

ENVIRONMENTAL RISK MANAGEMENT AUTHORITY



NGĀ KAIWHAKATŪPATO WHAKARARU TAIAO

ENVIRONMENTAL RISK MANAGEMENT AUTHORITY

STATEMENT OF INTENT

FOR THE THREE YEARS FROM 2008/09

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AND SECTION 147 OF THE HAZARDOUS SUBSTANCES AND NEW ORGANISMS ACT 1996**

TABLE OF CONTENTS

	Chair's foreword	2
	Statement of responsibility	3
	Our purpose	4
	Overview	4
	Role of ERMA New Zealand and this Statement of Intent	5
	Output priorities	5
1	Legislative and operating environment	7
	1.1 Our organisation	7
	1.2 Assumptions and planning considerations	8
	1.3 Governance	8
	1.4 The legislative environment in which we work	8
	1.5 Key partnerships	9
2	Strategic direction	12
	2.1 Alignment with government priorities	12
	2.2 Impacts, outcomes and objectives	13
	2.3 How we will contribute to the intermediate outcomes	14
3	External delivery focus for 2008/09	16
	3.1 Our operational focus for 2008/09	16
	3.2 Statement of forecast service delivery performance for 2008/09	17
	3.3 Organisational risk management	30
4	How we operate as an organisation	32
	4.1 Our internal development	32
	4.2 Financial and non-financial performance measures	33
	4.3 Accounting and other financial policies	34
	4.4 Prospective financial statements	45
	Appendix A:	48
	Specific disclosure requirements under the Hazardous Substances and New Organisms Act 1996	
	Appendix B:	49
	Terms and abbreviations	

CHAIR'S FOREWORD

The 2007/08 year saw two important milestones in the history of ERMA New Zealand. One was the completion of the reassessment of 1080, the biggest such exercise we have undertaken. The other was the retirement of the Chair and Deputy Chair of the Authority, after over five and six years' service respectively.

In 2008/09 a key issue will be enhancing compliance with and enforcement of the regulations and decisions surrounding hazardous substances. Some additional funding will be available to ERMA New Zealand for this purpose, but to achieve the aim of greater compliance ERMA New Zealand needs the active cooperation of the enforcement bodies – the Department of Labour and over 90 other agencies, most of them local authorities – and the numerous users of hazardous substances. Another focus will be the reassessment programme, with work commencing on the reassessment of methyl bromide being a top priority.

The year is likely to involve hearings on three applications related to genetically-modified organisms. One application, already received, is for further field trials of onions and related plants. The second may be for development in containment of a variety of genetically modified animals. The third may be the first application for release of a genetically-modified organism for use in New Zealand in a vaccine against equine influenza. A priority in these cases, as in all the Authority's work, will be clear and open communication with stakeholders. A fully transparent process, like that used in the 1080 review, will be undertaken, providing full opportunity for all relevant points of view to be presented and considered.

Emphasis will be placed on ensuring Māori concerns and interests are fully incorporated in our work and decision-making. We will look to our statutory Māori Advisory Committee, Ngā Kaihautū Tikanga Taiao, and others to support us in this context. We will also draw on the expertise of our Ethics Advisory Panel. Both these bodies are likely to have new members during 2008/09.

We will develop our Public Awareness programmes to ensure information and advice on Hazardous Substances and New Organisms (HSNO) issues is readily available to the public and to government, business and research institutions. And we will contribute to international work and broader government activities in New Zealand on issues relevant to HSNO.

Successful implementation of the HSNO Act requires the participation of many bodies and individuals, private and public, throughout New Zealand. We will do our best to promote cooperation with all the people involved.



Richard Woods

Chair
Environmental Risk
Management Authority

STATEMENT OF RESPONSIBILITY

The structure and content of this Statement of Intent follow the general requirements set out in the Crown Entities Act 2004. The focus of the Statement of Intent is on public accountability and providing a base against which our performance can be assessed.

The Authority members and the management of ERMA New Zealand are responsible for establishing and maintaining systems and processes that support high-quality regulatory decisions and service delivery and provide reasonable assurance as to the integrity and reliability of financial reporting.

This Statement of Intent fairly reflects the strategic direction and prospective performance and financial position of ERMA New Zealand for 2008/09 and the following two years.



Richard Woods
Chair
Environmental Risk
Management Authority

Date 30 June 2008



Max Suckling
Deputy Chair
Environmental Risk
Management Authority

Date 30 June 2008

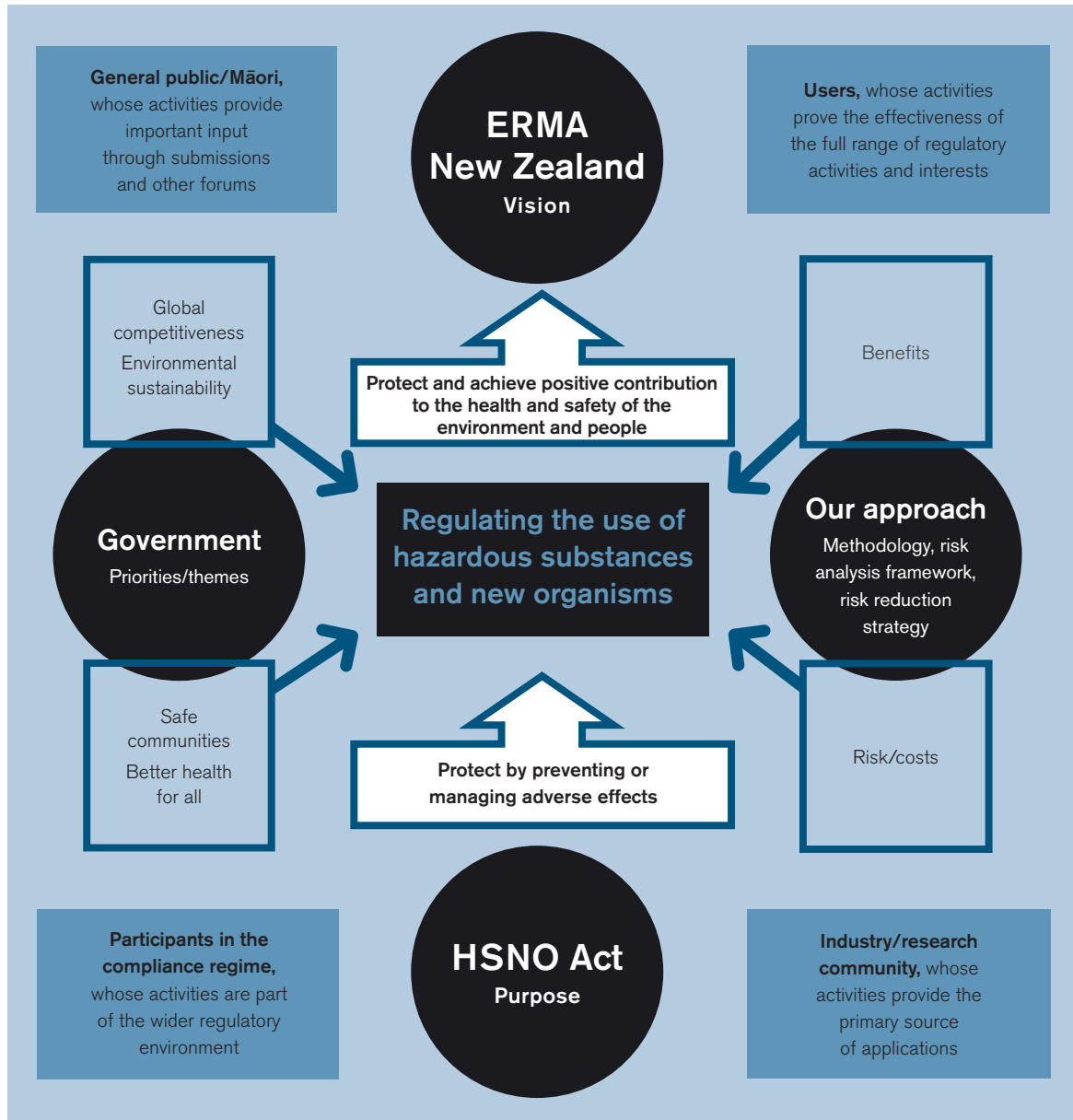
OUR PURPOSE

Our purpose is to protect the environment and people and communities by preventing or managing the adverse effects of hazardous substances and new organisms.

In working towards achieving this purpose, we hold ourselves responsible to all New Zealanders. We interact with a wide range of interest groups, including

industry, business, research organisations, iwi/Māori, communities and environmental groups.

The following diagram shows the influence and relationships several of these groups have on the regulation of hazardous substances and new organisms.



OVERVIEW

ROLE OF ERMA NEW ZEALAND AND THIS STATEMENT OF INTENT

ERMA New Zealand is the body set up to regulate the introduction and use of hazardous substances and new organisms. In doing this we play a key role in protecting the health and safety of New Zealanders and their environment. ERMA New Zealand deals with a wide range of substances including explosives, poisons, insecticides and herbicides as well as substances such as petrol and LPG. We also decide on the importation and use of plants, animals and other new organisms, including genetically modified organisms.

ERMA New Zealand forms part of a network of agencies that make up the hazardous substance and new organism regulation and compliance regime. The relationships between those agencies are crucial in making the HSNO Act work well. In particular, ERMA New Zealand works closely with the Ministry of Agriculture and Forestry, the Department of Labour and the Ministry of Health, which are three major compliance and enforcement agencies. The Ministry for the Environment provides policy advice to Government on all HSNO Act issues. ERMA New Zealand supports the work of the Ministry for the Environment in its role of administering the HSNO Act and making proposed changes to regulations under the HSNO Act.

This Statement of Intent will guide ERMA New Zealand's work over the next three years. In identifying the strategic drivers that determine our operational focus for 2008/09, we have taken account of the purpose and intent of our legislation, the Government's priorities, and the roles and interests of the various stakeholders in the HSNO Act.

We aim to apply a robust and transparent risk analysis framework and to pursue a specific Risk Reduction Strategy for hazardous substances when we make decisions.

For the next three years a strong focus will be on improving the compliance and enforcement regime under the HSNO Act. ERMA New Zealand has a leadership role in achieving the required improvements in compliance. We will do this by working alongside several other agencies that also have a role in achieving the desired changes.

ERMA New Zealand also has a role to play in promoting public awareness and providing information about how to comply with regulations, standards, approval conditions and its approval processes. This includes providing user-friendly information to stakeholders, especially small to medium-sized businesses that are newly established or transitioning to the HSNO Act regime.

The HSNO Act interfaces with other legislation including the Biosecurity Act and the ACVM Act. ERMA New Zealand will continue to work with the other agencies involved to ensure that the process is as seamless as possible for end users.

OUTPUT PRIORITIES

Compliance and enforcement

ERMA New Zealand has a lead role in overseeing and monitoring the implementation of the Government's Hazardous Substances Compliance and Enforcement Strategy to effectively manage the risks and harms attributable to hazardous substances.

The first phase of the Hazardous Substances Compliance and Enforcement Strategy is to provide clear information to people on how to safely manage hazardous substances.

Public communication and provision of information

Part of ERMA New Zealand's role is to communicate with the public and provide information about the safe use of hazardous substances and effective management of new organisms.

International work

ERMA New Zealand, as the operational agency for the regulation of hazardous substances and new organisms, holds the technical expertise and so is often the best-placed government agency to ensure New Zealand meets its international obligations. For example, ERMA New Zealand will contribute to New Zealand's input into the Cartagena Biosafety Protocol and the Stockholm Convention on persistent organic pollutants.

Hazardous substance reassessments

The hazardous substance reassessment programme is being refocussed along a number of strategic lines better targeted at furthering risk reduction objectives. This involves looking at the possible reassessment of types or areas of use and at groups of hazardous substances based on similar chemistry rather than focussing on the reassessment of single substances.

Processing applications

ERMA New Zealand is required to process all applications received to import, manufacture, develop, and field test or release (including conditionally release) any hazardous substance or new organism. This financial year a similar number of applications are anticipated as in the previous year (2007/08).

In 2008/09 a small increase in the number of applications for the field testing or outdoor development of genetically modified organisms (GMO) is expected.

ERMA New Zealand also processes various applications for approvals and waivers for equipment, certifiers and locations handling hazardous substances. Additionally ERMA New Zealand issues controlled substance licences, import certificates and permissions for the use of certain substances. The number of applications received this financial year is likely to be lower than previous years as the transitional period for implementing the new hazardous substances legislation draws to a close.

Māori engagement

ERMA New Zealand continues to develop and improve on its engagement with Māori through the implementation of its strategy *Kia Pūmau te Manaaki*. The strategy builds on ERMA New Zealand's legislative responsibilities to Māori by recognising that to maximise its effectiveness, a range of factors that underpin good engagement must be incorporated. This is achieved by the establishment of a matrix of principles and themes that informs the development and implementation of our activities and approach to working with Māori.

1

LEGISLATIVE AND OPERATING ENVIRONMENT

1.1 | OUR ORGANISATION

The Environmental Risk Management Authority is a Crown Entity that comprises three formal elements: the Authority (supported by an Ethics Advisory Panel); Ngā Kaihautū Tikanga Taiao (our Māori Advisory Committee, referred to as Ngā Kaihautū in this report); and staff. Relationships among these elements are presented in the diagram below.

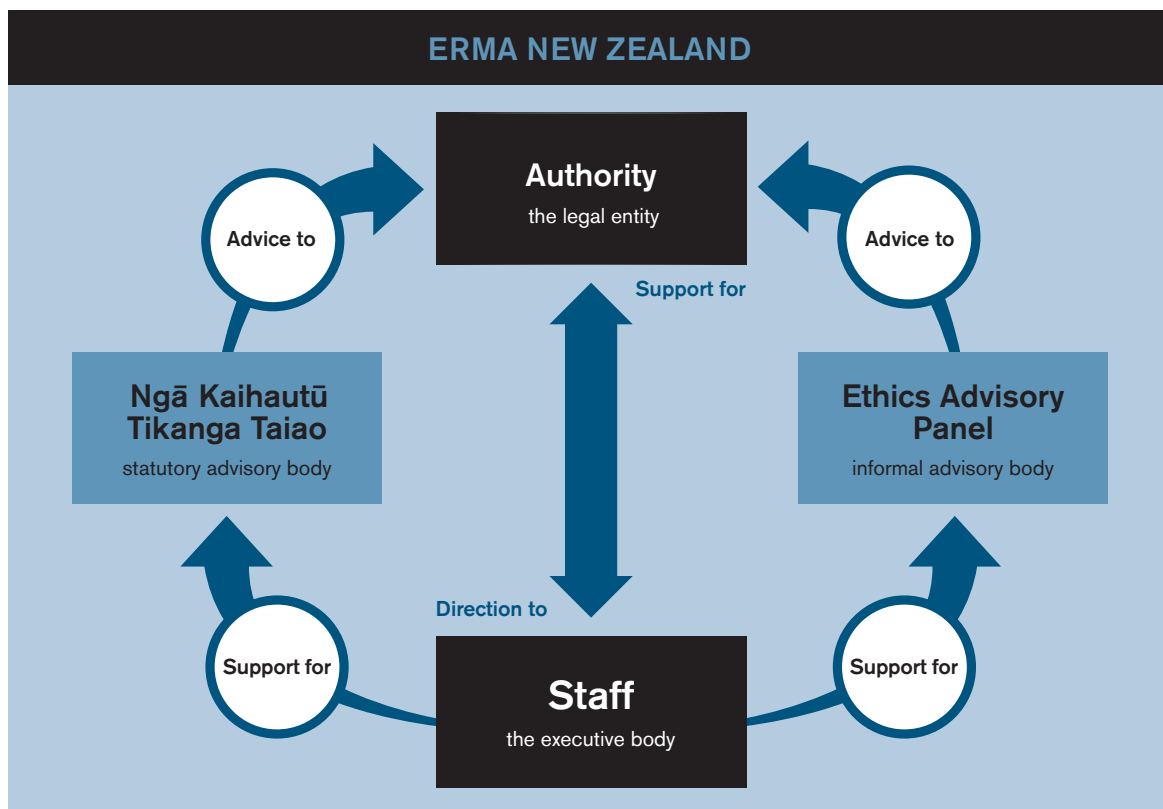
The **Authority** has from six to eight members who are appointed by the Minister for the Environment (the Minister) under the HSNO Act. They are responsible for exercising the statutory functions set out in the legislation. The members also comprise the governing body of ERMA New Zealand with responsibility for, among other things, setting the strategic direction for the organisation and monitoring its performance.

Ngā Kaihautū has from four to eight members who are appointed by the Authority under Part 4A of the HSNO Act. They are responsible for advising the Authority on Māori interests and concerns. Ngā Kaihautū's focus is to help the Authority to fully incorporate Māori interests and concerns in its decision-making.

Staff undertake operations in support of the Authority under the leadership of the Chief Executive, a position that has specific statutory powers and functions.

The **Ethics Advisory Panel** is a three-member body the Authority established in April 2004 to help consider ethical and spiritual matters during the Authority's decision-making.

The following diagram illustrates the relationship between the different elements of ERMA New Zealand.



1.2 | ASSUMPTIONS AND PLANNING CONSIDERATIONS

In preparing this Statement of Intent we have made three key assumptions:

- the legislative framework will not alter significantly;
- the volume of applications will not increase significantly. There will be no unforeseen increases in monitoring requirements and costs; and
- no significant legal work / court cases have been allowed for.

1.3 | GOVERNANCE

The Authority meets its governance and regulatory obligations in the following manner:

- the full Authority meets every two months to carry out governance functions and to deal with major issues;
- standing committees meet every second month (when the Authority is not meeting) to oversee policy development, work programmes and statutory decision-making in the separate areas of new organisms and hazardous substances;
- the Performance and Remuneration Committee meets at major milestone points during the year to approve salaries for senior members of staff and monitor the Chief Executive's performance;
- the Audit and Risk Committee meets about four times a year to oversee the operation of accountability processes (business planning, budgeting and reporting) and general financial and organisational risk management matters; and
- decision-making committees meet as required to consider individual applications.

The Authority has delegated a range of powers to the committees.

The Authority has also delegated specific functions, powers and duties to the following parties:

- the Chief Executive of ERMA New Zealand is authorised to take decisions on a range of application categories. From time to time, the Authority also delegates specific decision-making powers to holders of named positions within the Agency;

- Institutional Biological Safety Committees in academic and research institutions and within industry are authorised to undertake decision-making functions for applications relating to low-risk genetically modified organisms in containment;
- the Department of Conservation is authorised to grant permissions for the use of controlled substances, in particular vertebrate toxic agents;
- the Ministry of Health is authorised to grant permissions for the use of controlled substances, in particular vertebrate toxic agents, and to grant continuations of exemptions under previous legislation relating to toxic substances; and
- the Liquid Petroleum Gas Association of New Zealand is authorised to approve test certifiers for the purpose of issuing approved filler test certificates for compressed gas containers.

1.4 | THE LEGISLATIVE ENVIRONMENT IN WHICH WE WORK

Our strategic direction derives directly from the HSNO Act, drawing on both the purpose of the Act and those provisions that provide direction and guidance in meeting that purpose. The Act's stated purpose is "to protect the environment, and the health and safety of people and communities, by preventing or managing the adverse effects of hazardous substances and new organisms".

The Act requires us to recognise and provide for two general principles, relating to the:

- life-supporting capacity of the physical environment; and
- capacity of people to provide for their own economic, social and cultural wellbeing now and for future generations.

The Act also sets out particular matters we must take into account in implementing it. They are:

- sustainability, the intrinsic value of ecosystems, public health, the relationship of Māori with the physical environment and taonga, economic benefits and costs, and New Zealand's international obligations;

- the need for caution when there is scientific and technical uncertainty; and
- the principles of the Treaty of Waitangi/Te Tiriti o Waitangi.

The HSNO Act sets out our primary functions and establishes the processes for carrying out those functions. Our main function is to consider applications for hazardous substances and new organisms. We also consider applications under Part VI of the Act for areas such as test certifiers, controlled substance licences and compliance plans. We manage the risks associated with approved hazardous substances and new organisms through the controls or conditions attached to approvals. We also deal with test certifier approvals and various other 'licences'.

The second broad function is to monitor and review enforcement of the Act. The legislation also specifies additional functions for ERMA New Zealand, including requirements to carry out inquiries into incidents involving hazardous substances and new organisms and to monitor and review the extent to which the HSNO Act reduces adverse effects.

1.5 | KEY PARTNERSHIPS

In our co-ordination role, we work with many other agencies and industry groups who have an interest in the HSNO Act. We recognise we are a member of a team of HSNO Act agencies. Our aim in maintaining these relationships is to achieve a shared understanding of our respective roles and to address any cross-over issues in pursuing the purpose of the Act.

Enforcement agencies

Several agencies have enforcement responsibilities, either directly under the HSNO Act or through specific delegation by the Authority. The following agencies are responsible for enforcing the HSNO Act:

- the **Department of Labour** has enforcement responsibility in any workplace;
- the **Ministry of Agriculture and Forestry** has enforcement responsibility for all decisions on new organisms;
- the **Ministry of Economic Development** (through Energy Safety) has enforcement responsibility in, on, at or around any gas distribution system, gas installation or gas appliance;
- the **Ministry of Health** has enforcement responsibility when it is necessary to protect public health;
- the **Civil Aviation Authority, Land Transport New Zealand, Maritime New Zealand, and the New Zealand Police** have enforcement responsibility in, on, or at any form of transport, including aircraft or aerodromes, motor vehicles, roads, rail service vehicles or railway lines, and ships;
- **territorial authorities** have enforcement responsibility in or on any of the premises in the district of the territorial authority other than those premises specified above, or in or on those premises specified above where the responsible agency transfers the function, power or duty to them; and
- **regional councils** may enforce the Act in or on those premises specified above in the course of enforcing the provisions of the Resource Management Act 1991, or if the responsible agency transfers the function, power or duty to them.

Agencies with associated regulatory and advisory roles

We co-ordinate our decision-making activities with other agencies, including:

- the **Department of Labour**, which administers the Health and Safety in Employment Act 1992 regarding the enforcement of Health and Safety in Employment;
- the **Department of Conservation**, which ERMA New Zealand notifies and seeks comments from about all new organism applications, as well as hazardous substance applications likely to be of interest (including applications for the use of a hazardous substance in a special emergency);
- the **Ministry of Agriculture and Forestry**, which seeks to avoid the unintended introduction of new organisms and responds to incursions of unwanted organisms, under the Biosecurity Act 1993;

- the **Ministry for the Environment**, which is responsible for administering the HSNO Act, advising the Minister on environmental management, and advising on regulations established under the Act;
- the **Ministry of Foreign Affairs and Trade** for activities related to ensuring domestic legislation is consistent with the Cartagena Protocol on Biosafety, the Rotterdam and Stockholm Conventions, and other ongoing international relationships and issues;
- the **Ministry of Health** for medicines that contain new organisms or are new organisms under the Medicines Act 1981 (final dose form medicines are excluded from the HSNO Act);
- the **Ministry of Research, Science and Technology**, which oversees the Government's research and innovation policies and biotechnology strategy;
- **New Zealand Food Safety Authority**, which regulates and registers agricultural compounds that are hazardous substances and/or new organisms, under the Agricultural Compounds and Veterinary Medicines Act 1997, and residues in food under the Food Act 1981;
- **Food Standards Australia New Zealand (FSANZ)** for food labelling and aspects of the assessment of genetically modified organisms in food;
- **Standards New Zealand**, through the development of standards that support the effective management of hazardous substances and new organisms;
- the **Bioethics Council (Toi te Taiao)**, which provides advice to the Government aimed at enhancing New Zealand's understanding of the cultural, ethical and spiritual aspects of biotechnology; and
- **territorial authorities and regional councils**, regarding resource consents and other enforcement actions under the Resource Management Act 1991.

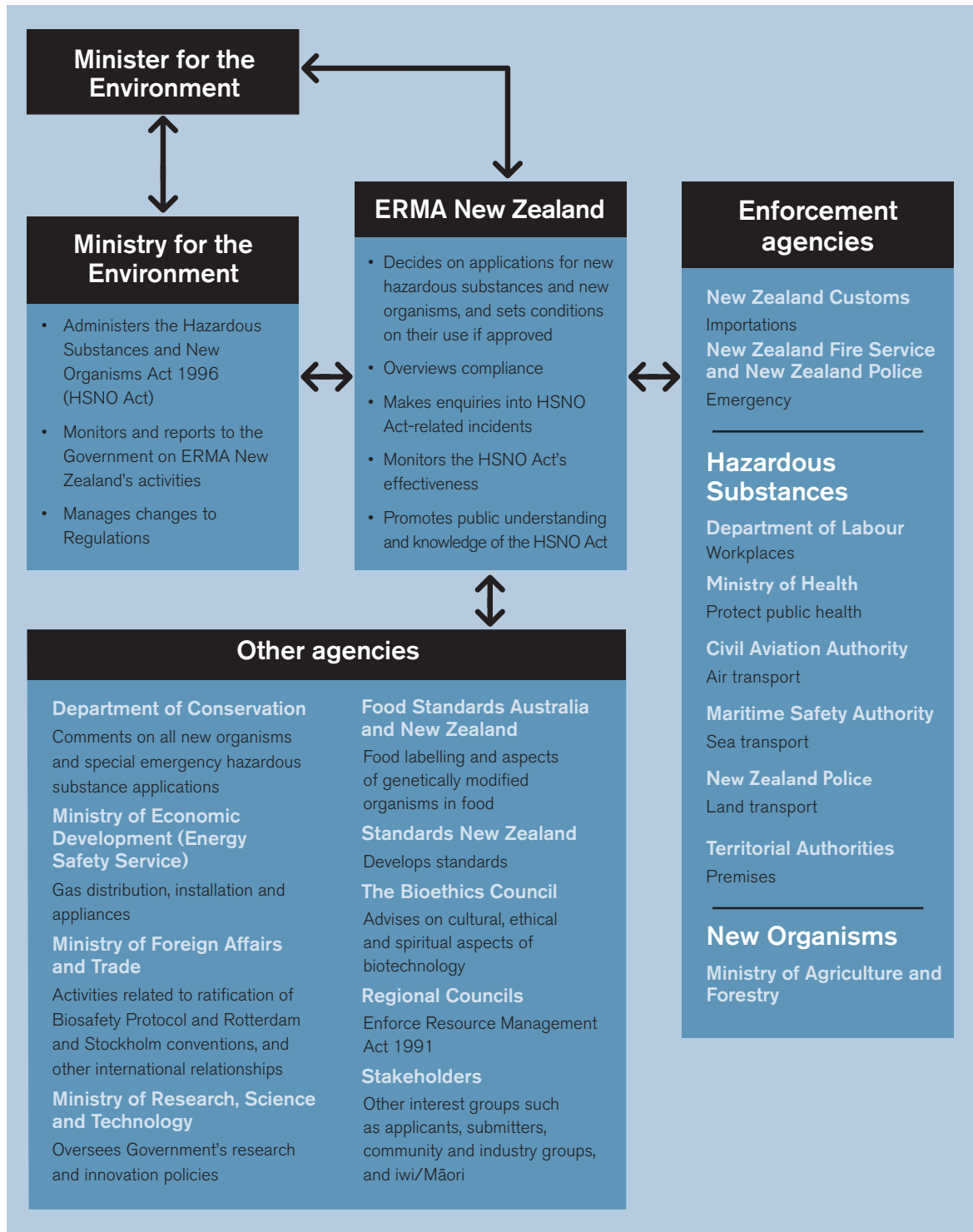
Wider stakeholder relationships

Considering the broad purpose of the HSNO Act, all New Zealanders have some stake in the activities of ERMA New Zealand. The HSNO Act is designed to enable public participation in the applications process. As a regulatory authority, we have a critical balancing role in developing and maintaining active stakeholder relationships with a wide range of interest groups.

The wider stakeholder groups with which we are actively involved include:

- applicants and submitters;
- iwi/Māori;
- community and environmental groups;
- industry groups; and
- international counterpart agencies.

The following diagram shows the relationship between ERMA New Zealand and the other agencies with which it works.



2

STRATEGIC DIRECTION

2.1 | ALIGNMENT WITH GOVERNMENT PRIORITIES

In addition to the statutory functions and framework provided by the HSNO Act, the Government has set out three priorities that act as a high-level guide to the State Sector. Each priority is relevant to the contribution ERMA New Zealand makes to New Zealand's sustainable future by assisting New Zealanders to derive economic and other benefits from new and innovative substances and organisms, while minimising the associated risks.

Economic transformation

Working to progress our economic transformation to a high-income, knowledge-based market economy, which is both innovative and creative and provides a unique quality of life to all New Zealanders, through:

- growing globally competitive firms; and
- environmental sustainability.

Environmental sustainability and innovation are at the core of ERMA New Zealand's work. We play a key role in enabling businesses to safely use new organisms and hazardous substances. We also help to raise the awareness, and improve the understanding, of the applications process among the research and business community to encourage innovation. We promote environmental sustainability through the decisions we take including reassessing already approved hazardous substances. In addition, we may have a key role in implementing elements of the Government's climate change strategy by, for example, assessing the new types of biofuels or chemical products necessary for managing agricultural emissions, and establishing efficient and cost-effective hazardous substance compliance regimes for these.

Families – young and old

All families, young and old, have the support and choices they need to be secure and be able to reach their full potential within our knowledge-based economy, through:

- safe communities; and
- better health for all.

Enabling the safe use of chemicals is a major part of ERMA New Zealand's business. We will continue to work with other agencies to assist industry and communities to be aware of, understand and comply with the hazardous substance controls to ensure that chemicals are used safely.

National identity

All New Zealanders to be able to take pride in who and what we are, through our arts, culture, film, sports and music, our appreciation of the natural environment, our understanding of our history and our stance on international issues.

The HSNO Act seeks to manage hazardous substances and new organisms in a way that protects the environment and native biodiversity. Achieving the purpose of the Act will contribute to New Zealanders' appreciation of our natural environment, as well as assist our clean green image.

Government's Development Goals

In addition to the Government priorities, ERMA New Zealand also seeks to respond to the Government's Development Goals for the State Services as follows:

- employer of choice – providing a responsive inclusive environment where staff are able to develop in their roles;
- excellent State servants – staff are encouraged and supported to achieve excellence;
- networked State Services – progressively enhancing our information technology environment to improve the provision of information to our stakeholders;
- co-ordinated State agencies – working collaboratively with other agencies to improve New Zealanders' quality of life;
- accessible State Services – providing easily accessible information about the HSNO Act to the public; and
- trusted State Services – New Zealanders have confidence in the people, systems and processes of ERMA New Zealand.

2.2 | IMPACTS, OUTCOMES AND OBJECTIVES

We set out below the outcomes we seek to achieve including the indicators we will use to measure our contribution to achieving these outcomes.

Overarching outcome

The HSNO Act's overall purpose is to protect the environment and health and safety of people and communities by preventing or managing the adverse effects of hazardous substances and new organisms.

We also need to provide for two principles relevant to this purpose:

- the safeguarding of the life-supporting capacity of air, water, soil and ecosystems; and
- the maintenance and enhancement of the capacity of people and communities to provide for their own economic, social and cultural wellbeing and for the reasonably foreseeable needs of future generations.

To do this, ERMA New Zealand must take into account:

- the sustainability of all native and valued introduced flora and fauna;
- the intrinsic value of ecosystems;
- public health;
- the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, wāhi tapu, valued flora and fauna, and other taonga;
- the economic and related benefits, and cost of using, a particular hazardous substance or new organism; and
- New Zealand's international obligations.

Intermediate outcomes

The intermediate outcomes explained below will assist ERMA New Zealand to achieve its long-term objective through:

- making good decisions on applications for the approval of hazardous substances and new organisms, so the adverse effects can be prevented or managed effectively; and
- working with other agencies to ensure the:
 - conditions on approvals are implemented appropriately and people comply with the safety conditions imposed; and
 - the HSNO Act is monitored for effectiveness.

These will contribute to the overarching outcome of ensuring the safety of New Zealanders and their environment while encouraging innovation.

DECISION-MAKING – If good decisions are made on HSNO Act applications (including the provision of appropriate controls) adverse effects will be managed or prevented leading to the safe introduction of hazardous substances and new organisms.

We will assess this outcome using measures of the following objectives:

- the decision-making process is clear, consistent and efficient, and promotes the sustainability of the environment and the health and safety of people and communities;
- people and communities have a high level of trust and confidence in ERMA New Zealand;
- controls and conditions are robust, evidence based and well explained;
- Māori concerns and interests are taken into account;
- no significant adverse human health or environmental effect occurs when use has been consistent with controls or conditions;
- more benign alternatives to existing hazardous substances are increasingly used in New Zealand;
- the risks relating to people and the environment in New Zealand from hazardous substances and new organisms are progressively reduced to ensure the environment is managed sustainably; and
- hazardous substances with significant risks that are inadequately managed under current approvals are reassessed.

The quality of the decision-making process will be measured by:

- at least 60% of respondents in the biannual Trust and Confidence Survey rating ERMA New Zealand's service as excellent, very good or quite good;
- at least 50% of applicants noting an improvement over time in the decision-making process as shown in the biannual Customer Satisfaction Survey;
- evidence of consultation with Māori on applications being provided when required; and
- an increase in more benign hazardous substances, as shown by the increasing use of the reduced risk application route and the reduced hazard rapid assessment route.

COMPLIANCE – Adverse effects are managed or prevented when there are high levels of effective compliance with controls and conditions that are applied to approvals.

We will assess this outcome using measures of the following objectives:

- those who import, manufacture, sell, use or handle hazardous substances (at home, in the workplace and elsewhere) understand how to manage and use them safely;
- approval holders for new organisms in containment comply with all relevant controls and standards;
- no new organisms are imported, developed, field tested or released without ERMA New Zealand's approval; and
- appropriate enforcement action is taken against those who do not comply with controls.

The success of the compliance regime will be measured by a reduction in the number and severity of incidents relating to hazardous substances and new organisms through non-compliance over a period of time.

MONITORING – The regulatory regime is monitored to measure the effectiveness of preventing or managing adverse effects. Such monitoring provides the information that enables us to set priorities on which approvals might be reassessed and identifies the areas where additional or reduced compliance and enforcement action is needed.

We will assess this outcome using measures of the following objectives:

- data on use and effects, including incidents, are maintained;
- the intentions of enforcement agencies for compliance activities are determined; and
- overall progress towards the longer-term outcomes is monitored and reported.

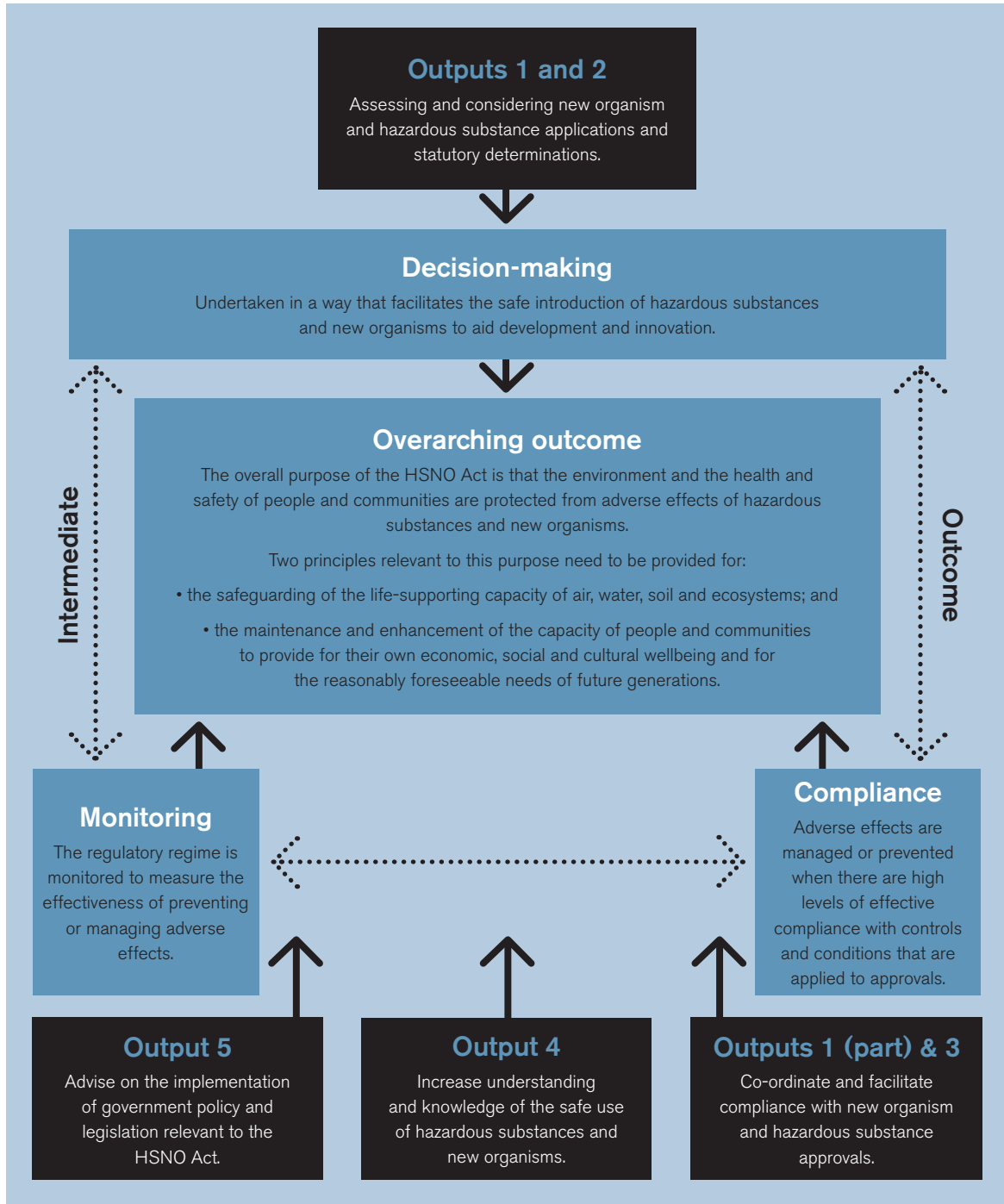
The success of the monitoring regime will be measured by:

- annual reports being received from enforcement agencies on their HSNO Act activities; and
- monitoring reports showing improvements in areas that reduce the adverse effects of new organisms or hazardous substances on people and the environment.

2.3 | HOW WE WILL CONTRIBUTE TO THE INTERMEDIATE OUTCOMES

The primary impact of our regulatory activities is on the intermediate outcomes: the quality of decisions, including controls and conditions; the level of compliance with those controls and conditions; and the reliability of our monitoring of the implementation of the HSNO Act regime. We will also contribute to the purpose of the HSNO Act by co-ordinating and monitoring the effectiveness of the Government's Hazardous Substance Compliance and Enforcement Strategy, and making recommendations for change when required. If necessary, we will signal key risks and identify opportunities for improvement across the regime.

The following diagram shows how our outputs contribute to the achievement of our intermediate outcomes.



3

EXTERNAL DELIVERY FOCUS
FOR 2008/09**3.1 | OUR OPERATIONAL FOCUS
FOR 2008/09**

In 2008/09 our focus will be on improving the practical implementation and operation of the HSNO Act, particularly the management of hazardous substances. Our priorities are as follows.

Hazardous substance reassessments

We will continue to reassess chemicals on the Chief Executive's priority list of chemicals. The hazardous substances reassessment programme is being developed along a number of strategic lines better targeted at furthering risk reduction objectives. This involves looking at the possible reassessment of types or areas of use and at groups of hazardous substances, based on similar chemistry, rather than focussing on the reassessment of single substances. Before this approach can be fully implemented we will need to assess and develop protocols for environmental exposure assessments (including the evaluation and use of modelling techniques) that are relevant to New Zealand situations. The reassessment programme will also be flexible so we can take account of serious issues that emerge during the year and that require urgent assessment.

Hazardous substance compliance and enforcement

ERMA New Zealand will contribute to the implementation of the Government's Compliance and Enforcement Strategy by:

- providing user friendly information to targeted industries, particularly for small to medium-sized businesses;
- working to increase capability and capacity within the test certification regime;
- supporting enforcement agencies by providing training and networking opportunities; and
- monitoring and evaluating the impact and effectiveness of the HSNO Act compliance and enforcement activities.

Public communication and provision of information

Part of ERMA New Zealand's role is to communicate with the public and to provide information about hazardous substances and new organisms. The areas of focus for 2008/09 will be:

- increasing the emphasis on providing information to help people comply with the HSNO Act and thus use hazardous substances and new organisms safely;
- improving people's understanding of the application process;
- providing user-friendly information to stakeholders, especially small to medium-sized businesses that are newly established or transitioning to the HSNO Act regime;
- responding to people's questions and concerns about the regulation of new organisms including genetically modified organisms; and
- providing targeted information and resources to Māori and other community groups to facilitate their ease of understanding and participation in the HSNO Act decision-making process.

International work

New Zealand has ratified several international conventions which are relevant to the regulatory work of ERMA New Zealand and with which we are bound to comply.

ERMA New Zealand, as the operational agency for the regulation of hazardous substances and new organisms, also holds the technical expertise relevant to these conventions, so is often the best-placed government agency to contribute to New Zealand meeting these obligations. For example ERMA New Zealand will contribute to New Zealand's input into the Cartagena Biosafety Protocol and the Stockholm Convention on persistent organic pollutants.

As a lead regulatory agency for hazardous substances and new organisms, ERMA New Zealand also has a role in representing New Zealand's interests in appropriate international forums.

ERMA New Zealand relies heavily on the information relating to risk assessment and the management of hazardous substances and new organisms produced by organisations such as the Organisation for Economic Co-operation and Development and the United Nations, and it needs to monitor the relevant activities and participate where appropriate.

3.2 STATEMENT OF FORECAST SERVICE DELIVERY PERFORMANCE FOR 2008/09

OUTPUT CLASS: Hazardous substances and new organisms assessment and management

A non-departmental output class appropriation exists in Vote: Environment for 2008/09 for the costs associated with the activities of ERMA New Zealand.

	2007/08 \$000	2008/09 \$000	Change \$000
Total output class appropriation	9,012	10,012	1,000

The Minister uses this appropriation to purchase a range of services from ERMA New Zealand, as represented in the following five outputs.

- 1 New organism decision-making and compliance;
- 2 Hazardous substance decision-making;
- 3 Hazardous substance compliance;
- 4 Public information and awareness; and
- 5 Government policy, legislation and international activities.

Our forecast service delivery performance is based on our best estimates of the numbers and types of applications to be decided during the year. The estimates are based on information from previous years and through discussions with likely applicants on their work programme for the next 12 months. As we must meet specific statutory timeframes in considering applications, there may be situations in which we need to reduce other parts of our work programme to meet these timeframes.

OUTPUT 1: NEW ORGANISM DECISION-MAKING AND COMPLIANCE

Description

Our primary activities under this output relate to assessing and considering applications and statutory determinations for new organisms, including genetically modified organisms. The output comprises:

- developing and maintaining policies and procedures relating to new organism decision-making and compliance infrastructure, including the incorporation of ethical and Māori perspectives;
- assessing and deciding on new organism applications and statutory determinations, including those initiated by the Chief Executive, and providing non-statutory advice relating to the presence of organisms in New Zealand before July 1998;
- monitoring delegated decision-making by Institutional Biological Safety Committees and the Chief Executive; and
- monitoring and facilitating compliance, including conducting necessary inquiries into new organism incidents.

Decision-making covers pre-application discussions with applicants, evaluating applications, managing public participation through submissions and hearings, considering applications, and releasing decisions and determinations.

ERMA New Zealand will continue to investigate international models for managing genetically modified organisms co-existence and related matters to inform decision making.

Outcome contribution

The focus of this output is on contributing to the following intermediate outcomes.

DECISION-MAKING – If good decisions are made on HSNO Act applications (including the provision of appropriate controls) adverse effects are managed or prevented. Decision-making is undertaken to facilitate the safe introduction of new organisms to aid development and innovation for the benefit of all New Zealanders, while minimising risks to people and the environment.

COMPLIANCE – Adverse effects are managed or prevented when there are high levels of effective compliance with controls and conditions that are applied to approvals.

OUTPUT 1.1	INITIATIVES	OUTCOME MEASURES
The application process for new organisms is as efficient as possible for stakeholders.	<ul style="list-style-type: none"> • Provide clear instructions as well as technical and user guides, policy protocols and information sheets to assist stakeholders. • Carry out regular reviews of the accuracy of information and usefulness of content in technical and user guides. • Engage with stakeholders in the development of processes. • Hold one wānanga relating to new organisms each year to improve the provision of valuable information from Māori for decision-making. • Provide resources and support to enable stakeholders to engage effectively with Māori. 	<ul style="list-style-type: none"> • Information is available on ERMA New Zealand's website and in its publications. • The applicants' understanding of our information requirements improves (as measured, indirectly, by a reduction in the cost and time needed for processing applications). • Feedback is obtained and reported after any wānanga. • Consultation is undertaken whenever applicable.

OUTPUT 1.2	INITIATIVES	OUTCOME MEASURES
<p>All new organism applications are processed within the statutory timeframe, and decisions are made in accordance with the HSNO Act.</p>	<ul style="list-style-type: none"> • Log and monitor all applications to ensure they are processed within the statutory timeframe. • Have in place internal quality assurance processes, including peer review, before significant reports are distributed. • Complete audits of aspects of the risk assessment and decision-making process once every two years. • Assist MfE and MAF Biosecurity New Zealand to make de-naturing a routine process and work with them to reclassify further organisms at regular intervals. 	<ul style="list-style-type: none"> • Progress against processing timeframes for test certifier applications is reported quarterly to the Minister. • No successful appeals or judicial reviews of decisions. • No significant issues are identified in the two-yearly audit. • Issues identified in the audit are resolved to the Chief Executive's satisfaction and reported to the Authority.
OUTPUT 1.3	INITIATIVES	OUTCOME MEASURES
<p>Decisions made under delegated authorities for Institutional Biological Safety Committees and the Chief Executive are managed within the timeframes and audited for correctness.</p>	<ul style="list-style-type: none"> • Issue new Institutional Biological Safety Committee delegations correctly after receiving request. • Complete at least two audits of Institutional Biological Safety Committees each year. • Audit at least three decisions made by the Chief Executive each year. 	<ul style="list-style-type: none"> • New Institutional Biological Safety Committee delegations are issued within 20 days of receiving a completed request. • No significant problems are identified in the audits. • Issues identified in the IBSC audits are resolved to the Chief Executive's satisfaction. • A report is provided to the Authority (Genetically Modified Organisms Standing Committee) providing the findings of all audits (including the Chief Executive decisions) and issues to be resolved.
OUTPUT 1.4	INITIATIVES	OUTCOME MEASURES
<p>Controls on new organism approvals are complied with and the Ministry of Agriculture and Forestry operates the overall new organisms compliance and enforcement regime effectively.</p>	<ul style="list-style-type: none"> • Work with the Ministry of Agriculture and Forestry on the annual enforcement plan. • Assist the relevant agencies to investigate incidents and enforcement matters as required under the HSNO Act. 	<ul style="list-style-type: none"> • A report is provided to the Minister on the Ministry of Agriculture and Forestry's annual enforcement plan within three months of receiving the information from the Ministry. • A report is provided to the Authority within three months of receiving all information required to undertake an investigation into an incident.

	Forecast 2007/08 \$000	Forecast 2008/09 \$000
Estimated total cost of Output 1	2,398	2,502
Applicant fees and other non-Crown revenue	166	252

TABLE 1: NUMBER OF NEW ORGANISM DECISIONS – PART V

Application type	Forecast 2007/08	Forecast 2008/09	Forecast 2009/10	Forecast 2010/11
Non-GMO release	2	1	1	1
Non-GMO containment	18	10	10	10
GMO development in containment	1	2	2	2
GMO imports into containment	1	3	2	2
GMO field tests and outdoor developments	1	3	1	1
GMO releases and conditional releases	0	1	0	0
Rapid assessments (GM & non-GM)	25	16	14	13
Emergencies	0	0	0	0
Minor or technical amendments	4	4	4	4
Reassessments	0	0	0	0
Statutory determinations	3	4	4	4
Transshipment of a new organism	1	0	0	0
Total	56	44	38	37
Non-statutory advice – present in New Zealand	30	30	30	30
Monitoring of IBSC decisions	100	100	100	100
Application for new IBSC delegation	0	0	0	0
Audit of IBSC delegation	2	2	2	2

Note 1 This table presents information on application numbers processed by ERMA New Zealand; decisions by Institutional Biological Safety Committees (IBSCs) are not shown.

Note 2 The genetically modified organism (GMO) release decisions shown for 2008/09 reflect the possibility of an application for a conditional release of a GMO animal medicine in that timeframe.

OUTPUT 2: HAZARDOUS SUBSTANCE DECISION-MAKING

Description

Our primary activities under this output relate to assessing and considering hazardous substance applications and statutory determinations. The output comprises:

- developing and maintaining policies and procedures relating to the hazardous substance decision-making infrastructure, including the improved incorporation of ethical and Māori perspectives;
- assessing and deciding on hazardous substance applications and statutory determinations, including those initiated by the Chief Executive, and providing non-statutory advice relating to the regulatory status of substances and the labelling of products containing hazardous substances;
- reassessing hazardous substance approvals, including group standards and applications initiated by the Chief Executive; and

- assessing and deciding on hazardous substance applications for approvals, licences, waivers and variations, and codes of practice, including applications initiated by the Chief Executive.

Decision-making covers pre-application discussions with applicants, evaluating applications, managing public participation through submissions and hearings, considering applications, and releasing decisions and determinations.

Outcome contribution

The focus of this output is on contributing to the following intermediate outcome.

DECISION-MAKING – If good decisions are made on HSNO Act applications (including the application of appropriate controls) adverse effects are managed or prevented. Decision-making is undertaken to facilitate the safe introduction of hazardous substances to aid development and innovation for the benefit of all New Zealanders, while minimising risks to people and the environment.

OUTPUT 2.1	INITIATIVES	OUTCOME MEASURES
<p>The application process for hazardous substances is as efficient as possible for stakeholders.</p>	<ul style="list-style-type: none"> • Provide clear instructions as well as technical and user guides, policy protocols and information sheets to assist stakeholders. • Carry out regular reviews of the accuracy of information and usefulness of content in technical and user guides. • Engage with stakeholders in the development of processes. • Carry out a consultation process when applicable. • Provide resources and support to enable stakeholders to engage effectively with Māori. 	<ul style="list-style-type: none"> • Information is available on ERMA New Zealand's website and in its publications. • The applicants' understanding of our information requirements improves (as measured, indirectly, by a reduction in the cost and time needed for processing applications).

OUTPUT 2.2	INITIATIVES	OUTCOME MEASURES
<p>All Part V and Part 6A hazardous substance applications are processed within the statutory timeframe, and decisions are made in accordance with the HSNO Act.</p>	<ul style="list-style-type: none"> • Log and monitor all applications to ensure they are processed within the statutory timeframe. • Have in place internal quality assurance processes, including peer review, before significant reports are distributed. • Complete audits of aspects of the risk assessment and decision-making process once every two years. 	<ul style="list-style-type: none"> • Progress against statutory processing timeframes is reported quarterly to the Minister. • No successful appeals or judicial reviews of decisions. • No significant issues identified in the two-yearly audits. • Issues identified in the audit are resolved to the Chief Executive's satisfaction and reported to the Authority.

OUTPUT 2.3	INITIATIVES	OUTCOME MEASURES
<p>All Part VI hazardous substance applications are processed within a reasonable timeframe, and decisions are made in accordance with the HSNO Act.</p>	<ul style="list-style-type: none"> • Log and monitor applications for approval of test certifiers to ensure they are processed within 20 working days of receipt. • Log and monitor applications for approvals of equipment, licences, waivers and variations, and codes of practice, to ensure they are processed in a timely manner. • Have in place internal quality assurance processes. • Have in place a system of internal and external audits to monitor the timeframes and decision-making processes. • Develop and implement processes to improve delivery of the approval of Part VI applications. 	<ul style="list-style-type: none"> • All applications for codes of practice are processed in accordance with a timetable agreed with the applicant. • Progress against processing timeframes for test certifier applications is reported quarterly to the Minister. • No successful appeals or judicial reviews of decisions on the decision-making process. • No significant problems are identified in the audits. • Any issues identified in the audits are resolved to the Chief Executive's satisfaction and reported to the Authority. • Process improvements are reported to the Authority on a quarterly basis.

OUTPUT 2.4	INITIATIVES	OUTCOME MEASURES
<p>The Chief Executive-Initiated Reassessment programme is efficiently and effectively progressed to maintain public confidence in the hazardous substances regime.</p>	<ul style="list-style-type: none"> • Increase the number of hazardous substance reassessments from two to no fewer than four to the stage of public notification for submissions each year. • Ensure all decisions on reassessments are made consistent with the HSNO Act and Hazardous Substances and New Organisms (Methodology) Order 1998. • Develop exposure assessment methodologies to enable more appropriate risk assessments to be undertaken for reassessment topics. 	<ul style="list-style-type: none"> • Reassessment applications relating to at least four hazardous substances are publicly notified for submissions by 30 June 2009 with at least two decisions notified by 30 June 2009. • No successful appeals or judicial reviews of decisions or adverse judicial comment on the conduct of the decision-making process occur. • Stakeholder consultation is undertaken on proposed exposure assessment methodologies and submitted comments incorporated as appropriate.

	Forecast 2007/08 \$000	Forecast 2008/09 \$000
Estimated total cost of Output 2	4,110	4,232
Estimated applicant fees and other non-Crown revenue	769	470

TABLE 2: FORECAST NUMBER OF HAZARDOUS SUBSTANCE DECISIONS – PART V

Application type	Forecast 2007/08	Forecast 2008/09	Forecast 2009/10	Forecast 2010/11
Import or manufacture for release	60	60	60	60
Import or manufacture in containment	35	30	30	30
Emergencies	0	0	0	0
Special emergencies	2	2	2	2
Minor or technical amendments	0	0	0	0
Rapid assessments	60	60	60	60
Reassessments	4	4	4	4
Statutory determinations	0	0	0	0
Transshipment of a hazardous substance	6	6	6	6
Total	167	162	162	162
Non-statutory advice – status of substances and product labelling	1,000	600	600	600

TABLE 3: FORECAST NUMBER OF HAZARDOUS SUBSTANCE DECISIONS – PART VI

Application type	Forecast 2007/08	Forecast 2008/09	Forecast 2009/10	Forecast 2010/11
Test certifiers	70	39	21	16
Test certificate waivers	90	104	104	102
Permissions	0	6	6	6
Approvals	28	36	16	16
Licences and certificates	320	640	640	1440
Waivers and variations	39	34	24	23
Codes of practice/practice guides	3	3	3	3
Total	550	862	814	1606

OUTPUT 3: HAZARDOUS SUBSTANCE COMPLIANCE

Description

Our activities under this output relate to co-ordinating and facilitating compliance with hazardous substance approvals, and are guided by the Hazardous Substances Compliance and Enforcement Strategy.

The output comprises:

- developing and maintaining policies and procedures relating to hazardous substance compliance and enforcement;

- co-ordinating and maintaining general oversight of the hazardous substance compliance and enforcement regime and facilitating compliance with the legislation;
- monitoring decision-making by test certifiers and other specified parties; and
- monitoring and conducting necessary inquiries into hazardous substance incidents where necessary.

Outcome contribution

The focus of this output is on contributing to the following intermediate outcome.

COMPLIANCE – Adverse effects are managed or prevented when there are high levels of effective compliance with controls and conditions that are applied to approvals.

OUTPUT 3.1	INITIATIVES	OUTCOME MEASURES
<p>The areas for which ERMA New Zealand is responsible in the Government's Compliance and Enforcement Strategy are implemented.</p>	<ul style="list-style-type: none"> • Continue to execute the plan for implementing the Government's Compliance and Enforcement Strategy, including: <ul style="list-style-type: none"> - coordinating the inter-agency advisory group for the Strategy; - facilitating engagement with ITOs for the delivery of HSNO Act certification; and - undertaking a research project to inform on the required initiatives to achieve effective compliance. 	<ul style="list-style-type: none"> • Progress on implementation reported to the Authority and in the quarterly report to the Minister.

OUTPUT 3.2	INITIATIVES	OUTCOME MEASURES
<p>ERMA New Zealand works with enforcement agencies and industry to ensure the HSNO Act is complied with.</p>	<ul style="list-style-type: none"> • Develop and maintain relationships with enforcement agencies and industry to enhance the effectiveness of the compliance and enforcement regime. • Undertake four regional workshops for enforcement agencies. • Undertake two training workshops for enforcement agencies (other than the Department of Labour). 	<ul style="list-style-type: none"> • Enforcement agency intentions for 2008/09 are reported to the Minister within three months of receiving the relevant information from enforcement agencies. • When situations of non-compliance with controls and conditions of the HSNO Act are identified ERMA New Zealand will work with the appropriate agency to resolve the situation. • Enforcement agencies and industry (including test certifiers) are supported in their HSNO Act activities through outreach activities, including workshops and the publication of guidance material, which are reported in the quarterly report to the Minister.

OUTPUT 3.3	INITIATIVES	OUTCOME MEASURES
<p>Decisions, including those under delegated authorities, are audited for correctness.</p>	<ul style="list-style-type: none"> • Increase the number of audits undertaken from three to at least 10 non-delegated decisions by 30 June 2009. • Increase the number of audits undertaken from three to at least five delegated decisions by 30 June 2009. 	<ul style="list-style-type: none"> • Findings of the audits (both delegated and non-delegated decisions) are reported to the Authority. • Issues identified from the audits are reported to the audited parties with recommendations within three months of the completion of the audits and also reported to the Authority.

OUTPUT 3.4	INITIATIVES	OUTCOME MEASURES
<p>All incidents involving hazardous substances are monitored.</p>	<ul style="list-style-type: none"> • Maintain information throughout the year on the occurrence and severity of incidents involving hazardous substances. • Undertake an inquiry into each significant incident where an inquiry is deemed necessary. 	<ul style="list-style-type: none"> • Incident data is reported to the Authority and in the quarterly report to the Minister. • Complete and report an inquiry to the Authority within three months of receiving all relevant information for all incidents where an inquiry is deemed necessary.

	Forecast 2007/08 \$000	Forecast 2008/09 \$000
Estimated total cost of Output 3	960	1,396
Applicant fees and other non-Crown revenue	23	21

OUTPUT 4: PUBLIC INFORMATION AND AWARENESS

Description

Our primary activities under this output relate to increasing understanding and knowledge of the safe use of hazardous substances and new organisms, and supporting compliance with controls and conditions.

The output comprises:

- promoting public awareness and knowledge of the regulatory framework, including through regular meetings with community and environmental groups and other interested parties;
- developing the awareness of iwi/Māori about HSNO Act matters and encouraging their participation in HSNO Act processes;
- implementing specific programmes for hazardous substances focussed on raising awareness and improving applicants' understanding of the applications process, and supporting compliance so that risks associated with hazardous substances are effectively managed; and

- implementing specific programmes focused on guiding stakeholders through the new organism applications process, raising awareness and improving applicants' understanding of application processes.

Outcome contribution

The focus of this output is on contributing to the following intermediate outcomes.

DECISION-MAKING – If good decisions are made on HSNO Act applications (including the provisions of appropriate controls) then adverse effects are managed or prevented. Decision-making is undertaken to facilitate the safe introduction of hazardous substances and new organisms to aid development and innovation for the benefit of all New Zealanders, while minimising risks to people and the environment.

COMPLIANCE – Adverse effects are managed or prevented when there are high levels of effective compliance with controls and conditions that are applied to approvals.

OUTPUT 4.1	INITIATIVES	OUTCOME MEASURES
The public knows about the HSNO Act.	<ul style="list-style-type: none"> • Co-ordinate the delivery of the 2008/2009 ERMA New Zealand communications strategy. • Revise content in the publications series. • Create and implement a new structure for the ERMA New Zealand website to make it easier for stakeholders (e.g. applicants, submitters, industry) to find what they need. 	<ul style="list-style-type: none"> • Progress against the communications strategy is provided to the Minister in the quarterly report. • The content of at least 10 publications is revised by 30 June 2009. • More than 60% of website users surveyed classify finding information on the ERMA New Zealand website as very easy or quite easy.

OUTPUT 4.2	INITIATIVES	OUTCOME MEASURES
The level of knowledge and participation of Māori is increased.	<ul style="list-style-type: none"> • Develop and implement a Māori communications plan (including the ERMA New Zealand Māori-specific newsletter <i>Te Pūtara</i>). • Manage the Māori National Network effectively. • Continue to maintain and enhance iwi-based relationships. • Continue the Participation Assistance Fund. 	<ul style="list-style-type: none"> • Three issues of <i>Te Pūtara</i> are published. • An annual hui is held and a report is provided for the Authority. • At least 75% of National Network members surveyed feel there is a Māori voice in the development and processing of applications. • Activity relating to Māori participation is reported to the Minister quarterly. • An annual audit of participation funding assistance to Māori is undertaken and a report is provided to the Authority by 30 June 2009.

OUTPUT 4.3	INITIATIVES	OUTCOME MEASURES
The level of knowledge regarding hazardous substances is increased.	<ul style="list-style-type: none"> • Publish a range of publications, including guidance and information material and forms aimed at raising awareness and improving understanding of the applications process. • Develop and maintain relationships with industry and test certifiers, including the provision of user-friendly information to small to medium-sized businesses on HSNO Act requirements, in relation to compliance matters. In particular we will be targeting the following industries: the collision repair industry, transit depots, the timber industry and industries with high solvent use. 	<ul style="list-style-type: none"> • At least 60% of the general public surveyed in the two yearly trust and confidence survey have confidence in ERMA New Zealand. • At least 60% of stakeholders feel that publications are informative as evidenced from targeted surveys of stakeholders receiving the information.

OUTPUT 4.4	INITIATIVES	OUTCOME MEASURES
The level of knowledge about making an application for a new organism is increased, with particular emphasis on improving the understanding of participants in the decision-making process.	<ul style="list-style-type: none"> • Develop and implement a communication plan targeted at the research community. • Update information in publications as necessary to ensure the correct information is provided to applicants. 	<ul style="list-style-type: none"> • Activity and outcomes are reported to the Authority and to the Minister in the quarterly report. • At least 60% of the general public surveyed in the two yearly trust and confidence survey have confidence in ERMA New Zealand.

	Forecast 2007/08 \$000	Forecast 2008/09 \$000
Estimated total cost of Output 4	2,004	1,945
Applicant fees and other non-Crown revenue	49	29

OUTPUT 5: GOVERNMENT POLICY, LEGISLATION AND INTERNATIONAL ACTIVITIES

Description

Our primary activities under this output relate to advising on the implementation of government policy and legislation relevant to the HSNO Act, covering the effectiveness of the HSNO Act regime, inconsistencies or conflicts between the HSNO Act and other legislation, and the use of environmental user charges. The output comprises:

- providing technical input into responses to parliamentary questions and briefing papers;
- participating in the development of government policy, legislation and regulations;
- monitoring the effectiveness of the legislation; and
- participating in the work of international bodies dealing with hazardous substances and new organisms.

Outcome contribution

The focus of this output is on contributing to the following intermediate outcomes.

DECISION-MAKING – If good decisions are made on HSNO Act applications (including the application of appropriate controls) then adverse effects are managed or prevented. Decision-making is undertaken to facilitate the safe introduction of hazardous substances and new organisms to aid development and innovation for the benefit of all New Zealanders, while minimising risks to people and the environment.

COMPLIANCE – Adverse effects are managed or prevented when there are high levels of effective compliance with controls and conditions that are applied to approvals.

MONITORING – The regulatory regime is monitored to measure the effectiveness of preventing or managing adverse effects. Such monitoring provides the information that enables us to set priorities on which approvals might be reassessed and identifies the areas where additional or reduced compliance and enforcement action is needed.

OUTPUT 5.1	INITIATIVES	OUTCOME MEASURES
High-quality ministerial responses are provided within the required timeframes.	<ul style="list-style-type: none"> • Reply to all ministerial correspondence within 15 days (or as otherwise agreed) at a quality such that none is returned for reworking. • Respond to all parliamentary questions within the specific timeframes requested by the Minister or a department (where a contribution is sought). • Respond to all requests for information from parliamentary select committees to support inquiries and consideration of petitions within the timeframes specified. 	<ul style="list-style-type: none"> • A log of correspondence, questions and information requests is kept, which also notes those documents returned for reworking. This information is included in the quarterly report. • Less than 5% of responses needs to be reworked.

OUTPUT 5.2	INITIATIVES	OUTCOME MEASURES
Input is provided into the development of government policies and legislation, including regulations.	<ul style="list-style-type: none"> Continue to foster relationships with other government agencies. Monitor media and relevant publications for areas relevant to ERMA New Zealand. 	<ul style="list-style-type: none"> The range of activities and ERMA New Zealand's input are reported to the Minister in the quarterly report.

OUTPUT 5.3	INITIATIVES	OUTCOME MEASURES
The effectiveness of the HSNO Act is monitored.	<ul style="list-style-type: none"> Provide information on the HSNO Act's effectiveness to the Minister. Review ERMA New Zealand's monitoring framework to support the Ministry for the Environment in developing systems to enable the capture of relevant information for monitoring the effectiveness of the HSNO Act. 	<ul style="list-style-type: none"> The report, <i>Monitoring the Effectiveness of the HSNO Act</i>, is completed and forwarded to the Minister. The ERMA New Zealand monitoring framework is reviewed and, if necessary, modified and approved by the Authority by 30 June 2009.

OUTPUT 5.4	INITIATIVES	OUTCOME MEASURES
A programme of engagement with relevant international and multi-lateral counterpart organisations is implemented.	<ul style="list-style-type: none"> Develop and implement throughout the year a programme of engagement with relevant international and multi-lateral counterpart organisations. ERMA New Zealand will continue to contribute to New Zealand's input into the Cartagena Biosafety Protocol and the Stockholm Convention on Persistent Organic Pollutants. 	<ul style="list-style-type: none"> Activity and outcomes are reported to the Minister in the quarterly report.

	Forecast 2007/08 \$000	Forecast 2008/09 \$000
Total cost of Output 5	882	923
Applicant fees and other non-Crown revenue	21	14

3.3 | ORGANISATIONAL RISK MANAGEMENT

Our organisational risk management focus will continue to be on financial, service delivery, capacity and capability risks. Careful management of these risks through the prior identification of responses will enable us to continue to support high performance in 2008/09 and beyond.

We have identified specific risks in each of these areas and the controls in place to manage them.

Financial and service delivery risks

Financial and service delivery risks are the risks principally relating to the magnitude and timing of revenue and expenditure and the associated cash flow and affordability implications.

RISK 1: UNPLANNED AND UNAVOIDABLE EVENTS

Description of risk

The risk is the occurrence of a small number of major, unplanned and unavoidable events *leading to* any or all of:

- budgeting and resourcing difficulties;
- a financial deficit;
- the delay or cancellation of elements of the overall work programme;
- a failure to meet statutory timeframes; and/or
- the loss of public and/or stakeholder confidence in HSNO Act decision-making or ERMA New Zealand's reputation or credibility.

In particular, the following events could cause significant disruption to ERMA New Zealand's planned work programme and materially impact on its operating results:

- major applications or inquiries into incidents, including urgent reassessments that may be indicated through a major inquiry; and/or
- major legal activity, notably appeals on points of law or judicial review of decisions or enforcement action.

Description of controls

The controls of this risk are:

- maintain cash holdings (within the prudent target liquidity ratio);
- reprioritise work to meet the demands;
- make an urgent application for additional funding as required to cover unplanned events;
- undertake periodic applicant surveys; and
- maintain a high level of legal "robustness" in HSNO Act decision-making.

Capacity and capability risks

Capacity and capability risks are risks relating to staffing and staff capability, management systems and other internal organisational structures and processes. These include ERMA New Zealand's response to external disruption of business.

RISK 2: DELIVERING QUALITY HSNO ACT DECISION-MAKING, COMPLIANCE AND ENFORCEMENT ACTIVITIES

Description of risk

The risk is a shortfall in capability across the HSNO Act approval, enforcement and compliance regime (new organisms and hazardous substances), including the quality of HSNO Act decision making (in terms of managing HSNO Act risks), capability in enforcement agencies and test certifiers (for example, not having enough test certifiers of the right types, with the desired geographical spread) *leading to* compliance or enforcement "failures" with:

- consequential loss of public and/or stakeholder confidence in the HSNO Act regime; and/or
- significant adverse effects on the environment or health and safety of people and communities.

Description of controls

The controls of this risk are:

- continued engagement with enforcement agencies;
- involvement in cross-governmental projects to ensure sufficient capability;
- continue (proactive) monitoring to ensure that resources are available to meet demand; and
- undertake appropriate internal and external audits on the quality of our risk evaluation and decision-making.

RISK 3: INTERNAL AND EXTERNAL STAFFING CAPABILITY

Description of risk

The risk is a body of skilled staff, including external experts, is inadequate to meet both short-term and longer-term needs *leading to*:

- disruption of ERMA New Zealand's ability to meet its planned work programme at the required quality; and/or
- a loss of public and/or stakeholder confidence in the HSNO Act regime.

Description of controls

The controls for this risk are:

- develop and implement a "transfer of knowledge" system to ensure information is shared and passed on;
- upskill and educate external and internal experts as required;
- develop strategies to minimise staff turnover;
- develop a succession plan to maintain capability and provide cover for essential skills; and
- develop recruitment strategies to ensure sufficient capability.

RISK 4: MANAGEMENT AND REPLACEMENT OF CAPITAL ASSETS, IT AND SUPPORT SYSTEMS

Description of risk

The risk is the poor management of capital assets and/or expenditure, poor investment decisions or inadequate (Crown) funds *leading to*:

- a disruption of the ability to meet the planned work programme at the required quality;
- the unavailability of relevant and/or reliable information needed to report accurately against outputs to the Minister (whether through lack of capability in our technology environment or otherwise); and/or
- a loss of public and/or stakeholder confidence in the HSNO Act regime.

Description of controls

The controls of this risk are:

- the Technology Steering Committee continues to monitor against agreed capital expenditure;
- the Technology Steering Committee continues to monitor progress against the information technology strategic plan;
- the Technology Steering Committee regularly updates the Chief Executive and Audit and Risk Committee as to the status of any significant issues; and
- capital requirements are thoroughly investigated to ensure they meet the ongoing business needs.

RISK 5: INFLUENCING AND PERSUADING KEY STAKEHOLDERS

Description of risk

The risk is a failure to persuade key government agencies to give sufficient priority to the HSNO Act implementation and enforcement *leading to*:

- a loss of public and/or stakeholder confidence in the HSNO Act regime; and/or
- significant adverse effects on the environment or health and safety of people and communities.

Description of controls

The controls of this risk are:

- work with the Ministry for the Environment to engage all key government agencies to ensure that HSNO Act requirements are part of their business planning process;
- engage with the general public and HSNO Act "users";
- report back at Ministerial level on progress relating to other agency outputs; and
- continue to monitor and report on compliance with the HSNO Act.

4

HOW WE OPERATE AS AN ORGANISATION

4.1 | OUR INTERNAL DEVELOPMENT

Our internal development focus will continue to be on improving structures, policies and processes to support high performance in 2008/09 and beyond.

GENERAL DECISION-MAKING AND COMPLIANCE

FRAMEWORKS – Developing and maintaining general risk management, decision-making and compliance infrastructures and frameworks, with a particular focus on economic effects, social impact and ethical matters.

INCORPORATING MĀORI PERSPECTIVES IN

DECISION-MAKING – Continuing to develop and maintain the decision-making framework with a particular focus on Māori cultural perspectives.

LEGAL/RISK MANAGEMENT – Providing legal and risk management services to support the work of ERMA New Zealand and provide assurance that legal and organisational risks are recognised and appropriately managed.

- Respond to all Official Information Act 1982 requests received during the year within statutory timeframes.
- Approve and undertake an annual internal audit work programme.

EFFICIENCY, COSTS AND PRICING – Maintaining the data repositories needed to support the internal monitoring of our processes and external reporting of our performance, including setting prices for our services.

- Maintain the currency and integrity of applications-related data, including delegated decisions, in order to hold accurate statutory registers.
- Monitor the efficiency of decision-making throughout the year, by analysing time and cost data.

EXTERNAL ACCOUNTABILITY – Developing more systematic approaches to meeting our external accountability and wider organisational management obligations.

- Monitor organisational risk management reporting systems.
- Formalise an organisation-wide approach to business continuity and business recovery.
- Report on organisation-wide compliance with key legislation on a six-monthly basis.
- Set organisation performance benchmarks and monitor performance against them.

FINANCE AND ADMINISTRATION – Increasing development of systematic approaches to meeting our commitment to sustainability in our day-to-day practices.

- Implement policies and practices consistent with the Government's sustainable development programme for government agencies, Govt³, and general sustainability principles.

HUMAN RESOURCES – Focusing on providing strategies to encourage staff development and increase staff retention.

- Implement the Human Resources Strategy.
- Strengthen the professional development programme.
- Establish a broader set of standard training programmes.
- Further develop the competency framework.

INFORMATION MANAGEMENT – Strengthening our records, database and information management, and the internal provision of information.

- Implement an electronic document and records management system to facilitate the:
 - bringing of holdings of technical information into a searchable central service; and
 - implementation of a programme of formal template development for operational and internal documents.
- Implement content management systems and the redevelopment of the website.

INFORMATION TECHNOLOGY – Supporting, as a primary enabler, many strategic and operational activities with a focus on aligning technology and business and automating core business processes.

- Replace the applications database and automate HSNO Act applications further.
- Integrate and standardise all data repositories and registers.
- Implement customer tracking and business collaboration systems.

Good employer obligations

To assist us to deliver on our stated outcomes over the next three years, we will implement our obligations to be a “good employer”, and develop and implement equal employment opportunities for all. This will position us to compete successfully for employees in what is projected to be an extremely challenging labour market over the next five to 10 years. We intend to ensure our people management practices evolve to enable us to meet the expected changing needs of our employees.

- Achieve a good balance between the retention of skills and knowledge and the attraction of staff with fresh skills and perspectives.
- Encourage staff diversity while meeting the skill and other personnel needs of the organisation and making recruitment decisions based on merit.
- Enhance the value of our staff, within our organisation and more widely, through professional and personal development.
- Provide a supportive environment so all of our employees are motivated, positive and healthy.
- Monitor our progress in all the above areas through regular human resource reports including surveys, equal employment opportunities statistics and exit interviews.

4.2 | FINANCIAL AND NON-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 this Statement of Intent.

PROSPECTIVE FINANCIAL AND NON-FINANCIAL PERFORMANCE MEASURES				
	UNIT	2008/09	2009/10	2010/11
Working Capital				
Net current assets	\$000	357	483	394
Current ratio	%	128	144	145
Resource Utilisation				
Fixes assets as % of total assets	%	54	53	60
Additions as % of fixed assets	%	30	23	31
Fixed assets per employee	\$000	21	20	21
Accommodation cost per employee	\$000	7	7	7
Human Resources				
Total staff – people	No.	91	91	91
Professional Development as % of personnel expenses	%	4	4	4
Average annual leave liability as % of annual entitlement	%	50	50	50

4.3 | ACCOUNTING AND OTHER FINANCIAL POLICIES

Reporting entity

The Environmental Risk Management Authority is an autonomous Crown entity under the Crown Entities Act 2004 and is referred to throughout this Statement of Intent as ERMA New Zealand (see section 1.1). 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 ERMA New Zealand is required for clarity. ERMA New Zealand was established under the HSNO Act, and commenced activities on 9 October 1996.

The primary objective of ERMA New Zealand is to protect the environment and health and safety of people and communities rather than to make a financial return. Accordingly, ERMA New Zealand has designated itself as a public benefit entity for the purposes of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The focus of the Statement of Intent is on public accountability and providing a base against which the performance of ERMA New Zealand can be assessed. Information in these prospective financial statements may not be appropriate for purposes other than those described.

These prospective financial statements have been prepared in accordance with the Crown Entities Act 2004. These financial statements of ERMA New Zealand are for the year 1 July 2008 to 30 June 2009, with forecast results for the next two years, 2009/10 and 2010/11. These financial statements were authorised for issue by the Authority on 30 June 2008.

The Authority is the governing board of ERMA New Zealand and is responsible for these statements, including the statement of underlying assumptions used in preparing these statements. ERMA New Zealand does not intend to update this Statement of Intent unless the intentions and undertakings of ERMA New Zealand are significantly altered or affected by new directions from the Government or any change in law or any other change in ERMA New Zealand's operating environment.

Statement of significant underlying assumptions

CROWN REVENUE

The reduction in revenue from 2005/06 to 2006/07 was due to specific time-bound Crown funding that we received from 2003/04 to support interim arrangements for the compliance and enforcement of hazardous substances and the transfer of substances to the HSNO Act ceased from 2006/07.

CROWN REVENUE						
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
\$000	11,699	9,397	9,012	10,012	10,170	10,170

While the review was taking place, a small increase in Crown funding for 2006/07 of \$385,000 provided some support for our work in this area. Core elements of the transfer of substances were completed in 2005/06. Additional funding of \$1,000,000 was approved for 2008/09 to increase capacity and capability of the hazardous substances enforcement and compliance programme. This additional funding is increased by \$158,000 from 2009/10 onwards.

REVENUE FROM FEES

The revenue from fees in 2008/09 is based on our assumptions about the activities of our stakeholders using historical data on the number of applications made under Part V of the HSNO Act, specific indications of numbers of types of applications relating to new organisms provided to us by frequent applicants, and our assessment of the impact of recent legislative changes and the completion of the transfer of substances.

OPERATING RESULTS

Over our history, we have run both surpluses and deficits. Our intention for the longer term is to operate on the basis of near-balanced budgets. The surplus for 2006/07 has been used to fund the deficits forecast for 2007/08 and 2008/09.

CAPITAL EXPENDITURE

We started on a major software development project in October 2007 and expect it to be fully operational by October 2008. The planning for the accommodation improvement project started in April 2008 and is expected to be completed by late 2008.

Our working capital falls into the range we have identified as appropriate for an organisation of our type and size (125%–140%) to 128% in 2008/09. This position primarily reflects the impact of funding an operating deficit for two consecutive years from the 2007/08 financial year.

GOING CONCERN

These prospective financial statements have been prepared on the basis of a going concern.

Statement of accounting policies for the year ended 30 June 2009**BASIS OF PREPARATION****Statement of Compliance**

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

These financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for a public benefit entity.

Preparation under NZ IFRS

This is the second set of prospective financial statements prepared using the NZ IFRS, and comparatives for the year ended 30 June 2007 have been restated in accordance with NZ IFRS. Reconciliations of equity and net surplus/ (deficit) for the year ended 30 June 2007 under the NZ IFRS to the balances reported in the 30 June 2007 financial statements are detailed on page 43.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2007 for the purposes of full transition to the NZ IFRS.

Measurement basis

The 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

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

STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLIER

Standards, amendments and interpretations issued but not yet effective that have not been adopted earlier, and which are relevant to ERMA New Zealand include:

- New Zealand International Accounting Standard (NZ IAS) 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with the Crown in its capacity as "owner". The revised standard gives ERMA New Zealand the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). ERMA New Zealand intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.
- NZ IAS 23 Borrowing Costs (revised 2007) replaces NZ IAS 23 Borrowing Costs (issued 2004) and is effective for reporting periods commencing on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. ERMA New Zealand intends to adopt this standard for the year ending 30 June 2010 and has not yet determined the potential impact of the new standard.
- NZ specific amendment to NZ IAS 2 Inventories. In November 2007 the New Zealand Accounting Standards Review Board approved an amendment to NZ IAS 2 Inventories, which requires public benefit entities to measure inventory held for distribution at cost, adjusted when applicable for any loss of service potential. Prior to the amendment, public benefit entities were required to measure inventories held for distribution at the lower of cost and current replacement cost. Application of the amendment is mandatory for reporting periods beginning on or after 1 January 2008. ERMA New Zealand will adopt the amended standard for the year ending 30 June 2009 and expects the impact of adopting the new standard to be minimal.

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

ERMA New Zealand derives revenue through the provision of outputs to the Crown as specified in the Statement of Intent; 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 Class 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.

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

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants that ERMA New Zealand has no obligation to award on receipt of the grant application, and are recognised as expenditure when approval has been communicated to the applicant.

Leases*Finance leases*

Leases that transfer to ERMA New Zealand substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred, are classified as finance leases.

At the commencement of the lease term, ERMA New Zealand recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether ERMA New Zealand will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to ERMA New Zealand are classified as operating leases. Lease incentives received are recognised in the statement of financial performance over the lease term as an integral part of the total lease expense.

Cash and cash equivalents

Cash and cash equivalents includes 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 fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that ERMA New Zealand 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 statement of financial performance. 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 (i.e. not past due).

Investments

At each balance sheet date, ERMA New Zealand assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. ERMA New Zealand 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 ERMA New Zealand 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

ERMA New Zealand does not use any derivative financial instruments to hedge exposure to foreign exchange and interest rate risks arising from financing activities. ERMA New Zealand does not hold or issue derivative financial instruments for trading purposes.

Non-current assets held for sale

ERMA New Zealand does not have any assets that are classified as held for sale assets.

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.

Accounting for revaluations

ERMA New Zealand accounts for revaluation of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of financial performance will be recognised first in the statement of financial performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

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 ERMA New Zealand and the cost of the item can be measured reliably. 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 statement of financial performance.

When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to general funds.

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 ERMA New Zealand 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 statement of financial performance as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, 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.

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 ERMA New Zealand are recognised as an intangible asset. Direct costs include the software development and the appropriate portion of employee costs and 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 statement of financial performance. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 to 8 years	(12.5% –33.3%)
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Impairment of non-financial 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 depreciated replacement cost for an asset where the future economic benefits or service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where ERMA New Zealand 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 revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of financial performance, a reversal of the impairment loss is also recognised in the statement of financial performance.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the statement of financial performance.

Creditors and other payables

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

Employee entitlements

Short-term entitlements

Employee benefits that ERMA New Zealand 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 to, but not yet taken, at balance date.

ERMA New Zealand does not recognise a liability for sick leave as the sick leave entitlement is not specified and non-accumulating.

ERMA New Zealand recognises a liability and an expense for performance payments when contractually obliged or when there is a past practice that has created a constructive obligation.

Long-term entitlements

ERMA New Zealand does not recognise a liability for long service leave, retirement leave or any superannuation scheme as these entitlements are not in the employment contracts.

Superannuation schemes

Defined contribution schemes

Obligations for contribution to Kiwi Saver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the statement of financial performance as incurred.

Defined benefit schemes

ERMA New Zealand has no defined benefit scheme for employees.

Provisions

ERMA New Zealand 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 expenditure 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 expense finance cost.

Borrowings

ERMA New Zealand does not have any borrowings except for finance leases.

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

ERMA New Zealand 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 derived from the statement of intent as approved by the Authority at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by ERMA New Zealand for the preparation of the financial statements.

Cost allocation

ERMA New Zealand has determined 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.
- 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.

There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements ERMA New Zealand has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements 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 ERMA New Zealand reviews the useful life and residual value of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires ERMA New Zealand to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the ERMA New Zealand, 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 financial performance, and carrying amount of the asset in the statement of financial position.
- ERMA New Zealand minimises the risk of this estimation uncertainty by:
 - physical inspection of assets;
 - asset replacement programmes;
 - review of second hand market prices for similar assets; and
 - analysis of prior asset sales.
- ERMA New Zealand has not made significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying ERMA New Zealand's accounting policies

Management has exercised the following critical judgement in applying ERMA New Zealand's accounting policies for the period ended 30 June 2008.

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 ERMA New Zealand.

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.

ERMA New Zealand has exercised its judgement on the appropriate classification of equipment leases and has determined a number of lease arrangements are finance leases.

Classification of intangible assets

ERMA New Zealand purchased and developed a number of databases for the management of HSNO Act applications. The databases are estimated to have a useful life of eight years. In the event of a complete revamp of any database, the unamortised portion will be written off in the statement of financial performance.

Changes in accounting policies

ERMA New Zealand's accounting policies have not changed since the date of the last audited financial statements for the year ended 30 June 2007.

Charging policy

Charges will be applied for most types of applications to ERMA New Zealand for decision-making under Parts V and VI of the HSNO Act, and may also apply to other services. 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, with the charges for some application types being set by negotiation with the applicant, and some services being charged on an hourly rate basis.

Balancing of revenues and costs

ERMA New Zealand 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

ERMA New Zealand has no plans to incur liabilities in the form of borrowings or financial leases in 2008/09.

Explanation of transition to the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS)

These are ERMA New Zealand's second prospective financial statements to be prepared in accordance with NZ IFRS.

ERMA New Zealand's transition date was 1 July 2006 and the opening NZ IFRS balance sheet is as at that date. ERMA New Zealand's NZ IFRS adoption date was 1 July 2007.

Exemptions from full retrospective application elected by ERMA New Zealand

In preparing these financial statements in accordance with NZ IFRS 1, ERMA New Zealand has not applied any optional exemptions to full retrospective application of NZ IFRS.

The only mandatory exception from retrospective application that applies to ERMA New Zealand is the requirement for estimates under NZ IFRS at 1 July 2006 and 30 June 2007 to be consistent with estimates made for the same date under previous NZ GAAP.

Reconciliation of equity

The following table shows the changes in equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2006 and 30 June 2007.

RECONCILIATION OF EQUITY							
	Note	1 July 2006			30 June 2007		
		Previous NZ GAAP \$000	Effect on transition to NZ IFRS \$000	NZ IFRS \$000	Previous NZ GAAP \$000	Effect on transition to NZ IFRS \$000	NZ IFRS \$000
ASSETS							
Current assets							
Cash and cash equivalents	a	3,023	(428)	2,595	3,309	(520)	2,789
Debtors and other receivables	b	233	(30)	203	410	(35)	375
Investments	c		458	458		555	555
Total current assets		3,256	-	3,256	3,719	-	3,719
Non-current assets							
Property, plant and equipment	d	952	(265)	687	919	(423)	496
Intangible assets	e		284	284		423	423
Total non-current assets		952	19	971	919	-	919
Total assets		4,208	19	4,227	4,638	-	4,638
LIABILITIES							
Current Liabilities							
Creditors and other payables	f	1,594	(570)	1,024	1,012	-	1,012
Employee entitlements	f	239	570	809	772	-	772
Borrowings		41	-	41	39	-	39
Total current liabilities		1,874	-	1,874	1,823	-	1,823
Non-current liabilities							
Provisions	g	112	19	131	150	-	150
Borrowings		50	-	50	11	-	11
Total non-current liabilities		162	19	181	161	-	161
Total liabilities		2,036	19	2,055	1,984	-	1,984
EQUITY							
General funds		2,172	-	2,172	2,654	-	2,654
Total equity		2,172	-	2,172	2,654	-	2,654

*Explanatory notes – reconciliation of equity***a Cash and cash equivalents**

Those term deposits with maturities greater than three months have been reclassified as other financial assets.

b Debtors and other receivables

Under the previous NZ GAAP ERMA New Zealand applied a general provision for doubtful debts to all debtors over 90 days old. NZ IFRS requires ERMA New Zealand to measure the provision for doubtful debts based on objective evidence that ERMA New Zealand will not be able to collect the amounts owing. Accrued interest on term deposits have been recognised as fair value of the term deposits.

c Other financial assets

These are term deposits with maturities greater than three months and less than 12 months.

d Property, plant and equipment

Computer software was classified as part of property, plant and equipment under previous NZ GAAP. Provision for leasehold improvement has been recognised as an asset in accordance with NZ IAS 16.

e Intangible assets

Computer software has been reclassified as intangible assets. It was previously classified as property, plant and equipment.

f Creditors and other payables, employee entitlements

Employee-related accruals and provisions have been reclassified as employee benefit liabilities in accordance with NZ IAS 19.

g Provisions

Provision related to leasehold improvements in accordance with NZ IAS 16.

4.4 | PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE STATEMENT OF FINANCIAL PERFORMANCE				
	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000
INCOME				
Fees and other third party revenue	777	621	583	597
Revenue from the Crown	9,012	10,012	10,170	10,170
Interest	251	165	110	80
Total Income	10,040	10,798	10,863	10,847
EXPENDITURE				
Employee benefit expenses	6,400	6,944	7,242	7,523
Audit	42	38	38	38
Authority / Ngā Kaihautū members' fees	382	383	383	383
Capital charge	196	171	154	125
Depreciation and amortisation	418	519	536	498
Finance costs	10	-	-	-
Other expenses	2,906	2,943	2,510	2,280
Total operating expenditure	10,354	10,998	10,863	10,847
Net surplus / (deficit)	(314)	(200)	-	-

PROSPECTIVE OUTPUTS STATEMENT					
	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000	
TOTAL INCOME					
	10,040	10,798	10,863	10,847	
OUTPUT COSTS					
Output 1	New Organisms Decision-making and Compliance	2,398	2,502	2,524	2,572
Output 2	Hazardous Substance Decision-making	4,110	4,232	4,174	4,154
Output 3	Hazardous Substance Compliance	960	1,396	1,323	1,262
Output 4	Public Information and Awareness	2,004	1,945	1,934	1,936
Output 5	Government Policy, Legislation and International	882	923	908	923
Total expenditure	10,354	10,998	10,863	10,847	
Surplus / (deficit)	(314)	(200)	-	-	

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY				
	2007/08	2008/09	2009/10	2010/11
	\$000	\$000	\$000	\$000
Balance at 1 July	2,654	2,340	2,140	2,140
Net surplus / (deficit)	(314)	(200)	-	-
Total recognised income / (expense) for the year ended 30 June	(314)	(200)	-	-
Balance at 30 June	2,340	2,140	2,140	2,140

PROSPECTIVE STATEMENT OF FINANCIAL POSITION				
	2007/08	2008/09	2009/10	2010/11
	\$000	\$000	\$000	\$000
ASSETS				
Current assets				
Cash and cash equivalents	2,138	1,516	1,503	1,189
Debtors and other receivables	116	101	77	77
Total current assets	2,254	1,617	1,580	1,266
Non-current assets				
Property, plant and equipment	484	816	726	659
Intangible assets	966	1,117	1,081	1,237
Total non-current assets	1,450	1,933	1,807	1,896
Total assets	3,704	3,550	3,387	3,162
LIABILITIES				
Current Liabilities				
Creditors and other payables	498	610	562	456
Employee entitlements	716	650	535	416
Borrowings	-	-	-	-
Total current liabilities	1,214	1,260	1,097	872
Non-current liabilities				
Provisions	150	150	150	150
Borrowings	-	-	-	-
Total non-current liabilities	150	150	150	150
Total liabilities	1,364	1,410	1,247	1,022
EQUITY				
General funds	2,340	2,140	2,140	2,140
Total equity	2,340	2,140	2,140	2,140

PROSPECTIVE STATEMENT OF CASH FLOWS				
	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Fees and other third party revenue	829	588	567	617
Crown	9,012	10,012	10,170	10,170
Interest received	251	165	110	80
Payments to suppliers and employees	(10,102)	(10,218)	(10,313)	(10,466)
Capital charge	(196)	(171)	(154)	(125)
Goods and Service Tax (net)	(4)	4	17	(3)
Net cash flows from operating activities	(210)	380	397	273
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of other financial assets	555	-	-	-
Purchase of property, plant and equipment	(249)	(592)	(160)	(177)
Purchase of intangible assets	(701)	(410)	(250)	(410)
Net cash flows from investing activities	(395)	(1,002)	(410)	(587)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of finance lease liabilities	(50)	-	-	-
Net cash flows from financing activities	(50)	-	-	-
Net increase/(decrease) in cash and cash equivalents	(655)	(622)	(13)	(314)
Cash and cash equivalents at the beginning of the year	2,793	2,138	1,516	1,503
Cash and cash equivalents at the end of the year	2,138	1,516	1,503	1,189

PROSPECTIVE STATEMENT OF CAPITAL EXPENDITURE				
	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000
PROPERTY, PLANT AND EQUIPMENT				
Computer hardware	119	147	100	147
Furniture and fittings	85	10	5	10
Leasehold improvements	400	10	5	10
Office equipment	67	10	10	10
INTANGIBLE ASSETS				
Computer software	763	410	290	410
Total	1,434	587	410	587

A

APPENDIX

APPENDIX A: SPECIFIC DISCLOSURE REQUIREMENTS UNDER THE HAZARDOUS SUBSTANCES AND NEW ORGANISMS ACT 1996

Impact of the Statement of Intent on the management and use of hazardous substances and new organisms

The following statement, which is required under section 147(3) of the Hazardous Substances and New Organisms Act 1996 (HSNO Act), assesses the effects that the matters set out in this Statement of Intent are likely to have on the management and use of hazardous substances and new organisms in 2008/09 and beyond.

In general terms, the principal effect of the matters set out in this Statement of Intent will be to continue to provide comprehensive risk management of the introduction, manufacture and use of hazardous substances throughout their life cycle, and of the introduction, development, field testing and release of new organisms (including genetically modified organisms). The HSNO Act establishes the requirement for these activities to be undertaken in accordance with approvals issued under the Act.

This Statement of Intent describes the decision-making activities that result in approvals and the associated compliance and monitoring activities that we undertake. Along with other activities contained in this Statement of Intent, such as wider public information and awareness, these will give effect to the purpose of the HSNO Act: to prevent or manage the risks to the environment and the health and safety of people and communities associated with hazardous substances and new organisms. This achievement will ultimately be demonstrated through the key indicators we use to monitor the effectiveness of the Act.

Decisions by ERMA New Zealand are not expected to please all interested parties, but they should be seen as true to the intentions of the HSNO Act and they should be impartial, robust, evidence-based and well-explained. Increased participation of iwi/Māori in HSNO Act processes and the use of better developed frameworks for the consideration of social, economic and ethical matters are expected to further promote sound decision-making.

In the new organisms area specifically, increasing use of project-based and generic approvals will continue to have a positive impact by streamlining the risk management process for approvals. Through a continued focus on compliance and enforcement issues, we will seek a high degree of assurance that where we place controls or conditions on approvals, those requirements are being implemented.

With respect to hazardous substances, work on reassessments (review of existing approvals) will be the primary vehicle for providing assurance that the risk management framework is robust.

Activities in 2008/09 to promote compliance and enforcement include providing high-quality user-friendly information to industry; improving our collection of information on the effectiveness of the enforcement system; and better planning and co-ordination of enforcement activities.

Environmental user charges and grounds for reassessment decisions

The following specific information is required under section 147(1) of the HSNO Act on decisions relating to the grounds for reassessment of a substance or new organism and the use of environmental user charges:

- The Authority may consider imposing an environmental user charge as an alternative to or in addition to controls in granting an approval for a hazardous substance. To date we have not done so, and this is likely to continue to be the case in 2008/09. With all approvals granted to date, it has been considered that the use of controls is the most effective means of managing the risks throughout the lifecycles of the substances approved, and the use of environmental user charges has, therefore, not been required.
- Four decisions on grounds for reassessment of a substance and none for new organisms were made in 2007/08. They were:
 - RES07006: Styrene
 - RES07008: Vertebrate toxic agents (except 1080)
 - RES07009: Sulfuryl fluoride
 - RES08001: Peratec

B APPENDIX

| APPENDIX B: TERMS AND ABBREVIATIONS

The following terms and abbreviations are used throughout this document.

Terms describing the parts of ERMA New Zealand

ERMA NEW ZEALAND – the combined entity, comprising three formal elements: the Authority (which is supported by an Ethics Advisory Panel), Ngā Kaihautū Tikanga Taiao and the Agency.

AUTHORITY – the appointed members responsible for exercising statutory functions and acting as the governing body of ERMA New Zealand.

NGĀ KAIHAUTŪ TIKANGA TAIAO (Ngā Kaihautū) – the Authority’s Māori Advisory Committee.

AGENCY – the organisation that provides executive support to the Authority.

ETHICS ADVISORY PANEL – a body the Authority established to assist its consideration of ethical and spiritual matters when decision-making.

Terms and abbreviations referring to ERMA New Zealand’s work and activities

DAYS – working days, excluding weekends and public holidays and, for purposes of applications made under Part V of the HSNO Act, the period between 20 December and 15 January each year.

GENERIC APPROVALS – approvals covering a broad range of organisms or substances that fall into the same or similar risk categories.

GENETICALLY MODIFIED ORGANISM – any organism whose genetic material has been modified by in vitro techniques.

HSNO ACT – the Hazardous Substances and New Organisms Act 1996.

INSTITUTIONAL BIOLOGICAL SAFETY COMMITTEES – act under delegation from the Authority.

METHODOLOGY – the Hazardous Substances and New Organisms (Methodology) Order 1998, which ERMA New Zealand applies to decision-making under Part V of the HSNO Act.

NEW ORGANISM – any organism, including genetically modified organisms that were not present in New Zealand before 28 July 1998, the date on which the new organism elements of the HSNO Act came into force (for a full definition, see section 2A of the HSNO Act).

RAPID ASSESSMENT (new organisms) – the information supplied must provide sufficient information that the “release” of the new organism meets the low risk criteria in the HSNO Act (sections 35 and 36). Rapid assessment of containment applications is also possible under section 42 of the HSNO Act. In this case, the information provided must be sufficient to meet the criteria for a low-risk genetic modification specified in regulations made under section 41 of the HSNO Act.

RAPID ASSESSMENT (hazardous substances) – the Authority may make a rapid assessment if it is satisfied a new substance has a similar composition and similar hazardous properties to an approved substance, where the hazardous properties of the new substance are low, or where the new substance has been formulated to be a lesser hazard than an approved substance. The Act also provides for the rapid assessment and approval of hazardous substances in an emergency or a special emergency.

REASSESSMENT – occurs when the risks, costs and benefits associated with an approved substance or a new organism are reconsidered. Reassessment is a two-step process. Section 62 of the HSNO Act provides for an application to establish grounds for reassessment and section 63 provides for hazardous substances or new organisms to be reassessed once grounds have been established. As a result of the reassessment the Authority may decide to change the conditions placed on the approval or, in extreme cases, withdraw the approval altogether. Any person may apply for the grounds for reassessment or the reassessment itself, including the Chief Executive of ERMA New Zealand. The HSNO Act also has a provision for amending approvals of hazardous substances through a modified reassessment procedure where only a specific aspect of the approval is reassessed.

TRANSFER – the progressive process of moving existing hazardous substances controlled under previous legislation into the HSNO Act regime.

ENVIRONMENTAL RISK MANAGEMENT AUTHORITY



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