement on 22 April 2016 at a ceremony in New York and ratified the Paris Agreement on 4 October 2016 (New York time).

New Zealand has committed to a Nationally Determined Contribution (NDC) of 30% net emissions reduction below 2005 gross emissions levels by 2030.

New Zealand will formally confirm details of the 2021–30 emissions budget calculations to account for its 2030 target, together with any other accounting parameters, as part of its first biennial transparency report we are required to submit under the Paris Agreement in 2024.

Under the Climate Change Response Act the Minister of Climate Change requested the Climate Change Commission to provide advice and recommendations to the Government on whether the NDC should be updated to make it consistent with the global 1.5°C temperature goal and, if so, how.

The Climate Change Commission provided their final advice in June 2021. They advised that our current NDC is incompatible with 1.5°C, and that to be consistent it would need to be updated to an emission reduction target of much more than 36% below 2005 gross emissions levels by 2030.

7. Events after the balance sheet date

The price of the New Zealand Unit (NZU) has increased to \$51.50 per carbon unit as at 31 August 2021. This increase has effect on the Allocation of New Zealand Units provision which has increased to \$7,174 million from \$6,053 million.

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

8. Memorandum account for the Waste Minimisation Fund

	2019/20 Actual \$000	2020/21 Actual \$000
Provision for statutory information		
Balance as at 1 July	45,500	44,060
Revenue from waste levy collection	33,944	35,112
Expenses	(35,384)	(36,239)
Balance as at 30 June	44,060	42,933

The memorandum account records the Waste Disposal Levy collected which has not been spent to date. As at 30 June 2021, the Waste Minimisation Fund has \$19.7 million commitments to be paid on delivery of projects. The revenue represents the levy that is collected by waste disposal facilities. The expenses represent the disbursement of the received levy to territorial authorities, the Waste Minimisation Fund, and the administration cost incurred by the Ministry. The disbursements of the levy to territorial authorities and the Waste Minimisation Fund are included as part of the Non-departmental schedules of revenue and expenses.

9. Explanations of major variances against mains forecast

Explanations for major variances from the Ministry's non-departmental mains forecast figures are as follows:

(i) Schedule of non-departmental revenue

	2020/21 Actual \$000	2020/21 Mains Forecast \$000	2020/21 Variance \$000
Levies	40,897	45,500	(4,603)
Emissions trading	1,633,571	1,151,562	482,009

Levies: Levies include the revenue collected from the waste disposal landfill facility operators and the Synthetic Greenhouse Gas Levy collected by Waka Kotahi NZ Transport Agency.

The revenue collected from the Waste Disposal Levy was lower than mains forecast due to decreased activity reported by landfill facility operators.

Emissions trading: The actual 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. This was partially offset by lower than forecast units surrendered by the industrial sector.

There were no other significant variances to mains forecast.

(ii) Schedule of non-departmental expenses

	2020/21 Actual \$000	2020/21 Mains Forecast \$000	2020/21 Variance \$000
Grants and settlements	86,255	162,005	(75,750)
Allocations of New Zealand Units	875,034	746,935	128,099
Net changes in carbon price of New Zealand Units	1,507,166	-	1,507,166
Loss on sale of New Zealand Units	72,065	-	72,065

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

- **Contestable Waste Minimisation Fund:** Expenditure was lower than mains forecast due to projects experiencing delays. Further, each year there is a time lag between the Waste Disposal Levy and the funding round opening. Baseline updates are used to match expected spend over the forecast period, once it is known following the funding round.
- **Contaminated Sites Remediation Fund:** Expenditure was lower than mains forecast due to projects experiencing delays because of significant weather events and seasonal climate conditions. Further, the process of negotiating contracts for projects taking longer time than anticipated. An expense transfer of funding from 2020/21 to 2021/22 is sought to ensure each project has sufficient funds to complete their programme of work.
- **Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme:** Expenditure was lower than mains forecast because actual deliverables for the project were lower than anticipated for the financial year 2020/21.
- **Freshwater Improvement Fund:** Expenditure was lower than mains forecast. These are large scale environmental projects that can be susceptible to delays because of external factors such as significant weather events and seasonal climate conditions, contractual obligations, and supplier/contractor availability.
- **Te Mana o Te Wai:** Expenditure was lower than mains forecast. This is because it took longer than anticipated time to set the criteria of the fund and open a funding round.
- **Waste Minimisation and Resource Recovery Initiatives:** Expenditure was lower than mains forecast due to the process of negotiating contracts took longer than anticipated. An expense transfer of funding from 2020/21 to 2021/22 is sought to ensure each project has sufficient funds to complete their programme of work.

Allocation of New Zealand Units: 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 was partially offset by lower than forecast units allocated to post-1989 forestry and industrial sectors.

Net changes in carbon price of New Zealand Units: The actual expense recognised is in relation to changes in carbon price of New Zealand Units. These changes are considered as a remeasurement under the Public Finance Act 1989 and do not require appropriation.

Loss on sale of New Zealand Units: The actual expenditure was higher than mains forecast due to the majority of participants using the fixed price option for surrendering units.

(iii) Schedule of non-departmental liabilities

	2020/21 Actual \$000	2020/21 Mains Forecast \$000	2020/21 Variance \$000
Payables	177,889	144,627	33,262
Provisions	6,053,023	3,519,823	2,533,200

Payables: The actual payables were higher than mains forecast due to additional funding approved as part of the Government's COVID-19 recovery package for addressing contamination of New Zealand's waterways and to progress work on Waste and Resource Recovery initiatives. Hence, higher than anticipated accruals for both Grants and settlements.

Provisions: Provisions relate to New Zealand Emissions Trading Scheme Units. This was higher than mains forecast mainly due to an increase in the price of New Zealand Units. Further, the majority of participants used Fixed Price Option to meet their surrender obligations resulting in higher than forecast units at the end of the year, thereby increasing the provision compared to forecast.

10. Impact of COVID-19

The COVID-19 pandemic did not have a significant financial impact on the non-departmental statements and schedules.

Statement of expenses and capital expenditure

for the year ended 30 June 2021

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 2021.

Statement of budgeted and actual expenses and capital expenditure incurred against appropriations for the year ended 30 June 2021

Annual and permanent appropriations for Vote Environment

	2019/20 Expenditure \$000	2020/21 Budget* \$000	2020/21 Revised Budget** \$000	2020/21 Expenditure ⁵ \$000	2021/22 Forecast* \$000	Location of end-of-year performance information ⁶
Departmental output expenses						
Improving New Zealand's Environment	-	83,956	90,707	86,347	127,855	1
Managing Climate Change in New Zealand	-	19,379	25,191	25,000	25,829	1
Independent Climate Change Committee Set-up Costs	662	-	-	-	-	
Ministerial Services	1,629	-	-	-	-	
Waste Minimisation Administration	5,010	-	-	-	-	
Total departmental output expenses	7,301	103,335	115,898	111,347	153,684	
Departmental capital expenditure						
Capital Expenditure – Permanent Legislative Authority under section 24(1) of the Public Finance Act 1989	654	2,325	3,325	2,672	2,900	1
Total departmental capital expenditure	654	2,325	3,325	2,672	2,900	
Non-departmental output expenses						
Administration of New Zealand Units held on Trust	177	177	177	177	177	5
Climate Change Commission Advisory and Monitoring Function	3,610	8,535	9,415	9,415	12,486	3
Community Environment Fund	1,846	-	-	-	-	
Contaminated Sites Remediation Fund	1,181	10,708	12,771	8,036	6,817	2

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

5 Departmental appropriations amounts exclude remeasurement of \$198,800 (2019/20: \$240,054).

6 The numbers in this column represent where the end-of-year performance information has been reported for each appropriation administered by the Ministry, as detailed below:

1. The Ministry's annual report.
2. To be reported by the Minister for the Environment in a report appended to this annual report.
3. To be reported by the Climate Change Commission in their annual report.
4. To be reported by the Environmental Protection Authority in their annual report.
5. No reporting due to an exemption obtained under section 15D of the Public Finance Act.

	2019/20 Expenditure \$000	2020/21 Budget* \$000	2020/21 Revised Budget* ⁴ \$000	2020/21 Expenditure ⁵ \$000	2021/22 Forecast* \$000	Location of end-of-year performance information ⁶
Contestable Waste Minimisation Fund	13,401	-	-	-	-	
Emissions Trading Scheme	6,392	6,392	6,789	6,789	6,515	4
Environmental Protection Authority Functions	-	21,885	21,885	21,885	20,155	4
Environmental Protection Authority: Decision Making Functions	13,073	-	-	-	-	
Environmental Protection Authority: Monitoring and Enforcement Functions	7,902	-	-	-	-	
Environmental Training Programmes	2,419	1,900	1,900	1,900	1,900	5
Promotion of Sustainable Land Management	1,000	800	800	800	800	5
Te Mana o Te Wai – Restoring the Life-giving Capacity of Fresh Water	286	-	-	-	-	
The Freshwater Improvement Fund	19,058	-	-	-	-	
Water science and economics	-	1,500	2,200	1,866	1,500	5
Total non-departmental output expenses	70,345	51,897	55,937	50,868	50,350	
Non-departmental other expenses						
Allocation of New Zealand Units	649,943	814,415	1,160,100	875,034	1,143,550	2
Climate Change Development Fund	300	300	300	300	300	5
Environmental Legal Assistance	808	750	750	651	600	5
Exclusive Economic Zone Major Prosecutions Fund	-	-	500	-	-	5
Framework Convention on Climate Change	159	170	170	154	170	5
Fresh Start for Fresh Water: Waikato River Clean-up Fund	5,044	4,902	4,902	4,902	4,736	5
Impairment of Debt relating to Climate Change Activities	1,785	147,000	147,000	-	147,000	5
Impairment of Debt relating to Environment Activities	-	1,500	1,500	-	1,500	5
International Subscriptions	118	152	152	142	152	5
Loss on Sale of New Zealand Units	1,993	208,995	555,285	72,065	19,000	5
Te Pou Tupua	109	106	106	106	101	5
Transitional Support for Local Government and Iwi	1,211	-	641	641	-	5
United Nations Environment Programme	549	593	593	548	593	5
Waikato River Co-governance	910	1,195	1,195	1,195	910	5
Waikato River Co-management	2,365	2,202	2,202	2,202	2,021	5
Waste Disposal Levy Disbursement to Territorial Authorities	16,973	-	-	-	-	
Total non-departmental other expenses	682,267	1,182,280	1,875,396	957,940	1,320,633	

	2019/20 Expenditure \$000	2020/21 Budget* \$000	2020/21 Revised Budget** \$000	2020/21 Expenditure ⁵ \$000	2021/22 Forecast* \$000	Location of end-of-year performance information ⁶
Non-departmental capital expenditure						
Capital Contribution to the Environmental Protection Authority	-	1,509	1,112	1,112	268	4
Climate Change Commission: Capital Contribution	599	-	-	-	-	
Total non-departmental capital expenditure	599	1,509	1,112	1,112	268	
Multi-category appropriations (MCA)						
Waste Minimisation MCA	-	46,703	48,399	36,239	59,203	
Departmental output expenses						
Waste Minimisation Administration	-	5,906	7,602	7,397	5,906	1
Non-departmental output expenses						
Contestable Waste Minimisation Fund	-	20,797	20,797	11,327	20,797	2
Non-departmental other expenses						
Waste Disposal Levy Disbursements to Territorial Local Authorities	-	20,000	20,000	17,515	32,500	2
Waste and Resource Recovery (MCA)	-	86,323	22,359	18,701	63,239	
Non-departmental output expenses						
Waste Minimisation and Resource Recovery Initiatives	-	53,323	22,349	18,701	63,229	2
Non-departmental other expenses						
Fair value write-down of loans	-	-	10	-	10	
Non-Departmental Capital Expenditure						
Waste and Resource Recovery Infrastructure	-	33,000	-	-	-	
Climate Change MCA	27,182	-	-	-	-	
Departmental output expenses						
Carbon Monitoring Programme	3,458	-	-	-	-	
Domestic Climate Change Programme Policy Advice	19,006	-	-	-	-	
International Climate Change Programme Policy Advice	4,698	-	-	-	-	
Synthetic Greenhouse Gas Levy	20	-	-	-	-	
Environmental Management Obligations and Programmes MCA	2,601	-	-	-	-	
Departmental output expenses						
Domestic Obligations and Programmes	1,581	-	-	-	-	

	2019/20 Expenditure \$000	2020/21 Budget* \$000	2020/21 Revised Budget* ⁴ \$000	2020/21 Expenditure ⁵ \$000	2021/22 Forecast* \$000	Location of end-of-year performance information ⁶
International Obligations and Institutions Policy Advice	1,020	-	-	-	-	
Improving Environmental Management MCA	49,917	-	-	-	-	
Departmental output expenses						
Developing and Implementing Treaty Settlements and Environmental Accords Policy Advice	1,738	-	-	-	-	
Marine Environment Policy Advice	1,606	-	-	-	-	
Resource Management Implementation	16,365	-	-	-	-	
Resource Management Policy Advice	12,583	-	-	-	-	
Water Management Implementation	4,374	-	-	-	-	
Water Management Policy Advice	11,532	-	-	-	-	
Non-departmental output expenses						
Water science and economics	1,719	-	-	-	-	
Mitigating Environmental Hazards and Waste MCA	6,408	-	-	-	-	
Departmental output expenses						
Environmental Hazards and Waste Policy Advice	967	-	-	-	-	
Waste Management and Minimisation	5,441	-	-	-	-	
Total multi-category appropriations	86,108	133,026	70,758	54,940	122,442	
Total annual and permanent appropriations	847,274	1,474,372	2,122,426	1,178,879	1,650,277	

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

Remeasurement

In 2020/21, the Crown has reported a remeasurement loss of \$1,507 million in relation in the provision of the allocation of New Zealand Units under the Emissions Trading Scheme (2019/20: \$1,095 million).

The remeasurement of the provisions takes account of the revisions in the price of emission units. 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 2021 (continued)

Details of multi-year appropriations

Community Environment Fund

On 1 July 2020, a multi-year appropriation, Community Environment Fund was established in Vote Environment, non-departmental output expense for strengthening partnerships, raising environmental awareness and encouraging participation in environmental initiatives in the community. This appropriation expires on 30 June 2025.

	2020/21 Revised Budget* \$000	2020/21 Actual \$000
Appropriation for non-departmental output expenses:		
Community Environment Fund		
Cumulative expenses to 1 July	-	-
Current year expenses	2,960	2,530
Cumulative expenses to 30 June	2,960	2,530
Remaining appropriation	8,688	9,118
Total appropriation	11,648	11,648

Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme**

On 1 July 2020, this multi-year appropriation was established in Vote Environment, non-departmental output expense from the Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme that expired on 30 June 2020. This appropriation is established for maintaining and improving the water quality of the Rotorua Lakes. This appropriation expires on 30 June 2025.

	2019/20 Actual \$000	2020/21 Revised Budget* \$000	2020/21 Actual \$000
Appropriation for non-departmental output expenses:			
Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme			
Cumulative expenses to 1 July	11,015	-	-
Current year expenses	5,983	4,700	1,000
Cumulative expenses to 30 June	16,998	4,700	1,000
Remaining appropriation	6,002	12,527	16,227
Total appropriation	23,000	17,227	17,227

Freshwater Improvement Fund**

On 1 July 2020, a multi-year appropriation, Freshwater Improvement Fund was established in Vote Environment, non-departmental output expense for initiatives that contribute to managing New Zealand's freshwater bodies within environmental limits. This appropriation expires on 30 June 2025.

	2020/21 Revised Budget* \$000	2020/21 Actual \$000
Appropriation for non-departmental output expenses:		
Freshwater Improvement Fund		
Cumulative expenses to 1 July	-	-
Current year expenses	41,691	23,723
Cumulative expenses to 30 June	41,691	23,723
Remaining appropriation	215,070	233,038
Total appropriation	256,761	256,761

Kaipara Moana Remediation**

On 1 July 2020, a multi-year appropriation, Kaipara Moana Remediation was established in Vote Environment, non-departmental output expense for remediating Kaipara Moana by halting degradation and working towards more productive, sustainable, and high value use of land within the Kaipara catchment. This appropriation expires on 30 June 2025.

	2020/21 Revised Budget* \$000	2020/21 Actual \$000
Appropriation for non-departmental output expenses:		
Kaipara Moana Remediation		
Cumulative expenses to 1 July	-	-
Current year expenses	9,638	9,638
Cumulative expenses to 30 June	9,638	9,638
Remaining appropriation	90,362	90,362
Total appropriation	100,000	100,000

Te Mana o Te Wai**

On 1 July 2020, a multi-year appropriation, Te Mana o Te Wai was established in Vote Environment, non-departmental output expense for helping Māori improve the quality of freshwater bodies, whose health is integral to the social, cultural, economic and environmental well-being of communities. This appropriation expires on 30 June 2025.

	2020/21 Revised Budget* \$000	2020/21 Actual \$000
Appropriation for non-departmental output expenses:		
Te Mana o Te Wai		
Cumulative expenses to 1 July	-	-
Current year expenses	8,000	-
Cumulative expenses to 30 June	8,000	-
Remaining appropriation	22,000	30,000
Total appropriation	30,000	30,000

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

** 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 2021

In the 2020/21 financial year, there were no instances of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority (2019/20: \$158,352 in the Environmental Legal Assistance Fund).

Statement of expenses and capital expenditure incurred outside of scope of an appropriation and without other authority for the year ended 30 June 2021

In the 2020/21 financial year, there were no instances of expenses and capital expenditure incurred outside of the scope of an appropriation and without other authority (2019/20: Excess expenditure of \$3.114 million over the five-year period from the 2015/16 to 2019/20 financial years in relation to payments to territorial local authorities of their proportion of the Waste Disposal Levy).

All other expenses in relation to the activities of, or appropriations administered by, the Ministry during 2020/21 were within appropriation.

Statement of departmental capital injections for the year ended 30 June 2021

The Ministry received capital injection of \$1 million for the year ended 30 June 2021 (2019/20: \$0.250 million).

Statement of departmental capital injections without, or in excess of, authority for the year ended 30 June 2021

The Ministry has not received any capital injections 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 this annual report.

In my opinion:

- the annual report fairly reflects the operations, progress, and the organisational health and capability of the Ministry;
- the financial statements fairly reflect the financial position of the Ministry as at 30 June 2021 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 2022 and its operations for the year ending on that date.



Vicky Robertson
Chief Executive

30 September 2021

Independent Auditor's Report

To the readers of Ministry for the Environment's annual report for the year ended 30 June 2021

The Auditor General is the auditor of Ministry for the Environment (the Ministry). The Auditor General has appointed me, Rehan Badar, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the Ministry on pages 74 to 101, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2021, 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 2021 on pages 36, 37, 39 to 41, 45, 46, 48 to 69;
- the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2021 on pages 123 to 130; and
- the schedules of non departmental activities which are managed by the Ministry on behalf of the Crown on pages 103 to 121 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2021;
 - the schedules of expenses; and revenue for the year ended 30 June 2021; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Ministry on pages 74 to 101 and 131:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the performance information of the Ministry on pages 36, 37, 39 to 41, 45, 46, 48 to 69:
 - presents fairly, in all material respects, for the year ended 30 June 2021:
 - 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 on pages 123 to 130 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non departmental activities which are managed by the Ministry on behalf of the Crown on pages 103 to 121 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2021; and
 - expenses; and revenue for the year ended 30 June 2021.

Our audit was completed on 30 September 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Chief Executive for the information to be audited

The Chief Executive is responsible on behalf of the Ministry 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.
- 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 is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Chief Executive is responsible on behalf of the Ministry for assessing the Ministry's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Ministry, or there is no realistic alternative but to do so.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Ministry's Statement of Intent 2020-2025, the relevant Estimates and Supplementary Estimates of Appropriations 2020/21, and the 2020/21 forecast financial figures included in the Ministry's 2019/20 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- We evaluate the appropriateness of the reported performance information within the Ministry's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 1 to 134, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Ministry in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Ministry.



Rehan Badar

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



Ministry for the
Environment
Manatū Mō Te Taiao



Te Kāwanatanga o Aotearoa
New Zealand Government

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Auditor

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Wellington
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(on behalf of the Auditor-General)

Bankers

Westpac