

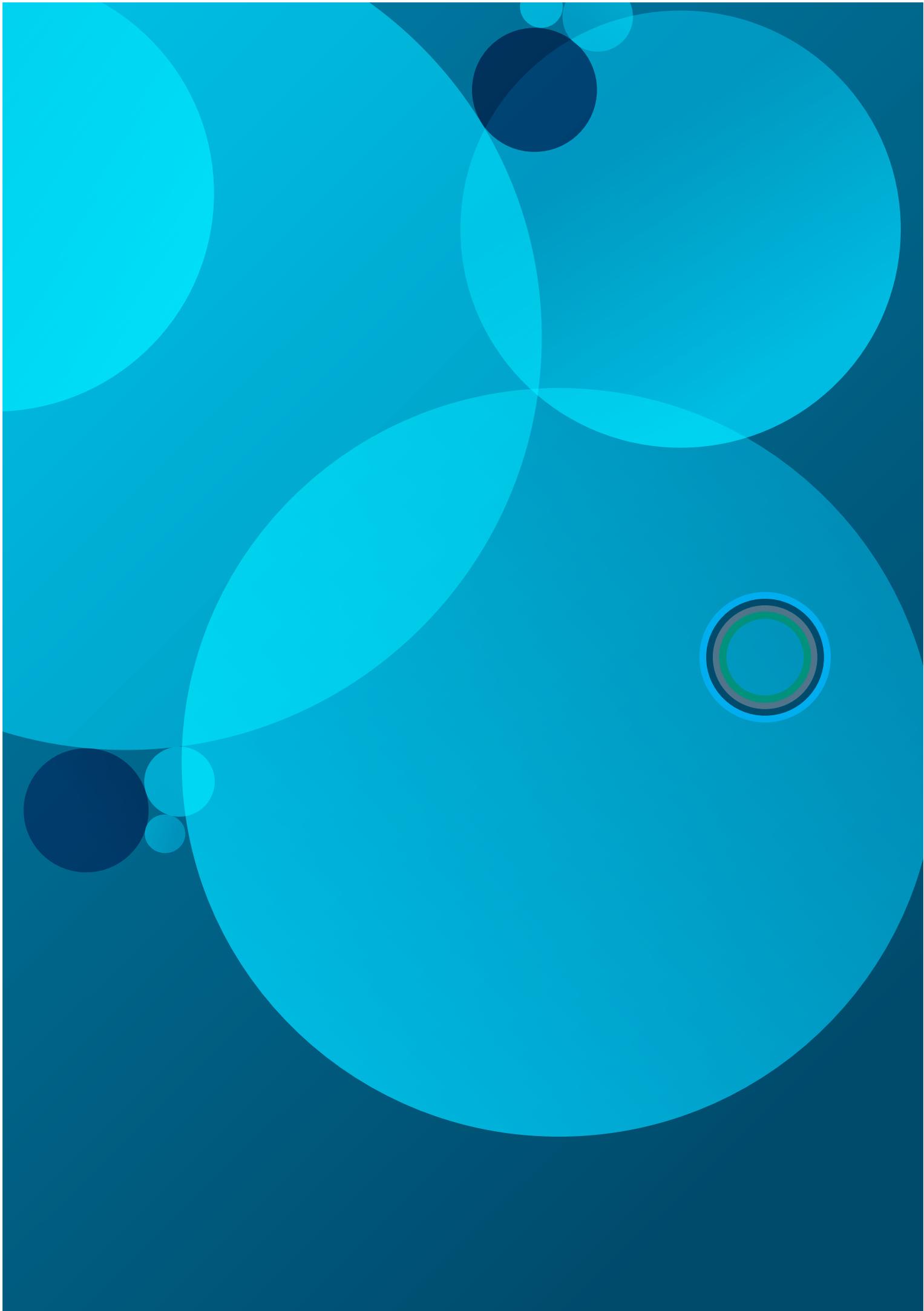


Environmental  
Protection Authority  
*Te Mana Rauhi Taiao*

Environmental Protection Authority

# Statement of performance expectations 2014-15

# 15



Environmental Protection Authority

# Statement of performance expectations

2014-15

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# 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, as amended by the Crown Entities Amendment Act 2013. It forms a partner document with the Statement of Intent 2014-18, which sets out the strategic intentions that the Environmental Protection Authority (EPA) plans to achieve in the medium term. The focus of the Statement of Performance Expectations is on public accountability and providing a base against which our performance for the next financial year can be assessed.

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 2014 to 30 June 2015 that is specified in this Statement of Performance Expectations has been agreed with the Minister for the Environment, who is the Minister 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 2014-15.



**Kerry Prendergast**  
CHAIR ENVIRONMENTAL PROTECTION AUTHORITY

23 June 2014



**Kevin Thompson**  
DEPUTY CHAIR ENVIRONMENTAL PROTECTION AUTHORITY

23 June 2014

## Overview of our activities

Our main activities are:

- Regulation of pesticides, dangerous goods, household chemicals and other hazardous substances.
- Regulation of ozone-depleting substances, certain chemicals and hazardous waste controlled by international environmental agreements.
- Regulation of new organisms, including genetically modified organisms.
- Regulation of certain activities within the Exclusive Economic Zone and Continental Shelf (EEZ), for example oil, gas and mineral extraction.
- Administration of Nationally Significant Proposals under the Resource Management Act.
- Administration of the New Zealand Emissions Trading Scheme (ETS) and the New Zealand Emission Unit Register.

The Government expects the EPA to provide a consistent regulatory approach across the country and over a broad range of environmental issues. The EPA also provides 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.

# What we will deliver in 2014-15

## Statement of Performance Expectations for 2014-15

The EPA is funded through a mix of Crown funding and third party revenue. Crown funding is provided through the Environmental Protection Authority: regulatory functions Multi Class Appropriation (MCA) in Vote Environment, and through the Vote Environment: Emissions Trading Scheme appropriation.

The output classes within the two appropriations are:

- Decision making
- Compliance
- Climate change response administration.

## Statement of appropriations

2014-15

| OUTPUT APPROPRIATION (GST EXCLUSIVE)  | ESTIMATED<br>ACTUAL<br>2013-14<br>\$000 | FORECAST<br>2014-15<br>\$000 |
|---|---|------------------------------|
| <b>ENVIRONMENTAL PROTECTION AUTHORITY: REGULATORY FUNCTIONS (MCA)</b>                                     |   |                              |
| Decision-making output class  | 10,470                                  | 11,546                       |
| Compliance output class   | 5,630                                   | 7,039                        |
| <b>TOTAL MULTI CLASS APPROPRIATION FOR ENVIRONMENTAL PROTECTION AUTHORITY: REGULATORY FUNCTIONS (MCA)</b> | <b>16,100</b>                           | <b>18,585</b>                |
| <b>EMISSIONS TRADING SCHEME APPROPRIATION</b>   |   |                              |
| Climate change response administration output class   | 6,392                                   | 6,392                        |
| <b>TOTAL</b>  | <b>22,492</b>                           | <b>24,977</b>                |

## Forecast statement of outputs, fees and other revenue, 2014-15

The Environmental Protection Authority 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).

### 2014-15 YEAR

| OUTPUT NO.   | DESCRIPTION  | TOTAL OUTPUT EXPENDITURE \$000 | EXPENDITURE FUNDED BY FEES & OTHER REVENUE \$000 | EXPENDITURE FUNDED BY INTEREST \$000 | EXPENDITURE FUNDED BY CROWN \$000 | RECOVERY |
|--|--|--------------------------------|--|--------------------------------------|-----------------------------------|----------|
| <b>DECISION MAKING OUTPUT CLASS</b>                        |  |                                |  |                                      |                                   |          |
| 1  | Hazardous substance, new organism, ozone-depleting substance and hazardous waste decision making | 6,458                          | 532  | 19                                   | 5,907                             | 8.2%     |
| 2  | Resource management decision making  | 7,011                          | 3,852  | 21                                   | 3,138                             | 54.9%    |
| 3  | EEZ decision making  | 9,118                          | 6,590  | 27                                   | 2,501                             | 72.3%    |
| <b>COMPLIANCE OUTPUT CLASS</b>                             |  |                                |  |                                      |                                   |          |
| 4  | Hazardous substance, new organism, ozone-depleting chemical and hazardous waste compliance       | 4,807                          | -  | 14                                   | 4,793                             | 0.0%     |
| 5  | EEZ compliance   | 2,553                          | 300  | 7                                    | 2,246                             | 11.8%    |
| <b>CLIMATE CHANGE RESPONSE ADMINISTRATION OUTPUT CLASS</b> |  |                                |  |                                      |                                   |          |
| 6  | ETS and NZEUR decision making and compliance   | 6,404                          | -  | 12                                   | 6,392                             | 0.0%     |
| <b>TOTAL COST</b>  |  | <b>36,351</b>                  | <b>11,274</b>                                    | <b>100</b>                           | <b>24,977</b>                     |          |

## Output classes and outputs

### OUTPUT CLASS: DECISION MAKING

|                                  | 2013-14<br>\$000 | 2014-15<br>\$000 | CHANGE<br>\$000 |
|----------------------------------|------------------|------------------|-----------------|
| Total output class appropriation | 10,470           | 11,546           | 1,076           |

Under the *Decision Making* output class, the EPA is focused on making robust, objective decisions to protect people and the environment. The output class includes a range of services to ensure an efficient decision-making process for approvals or permits relating to new organisms and hazardous substances, to import, use and export ozone-depleting substances and hazardous waste of international concern, consideration of resource management proposals of national significance and permitting under the EEZ regime. These services are provided under the Hazardous Substances and New Organisms Act 1996, the Ozone Layer Protection Act 1996, the Imports

and Exports (Restrictions) Act 1988, the Imports and Exports (Restrictions) Prohibition Order (No 2) 2004, the Resource Management Act 1991 and the EEZ and Continental Shelf (Environmental Effects) Act 2012.

The EPA outputs in this class are:

- **Output 1: Hazardous substance, new organism, ozone-depleting substance and hazardous waste decision making.**
- **Output 2: Resource management decision making.**
- **Output 3: Exclusive Economic Zone decision making.**

### OUTPUT CLASS: COMPLIANCE

|                                  | 2013-14<br>\$000 | 2014-15<br>\$000 | CHANGE<br>\$000 |
|----------------------------------|------------------|------------------|-----------------|
| Total output class appropriation | 5,630            | 7,039            | 1,409           |

Under the *Compliance* output class, the EPA is focused on ensuring compliance with the rules to protect people and the environment. The output class includes a range of services to promote awareness of and ensure compliance with legislation, regulations, approvals and permits in relation to hazardous substances, ozone-depleting substances, hazardous waste and new organisms, as well as activities in the EEZ. These services are provided under the Hazardous Substances and New Organisms Act 1996, the Ozone Layer Protection Act 1996, the Imports and Exports

(Restrictions) Act 1988, the Imports and Exports (Restrictions) Prohibition Order (No 2) 2004 and the EEZ and Continental Shelf (Environmental Effects) Act 2012.

The EPA outputs in this class are:

- **Output 4: Hazardous substance, new organism, ozone-depleting substance and hazardous waste compliance and enforcement.**
- **Output 5: Exclusive Economic Zone compliance.**

### OUTPUT CLASS: CLIMATE CHANGE RESPONSE ADMINISTRATION

|                                  | 2013-14<br>\$000 | 2014-15<br>\$000 | CHANGE<br>\$000 |
|----------------------------------|------------------|------------------|-----------------|
| Total output class appropriation | 6,392            | 6,392            | Nil             |

Under the *Climate Change Response Administration* output class, the EPA makes decisions and ensures compliance with the rules relating to the administration of the New Zealand Emissions Trading Scheme and maintenance of the New Zealand Emission Unit Register, to enable the holding and transfer of climate change units. The output class also includes implementation of new policy changes, compliance and enforcement activities and the provision of services and information for supporting market activity and reporting. These services, as

well as administration of synthetic greenhouse gas provisions, are provided under the Climate Change Response Act 2002.

There is only one output in this class.

- **Output 6: ETS and NZEUR decision making and compliance**

## EPA Strategy review and remapping of outputs between 2013-14 and 2014-15

During the 2013-14 year we revised our Strategy for the organisation. In order to ensure alignment and a clear 'line of sight' between what we do and how we are funded, the output classes and outputs were similarly revised. The principles we used in the review were:

- Transparency of outputs and output classes – each output class must cover discrete goods and services and clearly specify the deliverables and relevant measures to help monitor performance. In addition each output must be linked to one output class only so that performance of each output class can be measured.
- Transparency of funding – any expenditure to be recovered from third party activities must be distinguished from expenditure funded by the

Crown so no cross-subsidisation occurs. Outputs must be able to be split between revenue from third parties and revenue from the Crown.

- Simplicity – output classes and outputs should link to impacts, with a clear line of sight between them. Performance progress must be simple to monitor and report.
- Accountability – only one Minister can be accountable for one output class.
- Flexibility – the output class structure needs to be able to retain some flexibility to allow any additional functions or outputs to be added to the EPA's core functions and to allow transfers between output classes and outputs where possible.

The output framework is shown below.

| 2013-14 OUTPUT CLASSES |  |   |  |  |
|------------------------|--|---|--|--|
| OUTPUTS                | DECISION MAKING  | COMPLIANCE AND ENFORCEMENT  | SUPPORTING ENVIRONMENTAL MANAGEMENT                                    | CLIMATE CHANGE RESPONSE ADMINISTRATION                     |
| 1                      | Hazardous Substance, New Organism, Ozone-Depleting Substance and Hazardous Waste Decision Making |   |  |  |
| 2                      | Resource Management Decision Making  |   |  |  |
| 3                      |  | Hazardous Substance, Ozone-Depleting Substance and Hazardous Waste Compliance and Enforcement |  |  |
| 4                      |  | Promotion of Awareness and Participation  |  |  |
| 5                      |  |   | Government Policy, Legislation and International Activities            |  |
| 6                      |  |   | Resource Management Advice and Support Services                        |  |
| 7                      |  |   | Exclusive Economic Zone (EEZ) Applications, Assessments and Compliance |  |
| 8                      |  |   |  | Administration of the New Zealand Emissions Trading Scheme |

**The major changes to the outputs for 2014-15 are as follows:**

Output 4: Promotion of Awareness and Participation now split across Outputs 4 and 5 (Compliance) or Outputs 1-3 (Decision making), depending on the activity.

Output 5: Government Policy, Legislation and International activities ceases to be an output. The output is split as follows:

5.1 Ministerial services merges with 5.2 Legislation and Regulations.

5.2 and 5.3 Operational Policy for the Implementation

of Environmental Acts now split across Outputs 1 to 3 (Decision making).

5.4 Monitoring the Effectiveness of the HSNO Act and 5.5 International Activities now split across Outputs 4 and 5 (Compliance).

Output 6: Resource management advice and support services merges with Output 2: Resource Management Decision Making.

Output 7: EEZ applications, assessments and compliance now split between new Output 3: EEZ Decision making and new Output 5: EEZ Compliance.

The output framework for 2014-15 is shown below.

**2014-15 OUTPUT CLASSES**

| OUTPUTS | DECISION MAKING  | COMPLIANCE  | CLIMATE CHANGE RESPONSE ADMINISTRATION       |
|---------|--|---|--|
| 1       | Hazardous Substance, New Organism, Ozone-Depleting Substance and Hazardous Waste Decision Making |   |  |
| 2       | Resource Management Decision Making  |   |  |
| 3       | EEZ Decision Making  |   |  |
| 4       |  | Hazardous Substance, New Organism, Ozone-Depleting Substance and Hazardous Waste Compliance |  |
| 5       |  | EEZ Compliance  |  |
| 6       |  |   | ETS and NZEUR Decision Making and Compliance |

## Service level targets

While each output in the following pages has its own range of performance measures, service level targets measure the performance of the organisation as a whole. Through the use of surveys and similar qualitative techniques, we can track our performance as an organisation. The targets set for 2014-15 are as follows.

### Surveys

- 70% of people surveyed find the EPA's information easy to access. (Actual 2012-13: 51%)
- 70% of people surveyed find the EPA's information easy to understand. (Actual 2012-13: 51%)
- 70% of people surveyed say that it is reasonably easy or very easy to contact the EPA. (New measure 2013-14)
- 80% of Māori surveyed say they have had reasonable opportunities to participate in EPA functions. (New measure 2014-15)
- 80% of Māori surveyed rate the information provided by the EPA as relevant or very relevant. (Actual 2012-13: 96%)
- 70% of submitters on applications (HSNO/RMA/EEZ)

feel that their views have been considered somewhat, quite a lot or fully. (Actual 2012-13: HSNO 86%, RMA 69%, EEZ new measure 2014-15)

70% of submitters on applications (HSNO/RMA/EEZ) regard the information and advice provided to be clear, helpful and fit for purpose. (Actual 2012-13: RMA 69%)

90% of applicants (HSNO/RMA/EEZ) are satisfied with the advice and support provided. (Actual 2012-13 "advice is clear, helpful and fit for purpose": HS 52%, RMA 67%)

75% of participants in any hearing (HSNO/RMA/EEZ) process indicate that they are satisfied with the support provided during the hearing. (New measure RMA 2013-14, EEZ and HSNO 2014-15)

75% of users are satisfied with the overall quality of ETS service delivery. (Actual 2012-13: 70%)

75% of users trust the integrity and security of the NZEUR and ETS systems and processes. (New measure 2013-14)

Note that survey results for 2013-14 will be available for the Annual Report for 2013-14.

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## Official information, advice and policy contribution targets

In addition, we will use the following organisation-wide indicators as a measure of our performance in responding to official information and policy contributions:

- All responses to ministerial correspondence and parliamentary questions are completed within five

working days (or as otherwise agreed) and to the satisfaction of the Ministry for the Environment.

The Ministry for the Environment is satisfied with the timeliness and quality of EPA advice and input into Government policy activities.

## New Health and Safety Reform Bill

The Health and Safety Reform Bill provides for some of the EPA's current functions regulating hazardous substances in the workplace to transfer from the EPA to WorkSafe New Zealand (WorkSafe NZ). In the interim, the transfer will take place by way of delegating responsibility from 1 September 2014 to WorkSafe NZ prior to legal accountability being assumed by them later in 2015 when the Act comes into force. For the purposes of this document therefore we have included these functions as part of the EPA's outputs and deliverables.

## Transfer of functions to WorkSafe NZ in 2014-15

The following EPA functions will transfer to WorkSafe NZ during 2014-15, dependant on the passing of legislation:

- Test Certification
- Controlled Substances Licencing
- 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).

# Output 1: Hazardous substance, new organism, ozone-depleting substance and hazardous waste decision making

## Description

Our activities under this output relate to assessing and deciding applications for hazardous substances and new organisms under the Hazardous Substances and New Organisms Act 1996, 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) 2004; and issuing import or export permits for ozone-depleting substances under the Ozone Layer Protection Act 1996. **Note that certain activities will transfer to WorkSafe NZ during 2014-15 (see page 14).**

**OUTPUT 1: HAZARDOUS SUBSTANCE, NEW ORGANISM, OZONE-DEPLETING SUBSTANCE AND HAZARDOUS WASTE DECISION MAKING**

|  |   |
|--|---|
| <p><b>WE WILL PROVIDE THE FOLLOWING OUTPUTS</b></p>      | <p>Decisions on applications for hazardous substances and new organisms.</p> <p>Decisions on the import or export of ozone-depleting substances or hazardous waste.</p> <p>Advice and support for HSNO processes and the HSNO Committee.</p> <p>Oversight of delegated new organism decision making of Institutional Biological Safety Committees (IBSCs).</p>  |
| <p><b>WE WILL UNDERTAKE THE FOLLOWING ACTIVITIES</b></p> | <p>Make decisions on applications for hazardous substances and new organisms.</p> <p>Make decisions on applications for permits for the import and export of ozone-depleting substances and the import or export of hazardous waste.</p> <p>Make decisions on applications for the approval of people, sites and equipment as they relate to the use of hazardous substances.</p> <p>Undertake a programme of review of approvals relating to hazardous substances.</p> <p>Maintain registers:</p> <ul style="list-style-type: none"> <li>• Import and Exports (Restrictions) Register</li> <li>• Ozone Layer Protection Register</li> <li>• Hazardous Substances Register.</li> </ul> <p>Service and support the HSNO Committee appointed to consider applications on hazardous substances and new organisms.</p> <p>Oversee new organism delegated decision making of Institutional Biological Safety Committees</p> <p>Administer the biosafety clearing house for living modified organisms under the Cartagena Protocol</p> <p>Recommend improvements and provide input into any proposed changes to legislation .</p> |

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## OUTPUT 1: HAZARDOUS SUBSTANCE, NEW ORGANISM, OZONE-DEPLETING SUBSTANCE AND HAZARDOUS WASTE DECISION MAKING (CONTINUED)

|  |   |
|--|---|
| <p><b>WE WILL UNDERTAKE THE FOLLOWING ACTIVITIES (CONTINUED)</b></p> | <p>Participate in international activities and ensure that any international trends and innovations are fed into the appropriate channels.</p> <p>Prepare and submit annual reports on ozone-depleting substances and on chemicals and waste as required by legislation and international conventions.</p> <p>Monitor and report on the extent to which the HSNO Act reduces adverse effects on the environment and on people.</p> <p>Ensure the smooth transition of activities transferring to WorkSafe NZ</p>  |
| <p><b>WE WILL MEASURE OUR SUCCESS THROUGH THE FOLLOWING</b></p>      | <p>All decisions made under the HSNO Act and relevant regulations, meet statutory timeframes.</p> <p>All audits of HSNO decisions are carried out as per the agreed programme by 30 June 2015.</p> <p>External tests such as legal, audit or evaluation demonstrate that our decision making is robust and objective.</p> <p>Implementation of the international work programme, which has been agreed to by the EPA Board, by 1 July 2014.</p> <p>Feedback from the Chair of the HSNO Committee indicates that they are satisfied with the support provided.</p> <p>The annual report to the International Ozone Secretariat, required by Article 7 of the Montreal Protocol, is provided to MfE by 30 June 2015.</p> <p>The resources, legal delegations and operating arrangements are in place to support the smooth transition of workplace-related functions to Worksafe NZ by 1 September 2014.</p> <p>Functions delegated to Worksafe NZ are operating in accordance with the terms of the delegation.</p> <p>Service level targets are on page 13.</p> |

## Output 2: Resource management decision making

### Description

Our activities under this output relate to the management of applications that are considered to be of national significance, or other national level decision-making processes under the RMA such as applications for Water Conservation Orders or Heritage Orders.

#### OUTPUT 2: RESOURCE MANAGEMENT DECISION MAKING

|   |   |
|---|---|
| <p><b>WE WILL PROVIDE THE FOLLOWING OUTPUTS</b></p>             | <p>Process advice and support for RMA processes at a national level.</p> <p>Process management and support of Boards of Inquiry.</p>  |
| <p><b>WE WILL UNDERTAKE THE FOLLOWING ACTIVITIES</b></p>        | <p>Manage the process and provision of advice to Ministers on call-ins, other Ministerial interventions, and proposals of national significance directly lodged with the EPA.</p> <p>Assess the national significance of applications to the EPA and make recommendations to the Minister for the Environment, the Minister of Conservation, or both, on whether and where applications should be referred for consideration.</p> <p>Service Boards of Inquiry appointed to consider called-in proposals and applications of national significance.</p> <p>Provide information and advice to assist potential applicants and submitters involved in national-level decision making.</p> <p>Support continuing awareness of the EPA among resource management decision makers.</p> <p>Participate in international activities and ensure that any international trends and innovations are fed into the appropriate channels.</p> <p>Support national-level decision making, including consideration of proposed national policy statements.</p> <p>Recommend improvements and provide input into any proposed changes to legislation.</p> |
| <p><b>WE WILL MEASURE OUR SUCCESS THROUGH THE FOLLOWING</b></p> | <p>All applications to the EPA are assessed for national significance and processed within statutory timeframes.</p> <p>All applications to the EPA that are referred to a Board of Inquiry are processed within statutory time frames.</p> <p>All consent applications are processed within 15% of the original approved budget.</p> <p>Feedback from the Chairs of Boards under the RMA or other national-level decision-making processes in which the EPA has been involved, indicates that they are satisfied with the support provided.</p> <p>Service level targets are on page 13.</p>   |

## Output 3: Exclusive Economic Zone decision making

### Description

Under the EEZ Act, the EPA is responsible for making decisions on applications for marine consents and rulings.

#### OUTPUT 3: EXCLUSIVE ECONOMIC ZONE DECISION MAKING

|   |   |
|---|---|
| <p><b>WE WILL PROVIDE THE FOLLOWING OUTPUTS</b></p>             | <p>Decisions on marine consents and rulings.</p> <p>Advice and support for EEZ processes and Committees.</p>  |
| <p><b>WE WILL UNDERTAKE THE FOLLOWING ACTIVITIES</b></p>        | <p>Process and make decisions on applications for marine consents and requests for rulings.</p> <p>Provide information and advice to assist potential applicants, consent holders, submitters and other stakeholders involved in decision making.</p> <p>Service and support EEZ committees appointed to consider applications on marine consents.</p> <p>Promote public awareness of the requirements of the Act.</p> <p>Participate in international activities and ensure that any international trends and innovations are fed into the appropriate channels.</p> <p>Recommend improvements and provide input into any proposed changes to legislation.</p>                       |
| <p><b>WE WILL MEASURE OUR SUCCESS THROUGH THE FOLLOWING</b></p> | <p>All decisions made under the EEZ Act and relevant regulations meet statutory timeframes.</p> <p>All audits of EEZ decisions are carried out as per the agreed programme by 30 June 2015.</p> <p>External tests such as legal, audit or evaluation demonstrate that our decision making is robust and objective.</p> <p>All consent applications are processed within 15% of the original approved budget.</p> <p>Feedback from EEZ Committees indicates that they are satisfied with the support provided.</p> <p>The EPA participates in, and leads where requested, appropriate inter-government agency and stakeholder forums.</p> <p>Service level targets are on page 13.</p> |

# Output 4: Hazardous substance, new organism, ozone-depleting substance and hazardous waste compliance

## Description

Our activities under this output relate to coordinating and facilitating compliance under the Hazardous Substances and New Organisms Act 1996, the Ozone Layer Protection Act 1996, the Import and Export (Restrictions) Act 1988, and the Imports and Exports (Restrictions) Prohibition Order (No 2) 2004 jointly with other agencies. **Note that certain activities are anticipated to transfer to WorkSafe NZ during 2014-15 (see page 14).**

**OUTPUT 4: HAZARDOUS SUBSTANCE, NEW ORGANISM, OZONE-DEPLETING SUBSTANCE AND HAZARDOUS WASTE COMPLIANCE**

|  |   |
|--|---|
| <p><b>WE WILL PROVIDE THE FOLLOWING OUTPUTS</b></p>      | <p>Coordination and facilitation of compliance with hazardous substances, new organisms, hazardous waste imports and exports and ozone-depleting substances obligations.</p>  |
| <p><b>WE WILL UNDERTAKE THE FOLLOWING ACTIVITIES</b></p> | <p>Monitor and support the enforcement agencies as specified in Section 97 of the HSNO Act.</p> <p>Monitor and support the independent test certifier regime.</p> <p>Provide information and advice to users of hazardous substances and new organisms on the controls and how to comply with them, including implementing a public awareness campaign around safely handling hazardous substances in the home.</p> <p>Provide information and advice to permit holders for hazardous waste and ozone-depleting substances imports and exports, including working with industry to raise their compliance rates with the relevant legislation.</p> <p>Coordinate and manage compliance and enforcement in relation to the Ozone Layer Protection Act and the enforcement of import and export of hazardous waste jointly with the New Zealand Customs Service.</p> <p>Maintain oversight of the monitoring of compliance with approvals for new organisms.</p> <p>Set up the new function for compliance obligations on hazardous substances importers and manufacturers under the HSNO Act.</p> <p>Issue EPA notices (a proposed new legal mechanism under the health and safety reforms) to update and improve regulatory requirements for hazardous substances.</p> <p>Ensure the smooth transition of workplace-related functions to WorkSafe NZ.</p> |

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#### OUTPUT 4: HAZARDOUS SUBSTANCE, NEW ORGANISM, OZONE-DEPLETING SUBSTANCE AND HAZARDOUS WASTE COMPLIANCE (CONTINUED)

##### WE WILL MEASURE OUR SUCCESS THROUGH THE FOLLOWING

Provide a report to the Minister on the compliance and enforcement activities carried out by HSNO enforcement agencies by 31 December 2014.

Establish a baseline for the level of public awareness of the safe handling of hazardous substances in the home to allow the setting of targets for 2015-16.

The resources, legal delegations and operating arrangements are in place to support the smooth transition of workplace-related functions to Worksafe NZ by 1 September 2014.

The systems, processes and resources are in place to undertake the new function of compliance obligations on hazardous substances importers and manufacturers by 1 April 2015.

The core EPA notices covering the hazardous substances classification system, packaging, labelling, safety data sheets and enforcement officer qualifications will be in place by the date the Health and Safety Reform Act comes into effect (expected 2015).

No escape of a new organism from containment occurs when approval holders comply with approval controls.

Service level targets are on page 13.

## Output 5: Exclusive Economic Zone compliance

### Description

Under the EEZ Act, the EPA is responsible for monitoring and enforcing compliance with the requirements of the permitted activities regulations and any conditions of marine consents.

**OUTPUT 5: EXCLUSIVE ECONOMIC ZONE COMPLIANCE**

|   |  |
|---|--|
| <p><b>WE WILL PROVIDE THE FOLLOWING OUTPUTS</b></p>             | <p>Monitoring and enforcement the permitted activities' regulations and any conditions of marine consents.</p>   |
| <p><b>WE WILL UNDERTAKE THE FOLLOWING ACTIVITIES</b></p>        | <p>Develop and implement an annual monitoring, compliance and enforcement programme.<br/>                 Promote public awareness of the requirements of the Act.<br/>                 Engage with consent holders and stakeholders to ensure that they are aware of their obligations.</p>   |
| <p><b>WE WILL MEASURE OUR SUCCESS THROUGH THE FOLLOWING</b></p> | <p>The monitoring, compliance and enforcement programme is approved by the Board by 30 December 2014 and implemented in accordance with the Act by 30 June 2015.<br/>                 All consents (or deemed consents) and rulings are monitored for compliance.<br/>                 All reported permitted activities are monitored for compliance with notification and reporting requirements.<br/>                 Compliance targets for 2015-16 are set from monitoring information received.<br/>                 Service level targets are on page 13.</p> |

## Output 6: ETS and NZEUA decision making and compliance

### Description

This is the EPA's only output under the Output Class Climate change response administration. Our primary activity under this output relates to the implementation and operation of the New Zealand Emissions Trading Scheme and the New Zealand Emission Unit Register (NZEUA). This includes the administration of non-forestry allocation,

entitlements and obligations and the synthetic greenhouse gas provisions under the Climate Change Response Act 2002 and provision of the services and facility for, and information about the transfer and holding of units. These activities allow the carbon market to operate both domestically and within the Kyoto Protocol.

### OUTPUT 6: ETS AND NZEUA DECISION MAKING AND COMPLIANCE

|  |  |
|--|--|
| <p><b>WE WILL PROVIDE THE FOLLOWING OUTPUTS</b></p>      | <p>Operation of the New Zealand Emission Unit Register to enable the domestic and international trading of emission units.</p> <p>Decisions on and activities to support registration, entitlements, obligations and the allocation of units in accordance with the Climate Change Response Act and relevant regulations.</p> <p>Provision of the functions of the Registrar to provide effect to the decisions of the EPA and other agencies or authorities.</p> <p>Monitoring of the implementation of the Act through compliance and reporting activities.</p> <p>Provision of information and policy support to the Ministry for the Environment to ensure that New Zealand meets its international obligations.</p> |
| <p><b>WE WILL UNDERTAKE THE FOLLOWING ACTIVITIES</b></p> | <p>Make decisions on applications for industrial allocation in accordance with the Climate Change (Eligible Industrial Activities) Regulations 2010.</p> <p>Ensure participants are registered and able to submit emissions returns and surrender units.</p> <p>Make decisions on Emissions Rulings, Unique Emissions Factors and Unique Emissions Factors Verifiers.</p> <p>Carry out directions of the Registrar.</p> <p>Work with participating entities and allocations recipients to encourage and ensure compliance across the ETS.</p> <p>Complete audits on participating entities and allocation recipients across the ETS.</p>   |

CONTINUED NEXT PAGE

**OUTPUT 6: ETS AND NZEUR DECISION-MAKING AND COMPLIANCE (CONTINUED)**

|  |   |
|--|---|
| <p><b>WE WILL UNDERTAKE THE FOLLOWING ACTIVITIES (CONTINUED)</b></p> | <p>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.</p> <p>Maintain compliance with international transaction and reporting standards.</p> <p>Work with international partners (mainly other registries) and carbon market participants to ensure cross border transactions operate effectively.</p> <p>Manage accounting, recording and reconciliation of emissions and unit holdings and transactions.</p> <p>Provide data about transactions of units to ensure that the financial implications for the Crown can be managed, and to meet statutory reporting, inventory reporting and policy development requirements.</p>  |
| <p><b>WE WILL MEASURE OUR SUCCESS THROUGH THE FOLLOWING</b></p>      | <p><b>ETS and NZEUR service measures</b></p> <p>95% of applications for industrial allocations are processed accurately within four weeks of receiving the signed application summary.</p> <p>100% of compliant applications for Unique Emissions Factors are processed accurately and in time for participants to meet their statutory obligations.</p> <p>98% of participant registrations and account applications are accurately recorded in the New Zealand Emission Unit Register within two business days of receipt of a properly completed application.</p> <p>Statutory reporting is completed according to agreed timeframes.</p> <p>75% of users are satisfied with the overall quality of ETS service delivery.</p> <p><b>ETS and NZEUR integrity measures</b></p> <p>The audits of industrial allocations recipients and participating entities under the ETS are carried out according to the agreed audit programme</p> <p>The core NZEUR services are available for use in New Zealand business hours 99% of the time, excluding scheduled outages.</p> <p>98% of Crown directions relating to emission unit transfers are carried out accurately and within two business days of receipt of a properly completed direction.</p> <p>There are no instances of discrepant transactions in the NZEUR.</p> <p>75% of users trust the integrity and security of the NZEUR and ETS systems and processes.</p> |

# 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 2014-18 or this Statement of Performance Expectations.

### FORECAST FINANCIAL PERFORMANCE MEASURES

| MEASURE   | UNIT  | ESTIMATED ACTUAL 2013-14 | FORECAST 2014-15 |
|---|-------|--------------------------|------------------|
| <b>WORKING CAPITAL</b>                                    |       |                          |                  |
| Net current assets  | \$000 | 5,764                    | 1,102            |
| Current ratio   | %     | 272                      | 127              |
| <b>RESOURCE UTILISATION</b>                               |       |                          |                  |
| Fixed assets as % of total assets                         | %     | 44                       | 69               |
| Additions as % of fixed assets                            | %     | 115                      | 12               |
| Fixed assets per FTE                                      | \$000 | 42                       | 63               |
| Accommodation cost per FTE                                | \$000 | 8                        | 7                |
| <b>HUMAN RESOURCES</b>                                    |       |                          |                  |
| Total FTEs  | No.   | 170                      | 185              |
| Professional Development as % of personnel expenses       | %     | 3                        | 3                |
| Average annual leave liability as % of annual entitlement | %     | 52                       | 55               |

## Reporting entity

The Environmental Protection Authority (EPA) is a Crown Agent under the Crown Entities Act 2004 and is referred to throughout this Statement of Performance Expectations as the EPA. This inclusive term is used unless the reference is to the exercise of specific statutory powers and functions or specific responsibilities of the legal entity, or where reference to one of the elements of the EPA is required for clarity. The EPA was established under the Environmental Protection Authority Act 2011 and commenced activities on 1 July 2011. The EPA is domiciled in New Zealand and the ultimate parent is the New Zealand Crown.

The primary objective of the EPA is to contribute to the efficient, effective, and transparent management of New Zealand's environment and natural and physical resources and to enable New Zealand to meet its international obligations under various environmental Acts. Accordingly, the EPA has designated itself as a public benefit entity for the purposes of the New Zealand equivalents to FRS-42.

The focus of the Statement of Performance Expectations is on public accountability and providing a base against which the performance of the EPA can be assessed. Information in these forecast financial statements may not be appropriate for purposes other than those described.

These forecast financial statements have been prepared in accordance with the Crown Entities Act 2004. These forecast financial statements of the EPA are for the year 1 July 2014 to 30 June 2015. These forecast financial statements were authorised for issue by the Board on 23 June 2014.

The Board of the EPA is responsible for these statements, including the statement of underlying assumptions used in preparing these statements. The Statement of Performance Expectations will also be updated if, at any stage, the intentions and undertakings of the EPA are significantly altered or affected by new directions from the Government, any change in law or any other change in the EPA's operating environment. This may include the transfer of functions to Worksafe NZ in 2014-15.

## Statement of significant underlying assumptions

### Crown revenue

#### CROWN REVENUE

| YEAR  | 2013-14 | 2014-15 |
|-------|---------|---------|
| \$000 | 22,492  | 24,977  |

### Revenue from fees

The revenue from fees in 2014-15 is based on the following assumptions :

- the activities of our stakeholders in the past
- specific indications of applications that are expected from likely applicants, and
- 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. Also, the redevelopment of the New Zealand Emission Unit Register (NZEUR), started in 2013-14, is expected to be implemented from the first quarter of 2015.

### Working with the GCIO process

All capital 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 2015

### Basis of preparation

#### 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).

They comply with NZ FRS-42, and other applicable Financial Reporting Standards, as appropriate for a public benefit entity.

#### Preparation under NZ FRS-42

These forecast financial statements are prepared using the NZ FRS-42. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### Measurement basis

These forecast financial statements have been prepared on a historical cost basis, except where modified by the revaluation of certain property, plant and equipment, and the measurement of investments at fair value.

#### 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\$).

#### Significant accounting policies

The following accounting policies, which materially affect the measurement of income and the balance sheet, are applied consistently.

### Revenue

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

#### Revenue from the Crown

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 is recognised when earned and is reported in the financial period to which it relates.

Operating revenue from the Crown is subject to appropriation under Vote: Environment. The total amount appropriated within the Non-Departmental Output Expenses is accounted for as income. Revenue from the Crown and third parties through fees and charges is recognised when earned. Capital contributions are recognised as taxpayers' funds.

#### Interest

Interest income is recognised using the effective interest method.

#### Cautionary note

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

#### 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 sheet 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.

## 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 uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (ie not past due).

## Investments

At each balance sheet 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 fair value plus transaction costs.

After initial recognition, investments are measured at amortised cost using the effective interest method.

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.

Derivatives would be initially recognised at fair value on the date a derivative contract was entered into and subsequently re-measured at their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income.

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 monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income.

The full fair value of a foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, foreign exchange derivatives are classified as non-current.

**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 at no cost, or for a nominal

cost, 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.

**DEPRECIATION RATES OF MAJOR CLASSES OF ASSETS**

| 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.

#### AMORTISATION RATES OF MAJOR CLASSES OF INTANGIBLE ASSETS

| ASSET CLASS       | USEFUL LIFE  | DEPRECIATION 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

- o 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.
- o 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.

### Budget figures

The budget figures are approved by the EPA Board at the beginning of the financial year. The budget figures have been prepared in accordance with the Standards for Public Sector Public Benefit Entities, using accounting policies that are consistent with those adopted by the EPA for the preparation of the financial statements.

### Cost allocation

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

- o Direct costs are costs that can be charged (attributed) directly to an external activity (and therefore an output).
- o 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 or 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 2015.

#### **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. The EPA also took over the New Zealand Emission Unit Register developed by the Ministry of Economic Development for the administration of Emission Units. The estimated useful life of the Register is about six years, however this system is currently being redeveloped. The EPA has adjusted the useful life of the register as two years. The reporting tool will still be in use and the useful life remains as six years. In the event that the reporting tool is no longer required, the unamortised portion will be written off in the Statement of Comprehensive Income.

### **Accounting policies**

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

### **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 EEZ Act, and Parts 5 and 6 of the HSNO Act. We can also set charges for other services, with the exception of the Emissions Ruling applications under the Climate Change Response Act, where the fees are set by regulation. We have publicly notified specific types and levels of charges and set them out in the Fees and Charges Schedule. 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. The charging policies are in accordance with the cost recovery policies available on the EPA website.

### **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 2014-15 year.

# Forecast financial statements

## Forecast Statement of Comprehensive Income

|                                       | ESTIMATED ACTUAL<br>2013-14<br>\$000 | FORECAST<br>2014-15<br>\$000 |
|---------------------------------------|--------------------------------------|------------------------------|
| <b>INCOME</b>                         |                                      |                              |
| Revenue Crown                         | 22,492                               | 24,977                       |
| Interest income                       | 322                                  | 100                          |
| Other revenue                         | 10,475                               | 11,274                       |
| <b>TOTAL INCOME</b>                   | <b>33,289</b>                        | <b>36,351</b>                |
| <b>EXPENDITURE</b>                    |                                      |                              |
| Personnel costs                       | 15,467                               | 16,752                       |
| Depreciation and amortisation expense | 1,545                                | 1,540                        |
| Other expenses                        | 21,263                               | 18,059                       |
| <b>TOTAL EXPENDITURE</b>              | <b>35,185</b>                        | <b>36,351</b>                |
| <b>SURPLUS/(DEFICIT)</b>              | <b>(1,896)</b>                       | -                            |
| Other comprehensive income            | -                                    | -                            |
| <b>TOTAL COMPREHENSIVE INCOME</b>     | <b>(1,896)</b>                       | -                            |

## Forecast Statement of Financial Position

|                                      | ESTIMATED ACTUAL<br>2013-14<br>\$000 | FORECAST<br>2014-15<br>\$000 |
|--------------------------------------|--------------------------------------|------------------------------|
| <b>ASSETS</b>                        |                                      |                              |
| <b>CURRENT ASSETS</b>                |                                      |                              |
| Cash and cash equivalents            | 2,536                                | 1,226                        |
| Debtors and other receivables        | 2,103                                | 2,287                        |
| Prepayments                          | 75                                   | 105                          |
| Investments                          | 4,400                                | 1,530                        |
| <b>TOTAL CURRENT ASSETS</b>          | <b>9,114</b>                         | <b>5,148</b>                 |
| <b>NON-CURRENT ASSETS</b>            |                                      |                              |
| Property, plant and equipment        | 2,829                                | 2,492                        |
| Intangible assets                    | 4,290                                | 9,230                        |
| <b>TOTAL NON-CURRENT ASSETS</b>      | <b>7,119</b>                         | <b>11,722</b>                |
| <b>TOTAL ASSETS</b>                  | <b>16,233</b>                        | <b>16,870</b>                |
| <b>LIABILITIES</b>                   |                                      |                              |
| <b>CURRENT LIABILITIES</b>           |                                      |                              |
| Creditors and other payables         | 2,240                                | 2,889                        |
| Employee entitlements                | 1,041                                | 1,087                        |
| Operating lease                      | 69                                   | 70                           |
| <b>TOTAL CURRENT LIABILITIES</b>     | <b>3,350</b>                         | <b>4,046</b>                 |
| <b>NON-CURRENT LIABILITIES</b>       |                                      |                              |
| Employee entitlements                | 127                                  | 138                          |
| Provisions                           | -                                    | -                            |
| Operating lease                      | 424                                  | 354                          |
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b>551</b>                           | <b>492</b>                   |
| <b>TOTAL LIABILITIES</b>             | <b>3,901</b>                         | <b>4,538</b>                 |
| <b>NET ASSETS</b>                    | <b>12,332</b>                        | <b>12,332</b>                |
| <b>EQUITY</b>                        |                                      |                              |
| General funds                        | 12,332                               | 12,332                       |
| <b>TOTAL EQUITY</b>                  | <b>12,332</b>                        | <b>12,332</b>                |

## Forecast Statement of Changes in Equity

|                                  | ESTIMATED ACTUAL<br>2013-14<br>\$000 | FORECAST<br>2014-15<br>\$000 |
|----------------------------------|--------------------------------------|------------------------------|
| <b>BALANCE AT 1 JULY</b>         | 14,228                               | 12,332                       |
| Surplus / (deficit) for the year | (1,896)                              | -                            |
| <b>BALANCE AT 30 JUNE</b>        | <b>12,332</b>                        | <b>12,332</b>                |

## Forecast Statement of Cash Flows

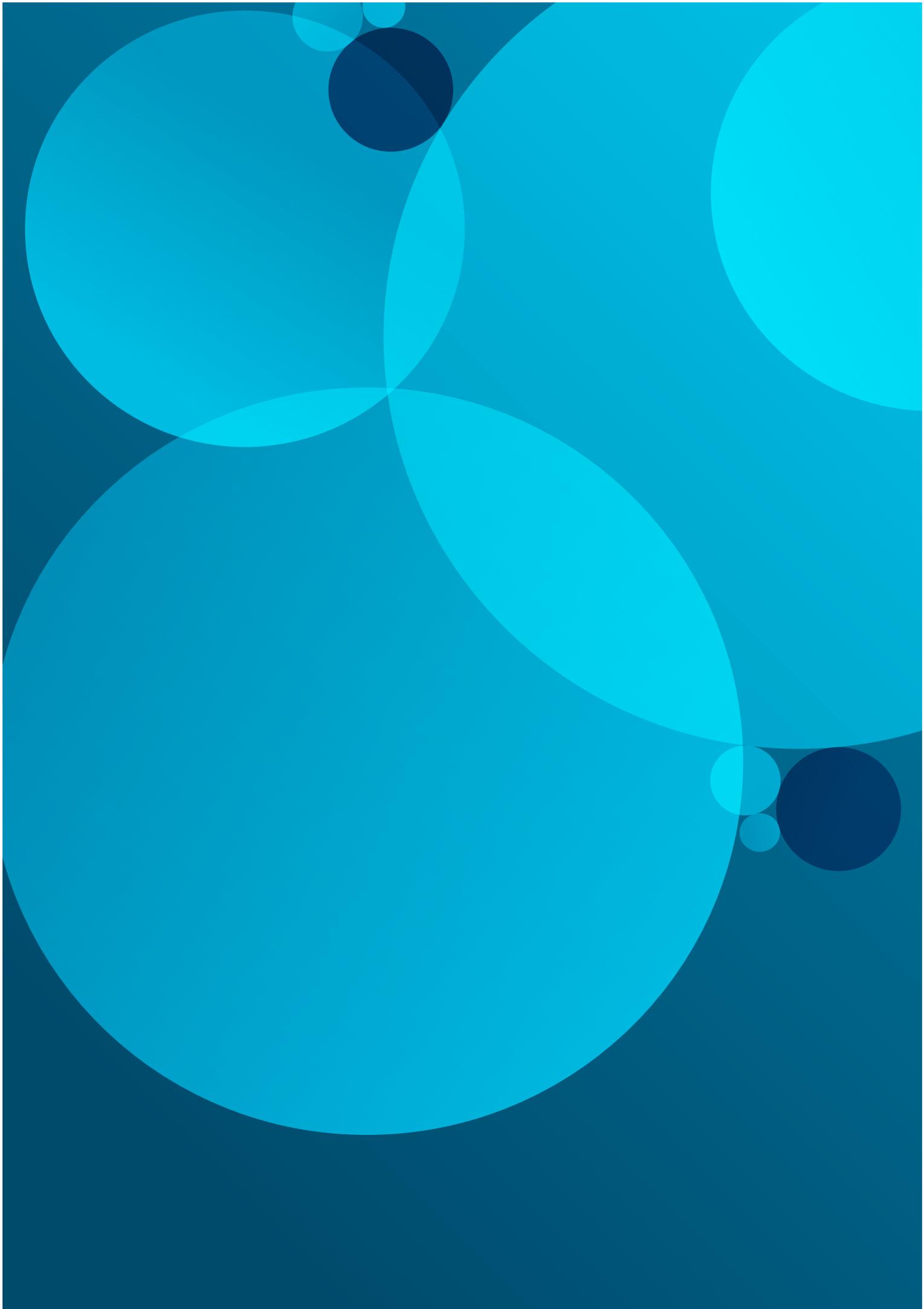
|   | ESTIMATED ACTUAL<br>2013-14<br>\$000 | FORECAST<br>2014-15<br>\$000 |
|---|--------------------------------------|------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                                      |                              |
| Receipts from Crown                                     | 22,492                               | 24,977                       |
| Interest received                                       | 368                                  | 131                          |
| Receipts from other revenue                             | 9,453                                | 11,041                       |
| Payments to suppliers                                   | (17,928)                             | (17,540)                     |
| Payments to employees                                   | (15,523)                             | (16,676)                     |
| Goods and service tax (net)                             | 8                                    | 29                           |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>         | <b>(1,130)</b>                       | <b>1,962</b>                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                                      |                              |
| Receipts from sale of investments                       | 2,100                                | 2,870                        |
| Purchase of property, plant and equipment               | (353)                                | (300)                        |
| Purchase of intangible assets                           | (1,907)                              | (5,841)                      |
| Acquisition of investments                              | -                                    | -                            |
| <b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>         | <b>(160)</b>                         | <b>(3,272)</b>               |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>             |                                      |                              |
|   | <b>(1,290)</b>                       | <b>(1,310)</b>               |
| Cash and cash equivalents at the beginning of the year  | 3,826                                | 2,536                        |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b> | <b>2,536</b>                         | <b>1,226</b>                 |

## Forecast Statement of Capital Expenditure

|                                      | ESTIMATED ACTUAL <sup>1</sup><br>2013-14<br>\$000 | FORECAST <sup>2</sup><br>2014-15<br>\$000 |
|--------------------------------------|---|---|
| <b>PROPERTY, PLANT AND EQUIPMENT</b> |   |   |
| Computer hardware                    | 199   | 150                                       |
| Furniture and fittings               | 125   | 100                                       |
| Leasehold improvements               | -   | 20  |
| Office equipment – owned             | 4   | 30  |
| <b>INTANGIBLE ASSETS</b>             |   |   |
| Computer software                    | 7,662   | 1,060                                     |
| <b>TOTAL</b>                         | <b>7,990</b>                                      | <b>1,360</b>                              |

Note 1: The forecast capital expenditure consists of approvals granted during the year. Payments for approved capital expenditure may be across more than one year. The computer software includes the redevelopment of the NZEUR.

Note 2: Includes the development of software to enhance the delivery of existing core regulatory functions.





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