



Statement of Performance Expectations

2017/18

Environmental
Protection
Authority
**Statement of
Performance
Expectations
2017/18**

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Prepared in accordance with section 149 of the
Crown Entities Act 2004

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Foreword from the Chair

The Environmental Protection Authority works to achieve our vision of *An environment protected, enhancing our way of life and the economy*. The work we do each day is about protecting the environment and enhancing a safe and sustainable way of life and future for all New Zealanders.

We may all hold slightly differing views about our way of life, and our views evolve over time, yet there are enduring qualities that most people value, such as the safety of our people, protecting our environment, our culture, and our standard of living.

In doing our work, we carefully consider safety, social, environmental, and economic factors that will safeguard the way of life New Zealanders want to be able to enjoy, for generations to come.

We are always conscious that the decisions we make today can have a very long-term impact, in ways that make history every day.

This is all the more important because our work touches on the everyday lives of all New Zealanders, starting from when we get up in the morning and continuing throughout the day: at home, at work, and at leisure. It

ranges from ensuring the safety of the shampoo we use in the morning, to more environmentally-friendly ways of growing safe and affordable food, to making careful and balanced decisions about activity in New Zealand's large exclusive economic zone and also large infrastructure projects such as roading.

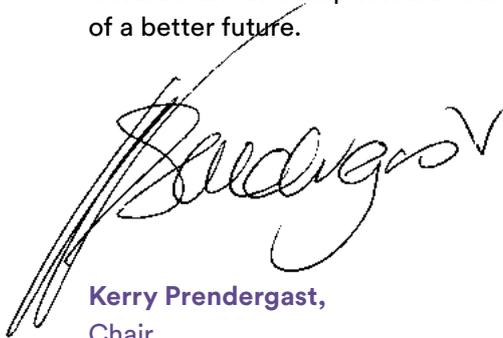
Our focus is on creating a strong New Zealand, because our country has many unique environmental aspects, our unique culture, and a special relationship with tangata whenua.

Māori have a unique perspective on environmental issues that has developed over many generations, through observation and experience. This accumulation of knowledge, mātauranga Māori, is something we continually seek to incorporate into our decision making. He Whetū Mārama guides us in undertaking our statutory and other obligations to Māori, and helps us understand Māori perspectives and responsibilities.

We draw on world-class expertise from local and international science communities and similar government environmental agencies around the world. We also contribute to the world-wide body of shared knowledge through

many international connections. This contributes to better global outcomes that are essential to the long-term health of planet Earth.

This Statement of Performance Expectations sets out our work for the coming financial year. A year is not a long time in terms of the work that we do, but it will be another step towards our goal of a better future.

A handwritten signature in black ink, appearing to read 'Prendergast', with a large, sweeping flourish extending upwards and to the left.

Kerry Prendergast,
Chair,
Environmental
Protection Authority

Foreword from the Chief Executive

As we move into a new financial year, the Environmental Protection Authority will focus on new opportunities and ways of working that we believe will make significant and substantial positive impacts on New Zealand and New Zealanders.

Issues that have predominated over the past year have included chemical management, legislative reform, compliance and consenting, alongside topics as diverse as genetic modification and the science surrounding substances from neonicotinoids to glyphosate.

Internally, our process efficiencies and implementation of the four pillars of our new strategy have been our focus, alongside leadership of our staff, shaping our culture, and a developing One EPA strategic approach.

This year, our priorities will extend this work, and begin to address some of the key challenges emerging in the natural resources sector. To this end, we have identified five key priorities:

- being a proactive regulator
- chemical modernisation and reform of the hazardous substances regime
- incorporating mātauranga Māori into our decision making

- acting as One EPA
- science leadership and actively sharing more information publicly.

Within our mandate we are a proactive regulator and we intend to be ahead of the environmental issues that may impact negatively on people and the environment. Our approach will be risk-based and evidence-driven. One of our priority programmes to achieve this objective is our additional investment in the reassessment of chemicals of concern.

We are strengthening our partnerships and relationships with a range of stakeholders, including other government agencies and agencies that are associated with, or have responsibility for, environmental issues. For example, in 2016/17 we began working closely with local authorities to understand and better support their work of keeping their communities safe from the dangers of hazardous substances. We will continue and build on this in 2017/18. We also work closely with WorkSafe New Zealand, the Ministry for the Environment, Ministry for Primary Industries, the Department of Conservation, and other government agencies.

We will continue to collaborate with Maritime New Zealand and other agencies across central government to regulate certain activities within the exclusive economic zone and continental shelf (EEZ).

It is more than 20 years since the Hazardous Substances and New Organisms (HSNO) Act came into effect. During that period our understanding of the effects on the environment of chemical impacts and biological control has developed significantly. Chemical modernisation - that is, better chemistry and a better regime - is high on our list of strategic priorities. We intend to work to facilitate more efficient risk and harm assessments, and enhanced compliance and enforcement functions. International harmonisation and alignment will be essential: our focus is on achieving the best for New Zealand, as a good citizen in a developing global system.

Another priority for 2017 concerns expanding our accepted decision-making frameworks and practice, particularly in regard to mātauranga Māori. We believe it may be complex, but it is possible, to incorporate traditional and more contemporary dimensions of knowledge into decision making that includes science, mathematics, economics, cultural and indigenous knowledge.

In progressing each of the four pillars of our strategy (see page 11) and our four-year plan, we will undertake external and internal work that reinforces the clarity and coherence of our role. Our customers need to see us acting consistently as One EPA to have trust and confidence in their dealings with us. And we, in turn, can achieve more, more effectively, by working as One EPA.

As mentioned, we already have work underway on organisational culture, values and leadership. This will continue in 2017.

In the coming year we intend to share information more widely about our role and work and, in particular, to share our scientific expertise by contributing to contemporary environmental and health discussions, commentary, and research and education initiatives.

To further support this, we are also redeveloping our website to provide our customers and the public quicker and easier access to better information. We will continue to work on our public education programme to encourage safer practices around the home and garden.

Operationally, in 2017 our priorities will be more efficient processes, on technologies and systems that require investment to meet our requirements for the next four years, and on addressing funding and costing issues to ensure our sustainability.

We will continue to develop the leadership potential of our staff, and ensure we deliver fully on our health and safety responsibilities.

Many of the projects we will work on in 2017/18 will be ongoing or of more than one year's duration. And, as our Chair, Kerry Prendergast, noted, next year will be another step on the path, and we intend to make it a significant one.

A handwritten signature in black ink, appearing to read 'Allan Freeth', followed by a long horizontal line extending to the right.

Allan Freeth,
Chief Executive,
Environmental
Protection Authority

Statement of Responsibility

The structure and content of this Statement of Performance Expectations follows the general requirements set out in the Crown Entities Act 2004.

The Board members and the management of the EPA are responsible for maintaining systems and processes that support robust, objective decision making and compliance with rules and providing reasonable assurance as to the integrity and reliability of financial reporting.

The performance to be achieved by the EPA for the year 1 July 2017 to 30 June 2018 that is specified in this Statement of Performance Expectations has been agreed with the Minister for the Environment, who is responsible for overseeing and managing the Crown's interests in the EPA. The Minister for Climate Change Issues has been consulted over issues relevant to that portfolio.

The Board acknowledges responsibility for the preparation of this Statement of Performance Expectations, which reflects the forecast performance and the financial position of the EPA for the financial year 2017/18.



Kerry Prendergast,
Chair,
Environmental
Protection Authority

15 June 2017



Tim Lusk,
Board Member,
Environmental
Protection Authority

15 June 2017

Section 1: Introduction

The Statement of Performance Expectations of the Environmental Protection Authority (EPA) sets out what we are committed to delivering during the 2017/18 financial year, the financial resources we will use to deliver these services, and how we intend to measure our performance.

The EPA is a Crown Agent for the purposes of the Crown Entities Act 2004. It was established under the Environmental Protection Authority Act 2011. Our objective, as set out in this Act, is to undertake our functions in a way that:

- a) contributes to the efficient, effective, and transparent management of New Zealand's environment and natural and physical resources
- b) enables New Zealand to meet its international obligations.

We have specific functions under the environmental Acts we manage. These Acts are:

- Climate Change Response Act 2002
- Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012
- Hazardous Substances and New Organisms Act 1996

- Imports and Exports (Restrictions) Act 1988 and Prohibition Order (No 2) 2004
- Ozone Layer Protection Act 1996
- Resource Management Act 1991.

We report to the Minister for the Environment and to the Minister for Climate Change on issues relevant to their respective portfolios.

The EPA Board has between six and eight members. It is responsible for governance, setting strategic direction, and monitoring performance.

Ngā Kaihautū Tikanga Taiao, our statutory Māori Advisory Committee, has up to eight members who are appointed by the Board, and provides the Board with advice on policy, process and decision making.

Our Hazardous Substances and New Organisms Committee is a statutory committee, with delegated decision-making powers relating to applications made under the Hazardous Substances and New Organisms Act.

We also appoint decision-making committees from time to time to consider applications under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act.

In addition we provide support to Boards of Inquiry established to consider nationally significant proposals under the Resource Management Act.

The Ministry for the Environment (MfE) is the agency with the responsibility of monitoring our activity and is the Government's principal advisor on environmental policy and legislation.

What we do

- Make decisions about whether or not to approve pesticides, dangerous goods, household chemicals and other hazardous substances. We also undertake reassessments of these substances and monitor compliance and enforce the rules, together with WorkSafe New Zealand, territorial authorities, and other agencies.
- Issue EPA Notices, which set the rules relating to the classification, labelling, packaging, information requirements, controls that apply outside of the workplace, and disposal of pesticides, dangerous goods, household chemicals and other hazardous substances.
- Regulate ozone-depleting substances and certain chemicals and hazardous waste (controlled by international environmental agreements), in accordance with our international obligations.
- Make decisions on new organisms (living things that are new to New Zealand), and oversee the monitoring of approvals. New organisms include genetically modified organisms which were not present in New Zealand before 28 July 1998.
- Administer the New Zealand Emissions Trading Scheme (ETS) and maintain the New Zealand Emissions Trading Register (NZETR). This includes making decisions and ensuring compliance with the ETS rules, enabling the holding and transfer of climate change units, and meeting statutory and inventory reporting requirements under the Climate Change Response Act.
- Regulate certain activities within the exclusive economic zone and continental shelf (EEZ), for example the environmental effects of oil and gas production. This includes determining applications for consents and rulings, with the purpose of promoting the sustainable

management of the natural resources of the EEZ, and compliance monitoring and enforcement of marine consent conditions and regulations made under the EEZ Act.

- Administer nationally significant proposals under the Resource Management Act, which includes providing support for Boards of Inquiry.
- Provide information on subjects such as the safe use and handling of chemicals, when approvals and consents are needed, how to apply for them, and how to participate in the publicly notified consent and approval application processes we manage.
- Contribute to national science leadership on environment issues, and provide advice on the implementation of government policy, environmental legislation, and regulations. This includes providing advice to the Ministry of Foreign Affairs and Trade on environmental impact assessments for activities in Antarctica. We participate, and help represent New Zealand's interests, in the work of international bodies dealing with climate change, chemicals regulation, chemicals and ozone-depleting substances governed by international conventions, and the regulation of hazardous substances, hazardous waste and new organisms.

Government priorities

As a Crown entity, our planning is guided by the Government's commitment to building a stronger and more prosperous New Zealand and its priorities: building a more productive, competitive economy; and delivering better public services within tight fiscal constraints.

Our annual plans also encompass the Minister for the Environment's annual Letter of Expectations.

The Minister has asked that our work supports the delivery of high quality public services. This includes:

- entities working with others in the State Services to achieve results
- demonstrating the use of evidence
- prioritising diversity and inclusion
- performance improvements
- openness and transparency.

Specifically, the Minister has asked that we give particular attention to:

- optimising investment across Vote Environment – identifying efficiencies within our processes and operations and improving financial management
- delivering our services to make a difference for the customer
- improvements to decision making – operational process efficiencies, standardisation of application processing and cost recovery
- hazardous substances – modernising chemical management, workplace Health and Safety Reforms and proactive enforcement of the hazardous substances regime

- Climate Change Response Administration – NZETR meeting New Zealand’s international commitments and delivering quality, timely services.

Our work in 2017/18 will achieve the Government’s and Minister’s priorities through projects and programmes as outlined in the following pages.

Our strategy

Our strategy for the next four years and our work priorities for this year reflect particular areas the Minister has asked that we give attention to, and our focus on ensuring that the work we do achieves results. Our strategic framework comprises:

- **strategic goals**
what we will achieve

- **strategic pillars**
our approach to our work
- **strategic intentions**
the shift we seek to make in the medium term, and where we are focussing our efforts each year.

The table below shows how these align.

We work as One EPA, championing our vision:

An environment protected, enhancing our way of life and the economy

This vision aligns with the Government’s commitment to building a stronger and more prosperous New Zealand. It shows us balancing the complex relationships between the environment, its vital role in our way of life, and the Government’s specific priority work, to build a more productive, competitive economy.

Strategic goal —What we will achieve	Pillar —How we will achieve it	Strategic intentions 2016-2020 —The shift we will make
People have trust and confidence in our work	One EPA many experts, one authoritative voice, supported by evidence and science	Increase the trust of the nation, Māori, and business through decision making based on science, evidence, mātauranga Māori, and risk assessment
Delivery of the right decisions, cost effectively	Customer-centric approaching our work from the start to the finish with the customer front of mind	Improve operational performance, including through enhanced EPA systems, and customer experiences
Protection of people and the environment in partnership with businesses, Māori, and the community	Partnership plus working collaboratively for success	Contribute effectively to the government environmental, wellbeing, and economic outcomes and results
A confident EPA with highly capable and engaged people working collaboratively for optimum results	People potential harnessing our people and their potential for success	Build depth and breadth of leadership and technical expertise to ensure we have the capability and capacity to respond to stakeholder and customer demand

Our vision is supported by our wawata:

“Ka whai mōhio ā Te Mana Rauhi Taiao whakataui i te hononga ake, i te hononga motuhake a Ngāi Māori ki te Taiao – the unique relationship of Māori to the environment informs EPA decision making.”

The wawata reflects the important contribution to our work of Ngā Kaihautū Tikanga Taiao, our Māori Advisory Committee, and our commitment to fulfilling our responsibilities to the Treaty of Waitangi.

This commitment is also reflected in our He Whetū Mārama framework that guides the undertaking of our statutory and other obligations to Māori. It is guided by four Treaty of Waitangi principles:

- the principle of partnership
- the principle of active protection
- the principle of participation
- the principle of potential.

The outcomes of He Whetū Mārama will be informed decision making, in which our policy, process and decision making is fully and effectively informed by Māori perspectives; and productive relationships, whereby we maintain relationships that ensure Māori are productively involved in decision making and associated activities.



Kauri trees are our visual emblem for our vision and associated strategy, representing partnership, strength, growth, and the New Zealand environment.

How our strategic intentions contribute to the Government's priorities in 2017/18

One EPA: Increase the trust of the nation, Māori, and business through decision making based on science, evidence, mātauranga Māori, and risk assessment

This strategic intention addresses the Minister's expectations that our work focuses on achieving results for New Zealanders, now and in the future, and that we have openness and transparency.

Key initiatives that we will progress over the next year under this strategic intention are:

- **Integration of mātauranga Māori into our work** – This will focus on ways of integrating Māori science and traditional knowledge into our decision-making processes at the operational level, working with Ngā Kaihautū Tikanga Taiao, our Māori Advisory Committee.
- **Science leadership** – Last year we appointed a Chief Scientist, who works with experts across the natural resources sector and beyond to help the voice of science to be heard and understood in professional and public forums. This year we will also appoint a research assistant to increase our capacity for undertaking research and evaluation projects involving hazardous substances, new organisms and the EEZ. One of our key science projects for the next financial year will involve development of a pollinator strategy to address public concern surrounding our approval of

the use of insecticides (particularly neonicotinoids) by promoting, through a programme of public education, a range of opportunities for New Zealand communities to encourage and support pollinators and pollination.

- **Increasing trust** - Through our Safer Homes public education campaign we will work with other government agencies to promote the safe use of hazardous substances, such as household cleaning, decorating, and gardening products, which are used around the home. We will also redevelop our website and make our information more understandable and accessible for all users - businesses, iwi, compliance agencies, and the public.
- **Assessments** - Over the coming year, the consideration process for two nationally significant proposals (NSPs), and support of their hearings by independent Boards of Inquiry, will be administered by the EPA. These are the Northern Corridor and East West Link roading improvement proposals from NZTA in the Auckland region. We will also be implementing any legislative changes.
- In the coming year, our EEZ decision-making committee will consider an application from Shell Todd Oil Services Limited (STOS) for a marine consent and a marine discharge consent to cover offshore activities associated with the Māui natural gas field operating under the Petroleum Mining License (PML). In addition, there may be further work in the 2017/18 financial year on applications from Trans-Tasman Resources Limited (TTRL) and OMV New Zealand Limited.

- In early 2017 the Hazardous Substances Decision-making Committee approved an application to import an alternative refrigerant gas that does not deplete the ozone layer and has low global warming potential. This decision was significant as it was the first of a new class of refrigerants that we expect to become available to industry and consumers. This supports the work we will be doing in coming years to phase out the use of ozone-depleting gases.
- In the New Organisms area, we plan to make it easier for universities to apply standardised and consistent oversight of rules for managing very low risk work with new organisms in contained laboratories.

Customer-centricity: Improve operational performance, including through enhanced EPA systems, and customer experiences

This strategic intention addresses the Minister’s expectations that we make performance improvements to our operating systems and processes. This encompasses the Minister’s request that we focus particularly on improving our financial systems.

Key initiatives that we will progress over the next year under this strategic intention are:

- **Improving our financial systems and processes** – This will include procurement and installation of a new and more user-friendly financial management information system (FMIS). We are also working towards implementing a new standardised third-party pricing and charging model to support processing of

applications for decision making and compliance (monitoring and enforcement) services.

- **Improving customer experiences** – We have made a significant commitment in our strategy to improving the experience customers have when dealing with us – for example, by being more responsive, streamlining processes, and making them clearer and more easily accessible. In addition we intend to improve the way we use customer survey information to inform the way we work.

Partnership plus: Contribute effectively to the government environmental, wellbeing, and economic outcomes and results

This strategic intention also addresses the Minister’s expectation that our work focusses on achieving results for New Zealanders, now and in the future.

To do this the EPA will work to be a proactive regulator in partnership with others in the sector and across government.

Key initiatives that we will progress over the next year under this strategic intention are:

- **Modernise and reform the regulatory regime** – We will continue work to improve the current hazardous substance regulatory regime and approval standards to ensure that users have a full understanding of their responsibilities and that the EPA has a clear voice across HSNO regulatory messaging. We will also address chemicals of concern in an improved framework for

reassessments, and we will continue to work with territorial authorities on hazardous substance compliance.

- **Working Safer Reforms: Hazardous Substances** – This will involve consolidating hazardous substances rules from across a number of organisations to a centralised location.
- **Review of Emissions Trading Scheme** – We will continue to work on ensuring that the ETS compliance and penalty regime is fit for purpose, specifically to ensure that ETS regulatory agencies have efficient and effective compliance tools that support the integrity of the ETS.

People potential: Build depth and breadth of leadership and technical expertise to ensure we have the capability and capacity to respond to stakeholder and customer demand

This strategic intention also addresses the Minister's expectations that our work focusses on achieving results for New Zealanders, now and in the future, and we achieve performance improvement.

Key initiatives that we will progress over the next year under this strategic intention are:

- **Developing people capability** – Our leadership programme will raise organisational capability and engagement, and enhance the EPA's performance through developing our staff's leadership skills.

Section 2: Reportable outputs

Statement of appropriations 2017/18

The EPA is funded through a mix of Crown funding and third party revenue. Crown funding is provided through the three appropriations in Vote Environment: EPA Decision Making, EPA Monitoring and Enforcement, and Emissions Trading Scheme.

Appropriation (GST exclusive)	Estimated Actual 2016/17 \$000	Forecast 2017/18 \$000
EPA : Decision Making Functions	12,613	12,383
EPA : Monitoring and Enforcement Functions	6,262	6,492
Emissions Trading Scheme	6,392	6,392
Total Crown Funding	25,267	25,267

Forecast statement of expenditure funded by Crown, fees and other revenue and interest, 2017/18

The EPA has three streams of operating revenue; Crown funding, revenue generating activities and other business revenue. The following table shows the total costs covered by our revenue generating activities (fees and charges) and other business revenue (primarily interest).

Third Party Funding

The EPA implements cost recovery for a number of activities. The legislation that the EPA implements only provides for cost recovery for some activities and only partial cost recovery in others.

Items that are cost recovered include:

- processing applications under the EEZ legislation
- processing nationally significant proposals under the Resource Management Act.

2017/18 year	Total Output Expenditure \$000	Expenditure funded by Fees & Other Revenue \$000	Expenditure funded by Interest and other \$000	Expenditure funded by Crown \$000	
No	Description				
1	EPA: Decision Making Functions	17,028	4,600	45	12,383
2	EPA: Monitoring and Enforcement Functions	6,624	115	17	6,492
3	Emissions Trading Scheme appropriation	6,409	—	17	6,392
	Total Cost	30,061	4,715	79	25,267

Items that are partially cost recovered include:

- monitoring consents and permitted activities (other than foreign scientific research, costs associated with permitted submarine cable and Crown funded research) in the EEZ
- processing applications under the Hazardous Substances and New Organisms Act
- making rulings under the Climate Change Response Act.

Other areas are Crown-funded.

Appropriation: EPA decision-making functions

	2016/17 \$000	2017/18 \$000	Change \$000
Revenue Crown	12,613	12,383	(230)
Revenue Other	4,876	4,645	(231)
Expenses	17,489	17,028	461
Net Surplus / (Deficit)	—	—	—

Our work under this appropriation is intended to achieve the objectives of the environmental Acts we administer, as follows:

- The prevention and/or management of the adverse effects of hazardous substances or new organisms.
- The fulfilment of New Zealand's international obligations regarding the import, export and use of ozone-depleting substances and the trans-boundary movement of hazardous waste of international concern.
- The sustainable management of natural and physical resources with respect to projects of national significance.
- The sustainable management of the natural resources of the exclusive economic zone and the continental shelf.

In making decisions the EPA seeks to ensure robust, objective, transparent and efficient decision-making processes for approvals, permits or consents. An important aspect of the decision-making

process for some approvals and consents is the receipt and consideration of submissions and recognising the unique relationship of Māori to the environment in our decision making.

Our work under this appropriation contributes towards achieving the EPA's strategic goals:

- People have trust and confidence in our work.
- Delivery of the right decisions, cost-effectively.
- Protection of people and the environment in partnership with businesses, Māori, and the community.
- A confident EPA with highly capable and engaged people working collaboratively for optimum results.

Our activities under this appropriation relate to the following areas.

Hazardous substances, new organisms, ozone-depleting substances and hazardous waste decision making (HSNO decision making)

- Assessing and deciding applications for hazardous substances and new organisms under the Hazardous Substances and New Organisms Act.
- Issuing import or export permits for hazardous waste under the Imports and Exports (Restrictions) Act 1988 and the Imports and Exports (Restrictions) Prohibition Order (No 2).
- Issuing import or export permits for ozone-depleting substances under the Ozone Layer Protection Act.

Some of these activities have been delegated to WorkSafe New Zealand

to undertake in advance of their expected formal transfer under changes to the HSNO Act (see page 23).

Resource management decision making

- Management of the process for applications that are considered to be of national significance, or other national level decision-making processes under the Resource Management Act.

Exclusive Economic Zone decision making

- Assessing and deciding applications for marine consents and rulings under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act (EEZ Act), including decisions on dumping and discharge activities subject to marine consent.

Appropriation: EPA monitoring and enforcement functions

	2016/17 \$000	2017/18 \$000	Change \$000
Revenue Crown	6,262	6,492	230
Revenue Other	145	132	(13)
Expenses	6,407	6,624	(217)
Net Surplus / (Deficit)	—	—	—

Our work under this appropriation is intended to achieve the objectives of the environmental Acts we administer, as follows:

- The prevention and/or management of the adverse effects of hazardous substances or new organisms.
- The fulfilment of New Zealand's international obligations regarding the import, export and use of ozone-depleting substances and the trans-boundary movement of hazardous waste of international concern.
- The sustainable management of the natural resources of the exclusive economic zone and the continental shelf.

Our compliance and enforcement activity has the overall intention of promoting awareness of and ensuring compliance with legislation, regulations, approvals, permits and consents in relation to hazardous substances, ozone-depleting substances, hazardous waste, new organisms, and activities in the EEZ.

Our work under this appropriation contributes towards achieving the EPA's strategic goals:

- People have trust and confidence in our work.
- Delivery of the right decisions, cost effectively.
- Protection of people and the environment in partnership with businesses, Māori, and the community.

Our activities under this appropriation relate to the following areas.

Exclusive Economic Zone compliance monitoring and enforcement

- Monitoring and enforcing compliance under the EEZ Act with the requirements of regulations and any conditions of marine consents.

Hazardous substances, new organisms, ozone-depleting substances and hazardous waste compliance monitoring and enforcement

- Compliance monitoring and enforcement under the Hazardous Substances and New Organisms Act, the Ozone Layer Protection Act, the Imports and Exports (Restrictions) Act, and the Imports and Exports (Restrictions) Prohibition Order

(No 2) - Hazardous Waste and Stockholm Chemicals and Asbestos – containing Products Prohibition Order 2016 jointly with other agencies (for example, New Zealand Customs Service).

Some hazardous substances activities have been delegated to WorkSafe New Zealand to undertake in advance of their expected formal transfer (see page 23).

Maintaining the regulatory framework and regulatory stewardship

- Reviewing and maintenance of EPA-administered regulatory instruments (such as core hazardous substances controls, the classification of hazardous substances, EPA Notices and cost recovery) to ensure they are efficient and up to date.
- Facilitating Māori involvement in the regulatory activities of the EPA.
- Contributing to the review, maintenance and development of regulatory instruments that relate to EPA responsibilities.
- Supporting effective regulation including access to science, knowledge and information, public information and education, and partnerships.
- Contributing to New Zealand's involvement in international agreements and protocols relating to areas of regulation that the EPA is responsible for implementing. These include: the Rotterdam Convention (covering transboundary trade in specified hazardous chemicals); the Basel Convention and Waigani Convention (both covering hazardous waste); the Cartagena Protocol

(covering trade in living modified organisms); the Montreal Protocol (covering the phasing out of ozone-depleting substances); the Stockholm Convention (covering the phasing out of persistent organic pollutants); the United Nations Framework Convention on Climate Change; and the London Convention (on dumping at sea).

- Providing input into wider Government environmental stewardship.

Appropriation: Emissions Trading Scheme

	2016/17 \$000	2017/18 \$000	Change \$000
Revenue Crown	6,392	6,392	—
Revenue Other	30	17	(13)
Expenses	6,422	6,409	13
Net Surplus / (Deficit)	—	—	—

This appropriation is intended to achieve the efficient and effective administration of the New Zealand Emissions Trading Scheme and the operation of the New Zealand Emissions Trading Register to ensure that the allocation and trading of emission units are recorded accurately and in a timely manner.

These activities allow the carbon market to operate. The EPA's role within this is to make decisions and ensure compliance with the rules relating to the administration of the ETS and maintenance of the NZETR, to enable the holding and transfer of climate change units and to meet statutory and inventory reporting requirements under the Climate Change Response Act. This includes decisions on and activities to support registration, the administration of non-forestry allocation, entitlements and obligations, the synthetic greenhouse gas provisions under the Climate Change Response Act, and provision of the services and facility for, and information about, the transfer and holding of units. The EPA completed development and implementation of a new emissions register in 2016/17.

We work with the other administrative partners (Ministry for the Environment, Ministry for Primary Industries, New Zealand Transport Agency, and the New Zealand Customs Service) to operate the ETS and the synthetic greenhouse gas provisions of the Climate Change Response Act. We also work with international partners (mainly other registries) and carbon market participants to ensure any cross-border transactions operate effectively.

Our work under this appropriation contributes towards achieving the EPA's strategic goals:

- People have trust and confidence in our work.
- Delivery of the right decisions, cost effectively.
- Protection of people and the environment in partnership with businesses, Māori, and the community.

Transfer of functions to WorkSafe New Zealand

The Health and Safety Reform legislation amended the Hazardous Substances and New Organisms Act. Some of the functions under the Act are to transfer from the EPA to WorkSafe New Zealand. The functions that will formally transfer once the new legislation comes into effect are:

- Test certification
- Controlled substances licensing
- Part 6 applications for equipment
- Industry liaison on workplace controls
- Codes of practice (workplace-related)
- Compliance information (workplace-related)
- Enquiries (0800 and web-based, workplace-related).

As an interim step, on 1 September 2014, the EPA delegated responsibility for these functions to WorkSafe New Zealand prior to legal accountability being assumed by them when the amendments to the Act come completely into force at the end of 2018.

For the purposes of this document we have included these functions as part of the EPA's outputs and deliverables. However the performance of these outputs will be reported by WorkSafe New Zealand in its Annual Report.

Our performance

In 2016 we refreshed our performance framework to better link our activities with longer term outcomes relating to the EPA's Strategy. Our performance measures relate to our three appropriations. They are grouped under the strategic goals and strategic intentions of the EPA, as outlined below, and have been designed to cover the outcomes desired across our work and the strategic shifts the EPA intends to make.

Note:

The measures under our fourth outcome – “A confident EPA with highly capable and engaged people working collaboratively for optimum results” are not linked to our reportable outputs. However we have included these measures here as they form an important part of our strategy and empower the EPA to deliver our work.

Goal:

People have trust and confidence in our work

Strategic Intention:

Increase the trust of the nation, Māori, and business through decision making based on science, evidence, mātauranga Māori, and risk assessment

Key to appropriations:

DM = EPA Decision-making functions

ME = EPA: Monitoring and enforcement functions

ETS = Emissions Trading Scheme

Measures that demonstrate achievement	Target	Latest result (2016/17)	Desired trend	Appropriation/s
New Zealanders trust the impartiality and transparency of the EPA's activities				
New Zealanders have trust and confidence in the EPA.	By 30 June 2018, greater than 70%	71%	▲	DM, ME, ETS ¹
Customers trust in the integrity and security of the NZETR and ETS systems and processes.	By 30 June 2018, greater than 90%	62%	▲	ETS
Applicants and submitters (HSNO/RMA/EEZ), and Ngā Kaihautū, Te Herenga, Iwi, and Māori have trust and confidence in the EPA.	By 30 June 2018, 80%	Applicants: 76% Submitters: 63% Māori: 71%	▲	DM
HSNO and EEZ decision-making processes are robust and objective.	100% of a sample of decisions meet agreed criteria	Data not yet available	=	DM
Applicants and submitters agree that information on the main factors taken into account in EPA decisions made (HSNO/RMA/EEZ), and how these influenced the decisions, is clear to understand and easy to access.	By 30 June 2018, 80%	Data not yet available	=	DM
The EPA is regarded as contributing effectively across all-of-government/sector-specific initiatives				
Positive feedback from Ministers and central and local government agencies on the EPA's leadership and contributions, to both sector-wide government work and responding to specific queries.	Minimum sample of 25 contacted annually with at least 80% positive feedback	Data not yet available	=	DM, ME, ETS
New Zealanders are aware of the EPA's role and purpose				
New Zealanders consider they know a reasonable amount about what the EPA does.	By 30 June 2018, 50%	Data not yet available	=	DM, ME, ETS

Measures that demonstrate achievement	Target	Latest result (2016/17)	Desired trend	Appropriation/s
Customers are satisfied with the overall level of service provided by the EPA				
A customer-centricity programme is in place and is reflected in business processes.	By 30 June 2018, key customer strategies implemented across business groups	Programme in place	=	DM, ME, ETS
EPA customers agree: <ul style="list-style-type: none"> our overall level of service provided meets or exceeds expectations our information is easy or very easy to access our information is easy or very easy to understand it is easy or very easy to contact us. 	By 30 June 2018, averaged score of 80% or more	Access: 61% Understand: 63% Contact: 78%	▲	DM, ME, ETS
Applicants (HSNO/RMA/EEZ) agree that the advice, information and support provided to assist their participation in the application process meets or exceeds their expectations.	By 30 June 2018, 80%	70%	▲	DM
Submitters (HSNO/RMA/EEZ) agree that the information and support provided to assist their participation in the application process meets or exceeds their expectations.	By 30 June 2018, 80%	73%	▲	DM
Users agree that the overall quality of ETS service delivery meets or exceeds their expectations.	By 30 June 2018, 80%	56%	▲	ETS
A programme of process reviews is in place to identify efficiencies.	By 30 June 2018, FMIS Reset programme implemented By 30 June 2018, completion of third party funding review. By 30 June 2018, implementation of new application processing as part of the continuous improvement project	Programme of process reviews initiated for FMIS, Third party funding, Continuous improvement	=	DM, ME, ETS

Goal:
Delivery of the right decisions cost effectively

Strategic Intention:
Improve operational performance, including through enhanced EPA systems, and customer experiences

Continued...

Measures that demonstrate achievement	Target	Latest result (2016/17)	Desired trend	Appropriation/s
Undertaking our obligations to Māori, statutory and other, through our He Whetū Mārama framework				
Māori agree: <ul style="list-style-type: none"> • they are aware or very aware of opportunities to participate in EPA functions • our overall level of service provided meets or exceeds expectations • our information is easy or very easy to access • our information is easy or very easy to understand • it is easy or very easy to contact us. 	By 30 June 2018, averaged score of 80%	Opportunities 59% Overall quality of service 67%	▲	DM, ME, ETS
Customers are satisfied with the quality of online services				
Customers agree that where online transactions can be made with EPA, it is easy or very easy to carry these out.	By 30 June 2018, 70%	Data not yet available	=	DM, ME, ETS
New Zealanders who found information that met their needs on the EPA's website, in the last 12 months.	By 30 June 2018, 70%	Data not yet available	=	DM, ME, ETS

Measures that demonstrate achievement	Target	Latest result (2016/17)	Desired trend	Appropriation/s
The impacts of hazardous substances on the environment are understood and reduced				
A hazardous substances modernisation programme is identified and agreed.	By 30 June 2018, completion of operational strategy to reduce harm to people and the environment By 30 June 2018, programme of reassessments is initiated and has commenced	Programme identified and agreed	=	DM, ME
Achieve compliance with the approvals, consents, regulations, rules, and EPA Notices that we are responsible for monitoring				
Hazardous substances importers and manufacturers, and EEZ compliance and enforcement programmes are identified and agreed.	By 30 June 2018, intelligence programme for HS implemented By 30 June 2018, sampling and testing programme underway to determine level of compliance for products assigned to Group Standards By 30 June 2018, an EEZ engagement plan is in place	HS and EEZ programmes in place	=	ME
ETS data integrity ensures that participants and account holders are able to be contacted appropriately, they are aware of changes as they relate to the ETS or the carbon market, and they are able to undertake legitimate transactions.	98% of participant registrations and account applications are accurately recorded in the NZETR within two business days of receipt of a properly completed application	As at Dec 2016: 99%	=	ETS

Goal:
Protection of people and the environment in partnership with businesses, Māori, and the community

Strategic Intention:
Contribute effectively to the government environmental, wellbeing, and economic outcomes and results

Continued...

Measures that demonstrate achievement	Target	Latest result (2016/17)	Desired trend	Appropriation/s
Voluntary agreements in place with industry on achieving environmental management systems, or similar, that are in line with modern international practices, go beyond minimum regulatory requirements, and that are contributing to improved environmental outcomes.	By 30 June 2018, working group within existing agreement has completed technical guidance for burials at sea.	Agreement expected March 2017 (Funeral Directors Association)	=	ME
With partners and stakeholders, we are contributing to reducing harm from the storage and use of hazardous substances in the home				
Feedback from key agencies involved in the promotion of consumer health and safety demonstrates EPA's consumer harm reduction information is more accessible and effective.	Positive feedback on whether information is more accessible and effective, with increasing trend	Data not yet available	=	ME
Agreements in place with agencies dealing with families and the wider community, such as Plunket, Māori Women's Welfare League, Housing NZ, and with industry, on joint initiatives for promoting the better use, storage and disposal of hazardous substances.	By 30 June 2018, existing agreements are continuing to promote safety of people in the home	3 agreements in place (Housing NZ, Wellington City Council, AoG Safe and healthy Homes network)	=	ME
New organisms, bio-control agents, or hazardous substances can be demonstrated to have contributed to a reduction in pests and/or weeds, and have not become a pest or weed				
No incidences have been reported of EPA-approved new organisms having become a pest, weed, or disease.	Zero incidents reported and trend of no change	Zero incidents	=	DM
New organisms, bio-control or hazardous substances significantly reduce pests and/or weeds.	Demonstrated by case studies, quantitative and qualitative assessments by selected agencies	Data not yet available	=	DM
Iwi/hapū are consistently enabled to give effect to kaitiakitanga				
Undertake shared projects with Ngā Kaihautū Tikanga Taiao, Te Herenga, and Iwi on particular areas of Māori interest in our work.	At least 1 project initiated between 1 July 2017 and 30 June 2018	Initiated project with Ngā Kaihautū Tikanga Taiao on mātauranga Māori	=	DM, ME
Undertake re-evaluation of how native threatened species are taken into consideration in hazardous substances risk assessment.	By 30 June 2018, literature review completed	New measure	=	DM

Measures that demonstrate achievement	Target	Latest result (2016/17)	Desired trend
We have a strong learning culture that supports our ability to attract, grow and retain talent			
Staff turnover.	Less than 15% per year	24.4% (2016)	▼
Investment in staff training and professional development opportunities.	2.75% annually	2.3% (2016)	▲
Deliver a Human Resources programme of work that covers: <ul style="list-style-type: none"> strengthening our capability in leadership strategic agility Māori capability customer-centricity and partnership engagement regulatory expertise. 	By 30 June 2018, leadership development milestones listed are successfully embedded	Programme delivered	=
EPA staff are recognised within New Zealand and globally for their expertise			
Number of staff who speak at conferences or similar events, and positive feedback received where provided.	Greater than 10 per year and feedback equal to a rating of 4 out of 5 (where provided)	Achieved	=
Staff are recognised for their contributions to scientific, technical, and specialist debates and publications.	Reports to EPA Board show that we are recognised for our contributions	Recognition received	=

Goal:
A confident EPA with highly capable and engaged people working collaboratively for optimum results

Strategic Intention:
Build depth and breadth of leadership and technical expertise to ensure we have the capability and capacity to respond to stakeholder and customer demand

These measures are not linked to our reportable outputs (see note on page 24)

How we operate as an organisation

Financial performance measures

We have developed the following performance measures to provide an indication of our overall organisational health and capability. These measures provide information not otherwise available in the Statement of Intent 2016-2020 or this Statement of Performance Expectations.

Forecast financial performance measures

Measure	Unit	Estimated Actual 2016/17	Forecast 2017/18
Working capital			
Net current assets	\$000	7,294	6,959
Current ratio	%	390	366
Resource utilisation			
Fixed assets as % of total assets	%	43	44
Additions as % of fixed assets	%	32	29
Fixed assets per FTE	\$000	46	46
Accommodation cost per FTE	\$000	8.5	8.4
Human resources			
Total FTEs	No.	162.2	165.3
Professional Development as % of personnel expenses	%	2.75	2.75
Average annual leave liability as % of annual entitlement	%	50	51

Prospective financial statements

Prospective statement of comprehensive revenue and expense

	Estimated Actual 2016/17 \$000	Forecast 2017/18 \$000
Revenue		
Revenue Crown	25,267	25,267
Interest income	166	60
Other revenue	4,897	4,734
Total income	30,330	30,061
Expenditure		
Personnel costs	15,228	16,640
Depreciation and amortisation expense	2,027	1,983
Other expenses	12,759	11,438
Total expenditure	30,014	30,061
Surplus/(deficit)	316	—
Other comprehensive revenue and expense	—	—
Total comprehensive revenue and expense	316	—

Prospective statement of financial position

	Estimated Actual 2016/17 \$000	Forecast 2017/18 \$000
Assets		
Current assets		
Cash and cash equivalents	3,036	3,420
Debtors and other receivables	1,738	1,606
Prepayments	35	47
Investments	5,000	4,500
Total current assets	9,809	9,573
Non-current assets		
Property, plant and equipment	1,221	848
Intangible assets	6,178	6,818
Total non-current assets	7,399	7,666
Total assets	17,208	17,239
Liabilities		
Current liabilities		
Creditors and other payables	1,676	1,733
Employee entitlements	769	810
Operating lease	70	71
Total current liabilities	2,515	2,614
Non-current liabilities		
Employee entitlements	92	95
Operating lease	212	141
Total non-current liabilities	304	236
Total liabilities	2,819	2,850
Net assets	14,389	14,389
Equity		
General funds	14,389	14,389
Total equity	14,389	14,389

Prospective statement of changes in equity

	Estimated Actual 2016/17 \$000	Forecast 2017/18 \$000
Balance at 1 July	14,073	14,389
Surplus / (deficit) for the year	316	—
Balance at 30 June	14,389	14,389

Prospective statement of cash flows

	Estimated Actual 2016/17 \$000	Forecast 2017/18 \$000
Cash flows from operating activities		
Receipts from Crown	25,267	25,267
Interest received	164	72
Receipts from other revenue	4,436	4,857
Payments to suppliers	(12,637)	(11,457)
Payments to employees	(15,413)	(16,596)
Goods and service tax (net)	125	(9)
Non-current assets	1,942	2,134
Cash flows from investing activities		
Receipts from sale of investments	500	500
Purchase of property, plant and equipment	(140)	(250)
Purchase of intangible assets	(2,274)	(2,000)
Acquisition of investments	—	—
Net cash flows from investing activities	1,914	1,750
Net increase/(decrease) in cash held	28	384
Cash and cash equivalents at the beginning of the year	3,008	3,036
Cash and cash equivalents at the end of the year	3,036	3,420

Prospective statement of capital expenditure

Note:

The estimated actual capital expenditure consists of approvals granted during the year and payments for approved capital expenditure from previous year. The computer software includes the redevelopment of the NZETR.

	Estimated Actual ¹ 2016/17 \$000	Forecast 2017/18 \$000
Property, Plant and Equipment		
Computer hardware	12	150
Furniture and fittings	—	50
Leasehold improvements	—	20
Office equipment – owned	128	30
Intangible assets		
Computer software	2,274	2,000
Total	2,414	2,250

Notes to the prospective financial statements

Reporting entity

The Environmental Protection Authority (EPA) is a Crown Agent under the Crown Entities Act 2004.

The relevant legislation governing the EPA's operations includes the Crown Entities Act 2004, the Environmental Protection Authority Act 2011 and the relevant environmental Acts.

The EPA has designated itself as a public benefit entity for financial reporting purposes.

These prospective financial statements of the EPA are for the year 1 July 2017 to 30 June 2018 and were authorised for issue by the Board on 15 June 2017.

Cautionary note

Actual financial results achieved for the period covered are likely to vary from the information presented, and variations may be material.

Statement of significant underlying assumptions

Crown revenue

Year	\$000
2016/17	25,267
2017/18	25,267

Revenue from fees

The revenue from fees is based on the following assumptions:

- the activities of our stakeholders in the past
- specific indications of applications that are expected from likely applicants
- our assessment of the impact of recent legislative changes.

Capital expenditure

A number of software development projects are planned over the next year to enhance the delivery of the existing core regulatory functions.

Working with the GCIO process

All information technology work will be undertaken using methods and standards promoted by the Office of the Government Chief Information Officer.

Statement of accounting policies for the year ended 30 June 2018

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 forecast financial statements of the EPA have been prepared in accordance with the Crown Entities Act 2004, which includes the requirement to comply with the New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE Standards.

Measurement basis

These forecast financial statements have been prepared on a historical cost basis.

Functional and presentation currency

These forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the EPA is the New Zealand dollar (NZ\$).

Standards issued and not yet effective and not early adopted

There are no standards or amendments that have been issued, but are not yet effective, that are expected to have a significant impact on the EPA.

Changes in accounting policies

No significant changes in accounting policies have occurred during the financial year.

Significant accounting policies

The following accounting policies, which materially affect the measurement of financial performance and financial position, are applied consistently.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

The EPA derives revenue through the provision of outputs to the Crown as specified in this Statement of Performance Expectations, for services

to third parties, primarily through application fees, and from interest on money in its bank accounts.

Revenue from the Crown

The EPA is primarily funded from the Crown. This funding is restricted in its use for the purpose of the EPA meeting the objectives specified in its founding legislation and the scope of the relevant appropriations of the funder.

The EPA considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Interest

Interest income is recognised using the effective interest method.

Provision of services

Revenue derived through the provision of services to third parties is recognised in proportion to the stage of completion at the balance date. The stage of completion is assessed by reference to the stage of work performed.

Capital charge

Changes to the capital charge rules from 1 July 2011 mean that the EPA will not be required to pay any capital charge, since the EPA's total net assets do not exceed \$15 million.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand dollars (the functional currency) using the spot exchange rates 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 monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the EPA are classified as operating leases. Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Cash and cash equivalents

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

Debtors and other receivables

Debtors and other receivables are initially measured at their face value, less any provision for impairment.

Impairment of receivables is established when there is objective evidence that the EPA will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter

into bankruptcy, and default on payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

Investments

At each balance date the EPA assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. EPA investments are all in bank deposits.

—Bank Deposits

Investments in bank deposits are initially measured at the amount invested.

After initial recognition, investments are measured at amortised cost using the effective interest method less any provision for impairment.

For bank deposits, impairment is established when there is objective evidence that the EPA will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default on payments are considered indicators that the deposit is impaired.

Accounting for derivative financial instruments and hedging activities

In accordance with its Foreign Exchange Policy, the EPA does not hold or issue derivative financial instruments for trading purposes. The EPA has not adopted hedge accounting.

Property, plant and equipment

Property, plant and equipment consist mainly of computer hardware, furniture and fixtures, leasehold improvements and office equipment.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

—Additions

The cost of an item of property, 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 EPA and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value when control over the asset is obtained.

—Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

—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 EPA and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

—Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows.

Asset class	Useful life	Depreciation rates
Computer hardware	3 to 4 years	(25%–33.3%)
Furniture and fixtures	6 years	(16.7%)
Leasehold improvements	6 to 9 years	(11.1%–16.7%)
Office equipment	6 years	(16.7%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at least each financial year-end.

Intangible assets

—Software acquisition and development

Acquired computer software licences 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 EPA are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software 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 surplus or deficit. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows.

Asset class	Useful life	Amortisation rates
Computer software	3 to 8 years	(12.5%–33.3%)

Impairment of property, plant and equipment, and intangible assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 the 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 EPA would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For non-financial assets the impairment loss is

recognised in the surplus or deficit. The reversal of an impairment loss is also recognised in the surplus or deficit.

Creditors and other payables

Creditors and other payables are initially measured at their face value.

Employee entitlements

—Short-term entitlements

Employee benefits that the EPA expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned, but not yet taken, at balance date.

The EPA recognises a liability for sick leave where applicable.

The EPA recognises a liability and an expense for performance payment when contractually obliged or when there is a past practice that has created a constructive obligation.

—Long-term entitlements

The EPA recognises a liability for long service leave and retirement leave where applicable.

—Superannuation schemes

a) Defined contribution schemes - Obligations for contributions to Kiwi Saver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

b) Defined benefit schemes -

The EPA has no defined benefit scheme for employees.

Provisions

The EPA recognises a provision for future expenditure of an 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 expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 an interest expense and is included in “finance costs”.

Borrowings

The EPA does not have any borrowings.

Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from, the IRD, 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 EPA is exempt from income tax in terms of the Income Tax Act 2004. Accordingly, no charge for income tax has been provided for.

Cost allocation

The EPA determines the cost of outputs using the cost allocation outlined below.

Direct costs are costs that can be charged (attributed) directly to an external activity (and therefore an output).

Indirect costs are costs that cannot be readily identified with an output and are incurred for the common benefit of more than one output. (Examples include accommodation rental, computer network costs, and utility charges.)

Indirect costs are allocated to external activities to derive total output costs, as detailed below.

Cost drivers are used to allocate costs directly to outputs, whether personnel or other costs.

All other costs are allocated to outputs on a proportional basis, using direct personnel time as the cost driver, based on actual data collected through the time recording system for the year.

Critical accounting estimates and assumptions

In preparing these financial statements the EPA has made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows.

Property, plant and equipment useful life and residual value

At each balance date the EPA reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the EPA to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the EPA, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the Statement of Comprehensive Income, and carrying amount of the asset in the Statement of Financial Position.

The EPA minimises the risk of this estimation uncertainty by:

- physical inspection of assets
- asset replacement programmes
- review of second-hand market prices for similar assets
- analysis of prior asset sales.

The EPA has not made significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying the EPA's accounting policies

Management has exercised the following critical judgement in applying the EPA's accounting policies for the period ended 30 June 2017.

—Lease classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the EPA.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

The EPA has exercised its judgement on the appropriate classification of equipment leases and has determined there are no lease arrangements that can be classified as finance leases.

—Classification of intangible assets

The EPA took over a number of databases developed by the Environmental Risk Management Authority for the management of HSNO applications. These databases are estimated to have a useful life of eight years.

Charging policy

Charges are applied for most types of applications to the EPA: for decisions on applications of national significance under the Resource Management Act; decisions on marine consents and rulings under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act; decisions on applications under Parts 5 and 6 of the Hazardous Substances and New Organisms Act; and Emissions Ruling applications under the Climate Change Response Act. Charges for applications and other services under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act and the Climate Change Response Act are set by regulation. Other fees and charges are publicly notified on the EPA's website under the Fees and Charges Schedules and the Cost Recovery Policy for proposals of national significance. In the main, charges are set as fixed fees, although charges for some application types are set by negotiation with the applicant and others are charged on an hourly rate basis.

Balancing of revenues and costs

The EPA has an overall aim of operating a balanced budget each year. Any surplus made will be available to fund future operating deficits. We will not incur a deficit unless we are able to fund it from retained earnings.

New borrowings and other liabilities

The EPA has no plans to incur liabilities in the form of borrowings or financial leases in the 2017/18 year.



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