

ENVIRONMENTAL RISK MANAGEMENT AUTHORITY



NGĀ KAIWHAKATŪPATO WHAKARARU TAIAO

ENVIRONMENTAL RISK MANAGEMENT AUTHORITY

# STATEMENT OF INTENT

FOR THE THREE YEARS FROM 2009/10



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



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# CHAIR'S FOREWORD

A key priority in 2009/10 will be to demonstrate continual gains in the efficient and effective use of the Environmental Risk Management Authority's (ERMA's) resources and the cost-effective delivery of our services. Our core business is statutory decision making; we will continue to enhance our processes to ensure we are providing value for money while at the same time protecting the health and safety of people and the environment.

For new organisms, a major current application is from AgResearch for genetically modified animals. This is likely to require public hearings in 2009/10.

For hazardous substances, we will continue to maintain the level of Chief Executive-initiated reassessments so that we meet our target of completing 20 reassessments within a five-year period. One of these in 2009/10 will be the reassessment of methyl bromide. This will be in addition to the processing of externally-generated reassessments which will continue to be processed within the statutory timeframes.

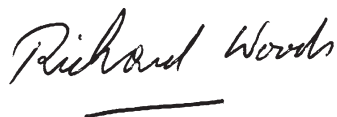
We will also continue to work with the Ministry and other agencies to increase the levels of compliance with the hazardous substances regime; an area of significant concern to the Authority.

The steady flow of decisions on both new organisms and hazardous substances is expected to continue. Much of that work does not require public hearings and attracts little or no media attention, but involves considerable consultation with industry groups and others whose interests may be affected.

We will assist the Ministry for the Environment in its work on the Hazardous Substances and New Organisms (HSNO) Act amendments in the Regulatory Improvement Bill, which should provide increased effectiveness and more efficient delivery of HSNO activities. In particular the Bill will enable access by emergency services to the register of location test certificates.

In accordance with the HSNO Act, we will continue to ensure Māori perspectives are incorporated in our decision making, building on the successful work of Ngā Kaihautū Tikanga Taiao. The Ethics Advisory Panel, with new terms of reference, will continue to assist our work.

The forthcoming creation of an Environmental Protection Authority (EPA) will mark a significant change in the organisational arrangements for environmental management in New Zealand. The Minister for the Environment has signalled that ERMA New Zealand's current functions will form part of the new EPA. We will work closely with the Ministry for the Environment and other agencies to facilitate a smooth transition.



**Richard Woods**

Chair

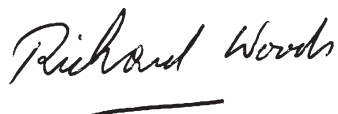
Environmental Risk Management Authority

# STATEMENT OF RESPONSIBILITY

The structure and content of this Statement of Intent follows 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 forecast performance and financial position of ERMA New Zealand for 2009/10 and the following two years, although we note the Minister for the Environment's intention that from 1 July 2010 ERMA New Zealand's functions will be carried out by the new EPA.



**Richard Woods**  
Chair  
Environmental Risk  
Management Authority

7 May 2009



**Max Suckling**  
Deputy Chair  
Environmental Risk  
Management Authority

7 May 2009

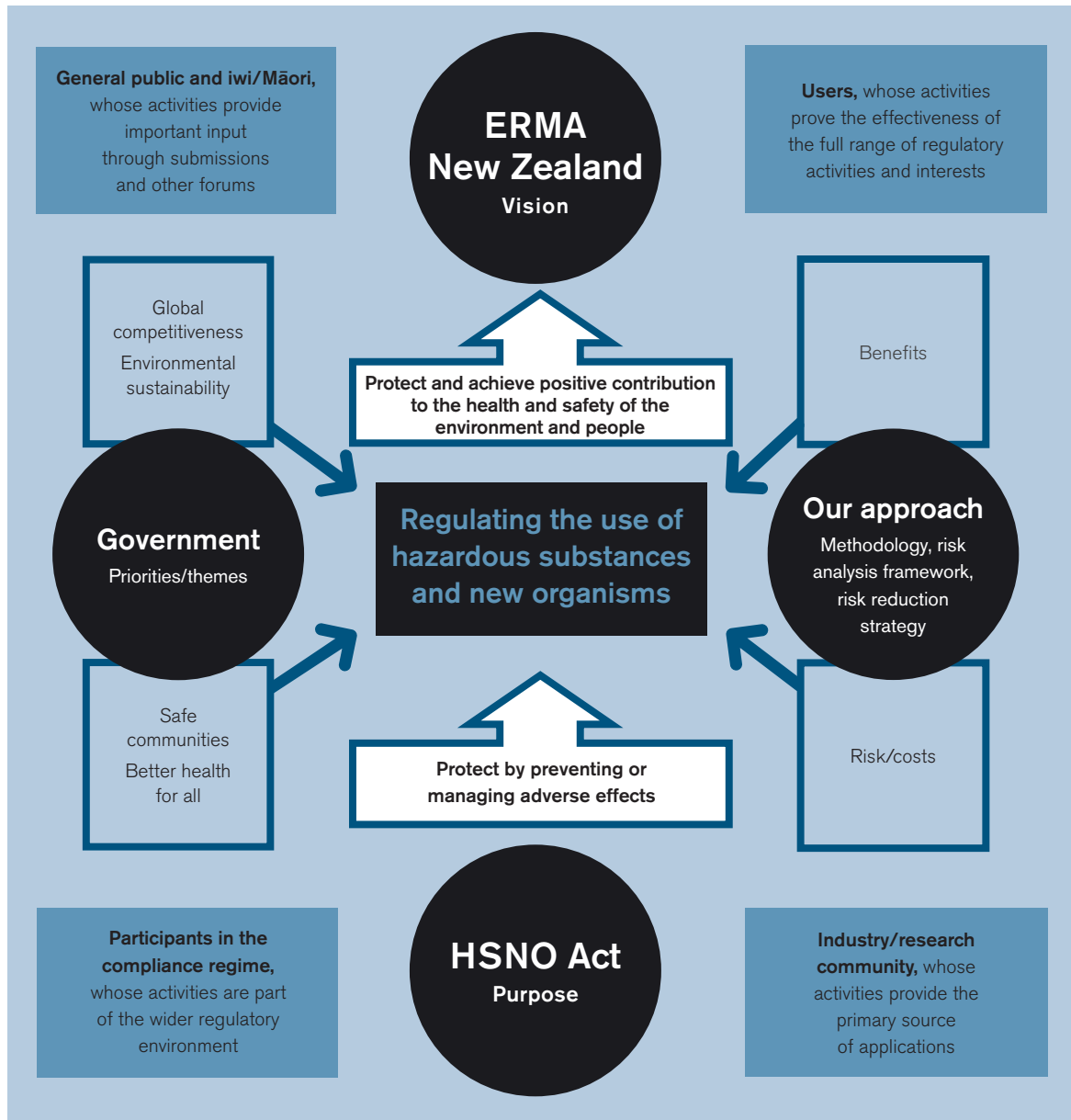
# OUR PURPOSE

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 of 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, as well as the New Zealand Food Safety Authority for agricultural compounds and veterinary medicines. 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.

The HSNO Act interfaces with other legislation including the Biosecurity Act and the Agricultural Compounds and Veterinary Medicines 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.

This Statement of Intent will guide ERMA New Zealand's work over the next three years subject, however, to its being part of the proposed EPA from 1 July 2010. In identifying the strategic drivers that determine our operational focus for 2009/10, we have taken account of the purpose and intent of our legislation, the Government's priorities (in particular, providing value for money), and the roles and interests of the various stakeholders in the HSNO Act.

ERMA New Zealand has a leadership role in ensuring that people comply with the Act. For the next three years a strong focus for the organisation will be working with other agencies to improve levels of compliance with the hazardous substances provisions of the Act.

ERMA New Zealand also has a role to play in promoting awareness of the adverse effects of hazardous substances on people or the environment and the safe management of them.

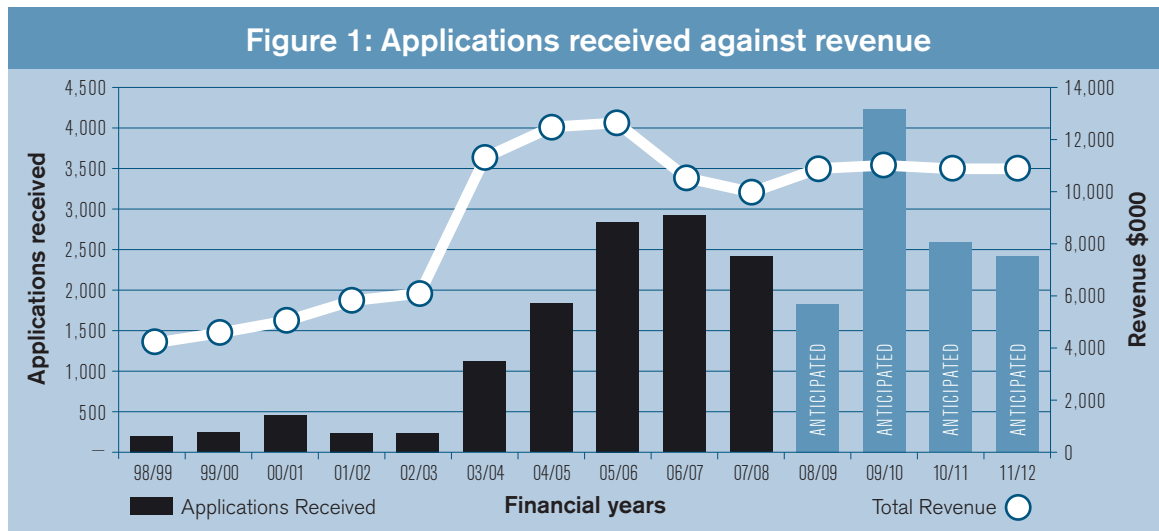
## OUTPUT PRIORITIES:

### 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.

In 2009/10 we are expecting only a small number of applications for the field testing or outdoor development of genetically modified organisms (GMO). No increase in the number of hazardous substance applications is expected.

ERMA New Zealand also processes various applications for approvals of equipment, test certifiers, and waivers from various regulatory requirements. Additionally ERMA New Zealand issues controlled substance licences, import certificates and permissions for the use of certain substances. The increase in the 2009/10 year in Figure 1 below is due to a potential increase in Controlled Substance Licences and Test Certifier approvals. These applications are low-cost hence there is only a small increase in revenue.



**Value for money**

We will continue to seek ways to improve efficiencies and ensure that resources are used effectively in line with the Government priorities. We will review our service delivery on a regular basis to ensure that it is adding value and that we are able to demonstrate this through performance measures.

A significant project for 2009/10 will be the reassessment of the fumigant methyl bromide, which will involve close collaboration with other Government agencies with an interest in methyl bromide. Further work on the possible reassessment of groups of substances based on their areas of use or similar chemistry will also be carried out.

**Regulatory Improvement Bill**

We will assist the Ministry for the Environment in its work on the HSNO Act Regulatory Improvement Bill as it passes through the select committee process. The Bill contains a number of improvements which will assist in streamlining and increasing the effectiveness and efficiency of the Act. In particular we will continue to develop and maintain our register of test certificates (including location test certificates) and enable emergency services to have on-line access to the register.

**Iwi/Māori engagement and participation**

The HSNO Act requires ERMA New Zealand to take into account the relationship of Māori and their culture and traditions with their ancestral lands, water sites, waahi tapu, valued flora and fauna, and other taonga. In order to meet its obligations ERMA New Zealand has continued to develop and improve its engagement with iwi/Māori through the implementation of its strategy *Kia Pūmau te Manaaki*. The strategy recognises a range of factors that underpin good engagement and participation. ERMA New Zealand also has a protocol for incorporating Māori perspectives in Part 5 decision making.

**Hazardous substances compliance and enforcement**

ERMA New Zealand has a role in monitoring levels of compliance and enforcement to effectively manage the risks and harms attributable to hazardous substances. We will continue to provide information to industry and external stakeholders (including Non Government Organisations (NGOs) and the general public) on the safe use of hazardous substances. We will work with the Ministry for the Environment to identify how the level of compliance can be improved, including working with other agencies to implement the changes required.

**International work**

ERMA New Zealand, as the operational agency for the regulation of hazardous substances and new organisms, holds the technical expertise to provide quality input 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, the Rotterdam Convention on Prior Informed Consent and the Stockholm Convention on Persistent Organic Pollutants.

**Hazardous substance reassessments**

Over the next three years, ERMA New Zealand will maintain the work programme for Chief Executive initiated reassessments to achieve the reassessment of 20 substances within a five-year timeframe.

# 1

# LEGISLATIVE AND OPERATING ENVIRONMENT

## 1.1 OUR ORGANISATION

The Environmental Risk Management Authority (ERMA New Zealand) is a Crown Entity that comprises three 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.

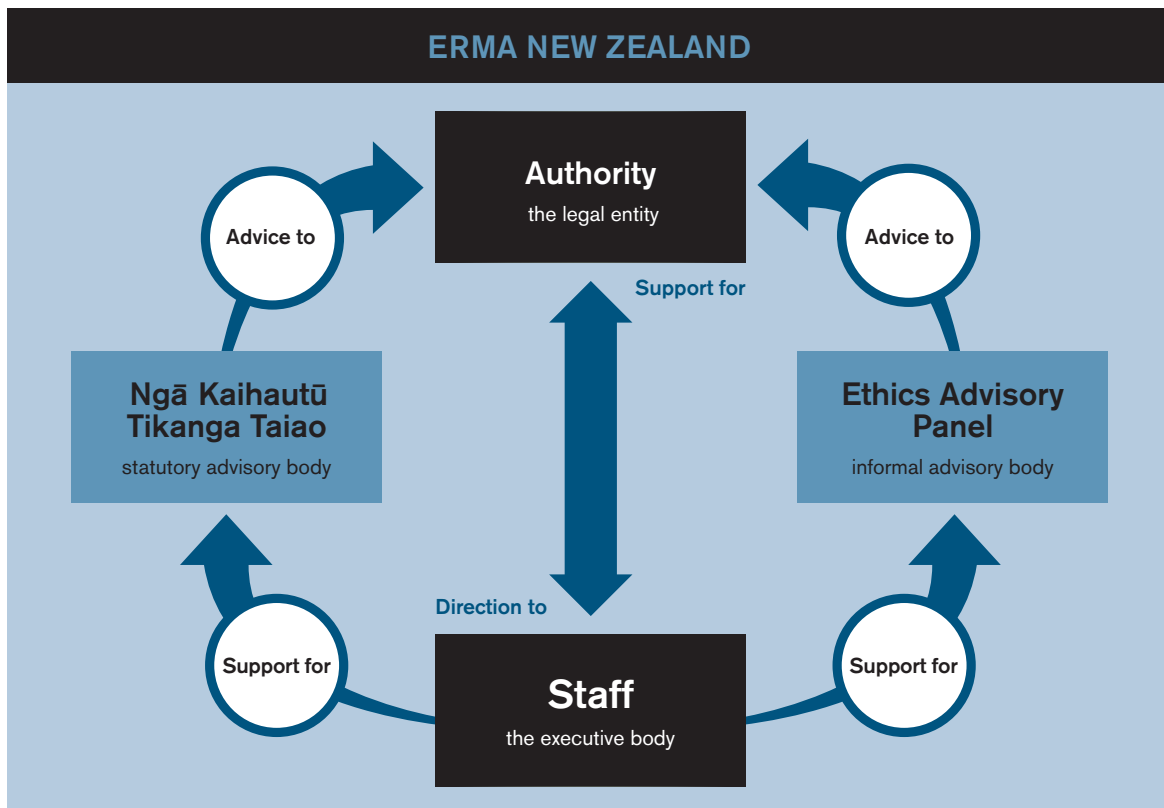
**Ngā Kaihautū Tikanga Taiao** has from four to eight members who are appointed by the Authority under

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** support the decision-making functions 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 FOR THE 2009/10 YEAR

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

- The legislative framework will not alter significantly.
- The volume and complexity of applications will not increase significantly. There will be no unforeseen increases in monitoring requirements and costs.
- No significant legal work / court cases have been allowed for.
- The proposed formation of an Environmental Protection Authority (EPA) by July 2010 will not significantly impact on ERMA New Zealand's work programme in 2009/10.

## 1.3 GOVERNANCE

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

- The Authority meets every two months to carry out governance functions and to deal with major issues. Out of session decisions are made if needed.
- Standing committees of the Authority 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 on average four times a year to oversee the operation of accountability processes (business planning, budgeting and reporting) and general financial and organisational risk management matters.
- Decision-making committees meet as required to consider individual applications.

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

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

- The Chief Executive is authorised to make decisions on a range of application categories. From time to time, the Authority also delegates specific decision-making powers to staff.
- Institutional Biological Safety Committees in both 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 approve the continued storage and handling of polychlorinated biphenyls (PCBs).
- 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

ERMA New Zealand's strategic direction derives directly from the HSNO Act, drawing on both the purpose of the Act and the 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 HSNO Act also sets out our primary functions and establishes the processes for carrying out those functions. ERMA New Zealand's main function is to consider applications for approval of hazardous substances and new organisms. In the hazardous substances area we also consider applications

under Part 6 of the Act including the approval of test certifiers and equipment, waivers, controlled substances licenses, and compliance plans for tanks and secondary containment. We manage the risks associated with approved hazardous substances and new organisms through assigning controls or conditions attached to the approvals.

The second broad function is that ERMA New Zealand may monitor and review the enforcement of the Act. The legislation also specifies additional functions that ERMA New Zealand may undertake, including carrying out inquiries into incidents involving hazardous substances and new organisms, and monitoring and reviewing 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 that 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 **Ministry of Agriculture and Forestry** for new organisms;
- the **Department of Labour** in any workplace;
- the **Ministry of Economic Development** (through Energy Safety) in, on, at or around any gas distribution system, gas installation or gas appliance;
- the **Ministry of Health** 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** 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 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 administers 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** to ensure 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 (the medicines themselves 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 and veterinary medicines under the Agricultural Compounds and Veterinary Medicines Act 1997, as well as regulating pesticide residues in food under the Food Act 1981;
- the **Ministry of Consumer Affairs** on imported articles that contain hazardous substances;
- **Food Standards Australia New Zealand** for food labelling and aspects of the assessment of any genetically modified organisms in food;
- **Standards New Zealand**, through the development of standards that support the effective management of hazardous substances and new organisms; and

- **territorial authorities** and **regional councils**, regarding resource consents and other enforcement actions under the Resource Management Act 1991 which may relate to hazardous substances and new organisms.

### **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 Act enables public participation in the applications process.

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 the Government has set priority areas 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 future by assisting New Zealanders to derive economic and other benefits from hazardous substances and new organisms, while minimising the associated risks.

The Government has set three priority areas as follows:

### 1. ENSURING VALUE FOR MONEY FOR NEW ZEALANDERS

*This means a more focused, efficient and productive state sector that delivers services differently and more cost-effectively.*

In order to meet this expectation ERMA New Zealand tracks its expenditure to ensure that the spending is tightly linked to its key priority areas.

We are continuing to seek ways to reduce costs by using improved IT systems and by streamlining our processes.

We will also maintain tight controls around spending to ensure that we are achieving maximum returns for dollars spent.

### 2. DEMONSTRATING PERFORMANCE

*The Government expects that there will be a performance measurement framework that is reviewed and updated regularly.*

This Statement of Intent has focused on providing clear measures against each output to demonstrate ERMA New Zealand's level of performance.

We will continue to refine the measures as required to ensure that they are meaningful and clearly demonstrate value for money of the resources assigned to the various outputs. This area is related to ERMA New Zealand's legislative requirement for ongoing measurement of the effectiveness of the HSNO Act (1996), and meeting statutory timeframes.

## 3. ENGAGEMENT WITH MINISTERS AND MONITORING DEPARTMENTS

*Crown entities and monitoring departments are expected to work together professionally and constructively, and share information in a timely manner. This will be particularly important about ensuring value for money.*

ERMA New Zealand will work with the Ministry for the Environment to ensure that we continue to be aligned to the Minister's and Government's key priority areas.

We will provide regular updates to the Ministry for the Environment on any potential issues that may be controversial or cause public comment so that the Minister is informed.

We will provide the Minister with a quarterly report which will report on the previous quarter's performance and outline any major strategic initiatives or any significant changes to the Statement of Intent and any implications these may have.

We will work with the Ministry for the Environment and other agencies to ensure smooth transition of ERMA New Zealand's functions to the proposed EPA.

### 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 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

ERMA New Zealand will seek 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. This outcome is consistent with the purpose of the HSNO Act.

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 costs 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 the purpose of the HSNO Act 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 stakeholders agencies to ensure the:
  - conditions on approvals are implemented appropriately and people comply with the conditions imposed; and
  - the HSNO Act is monitored for effectiveness.

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

We will assess this outcome using 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 effects occur when use has been consistent with controls or conditions.
- 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.
- 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:

- ensuring applications are processed quickly and efficiently and reported to the Minister on a quarterly basis;
- a Customer Satisfaction Survey will be undertaken to measure customers' satisfaction with ERMA New Zealand's information and services;
- audits of New Organisms and Hazardous Substances decisions will be undertaken to ensure they comply with the HSNO Act;

- Māori will be surveyed in the two yearly stakeholder survey (the next one is in 2010/11) regarding how effectively applicants have engaged with them;
- an annual report "Monitoring the Effectiveness of the HSNO Act" will be completed; and
- the Chief Executive-initiated reassessment of 20 priority substances will be completed by 30 June 2013.

**COMPLIANCE** – Adverse effects are managed or prevented when there are high levels of effective compliance with controls and conditions that are applied to approvals. It should be noted that ERMA New Zealand does not undertake enforcement activities; it reports on the work of the enforcement agencies.

We will assess this outcome using 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.
- Appropriate enforcement action is taken against those who do not comply with controls.

The success of the performance of the compliance regime will be measured by:

- analysis of the incidents database and reporting on the number and severity of those incidents that arise through non-compliance;
- requesting that annual enforcement plans are in place describing proposed enforcement activities for the following year and providing a report on the performance of the enforcement agencies; and
- ensuring that significant incidents are recorded and that significant enforcement matters are investigated and appropriate action taken under section 98A of the HSNO Act.

**MONITORING** – The regulatory regime is monitored to ascertain the effectiveness of preventing or managing adverse effects. Monitoring provides the information that enables us to set priorities to reassess approvals and identify the areas where additional or reduced compliance and enforcement action is needed.

We will assess this outcome using the following objectives:

- Data on use and adverse effects, including incidents, is maintained.
- Overall progress towards the longer-term outcomes is monitored and reported.

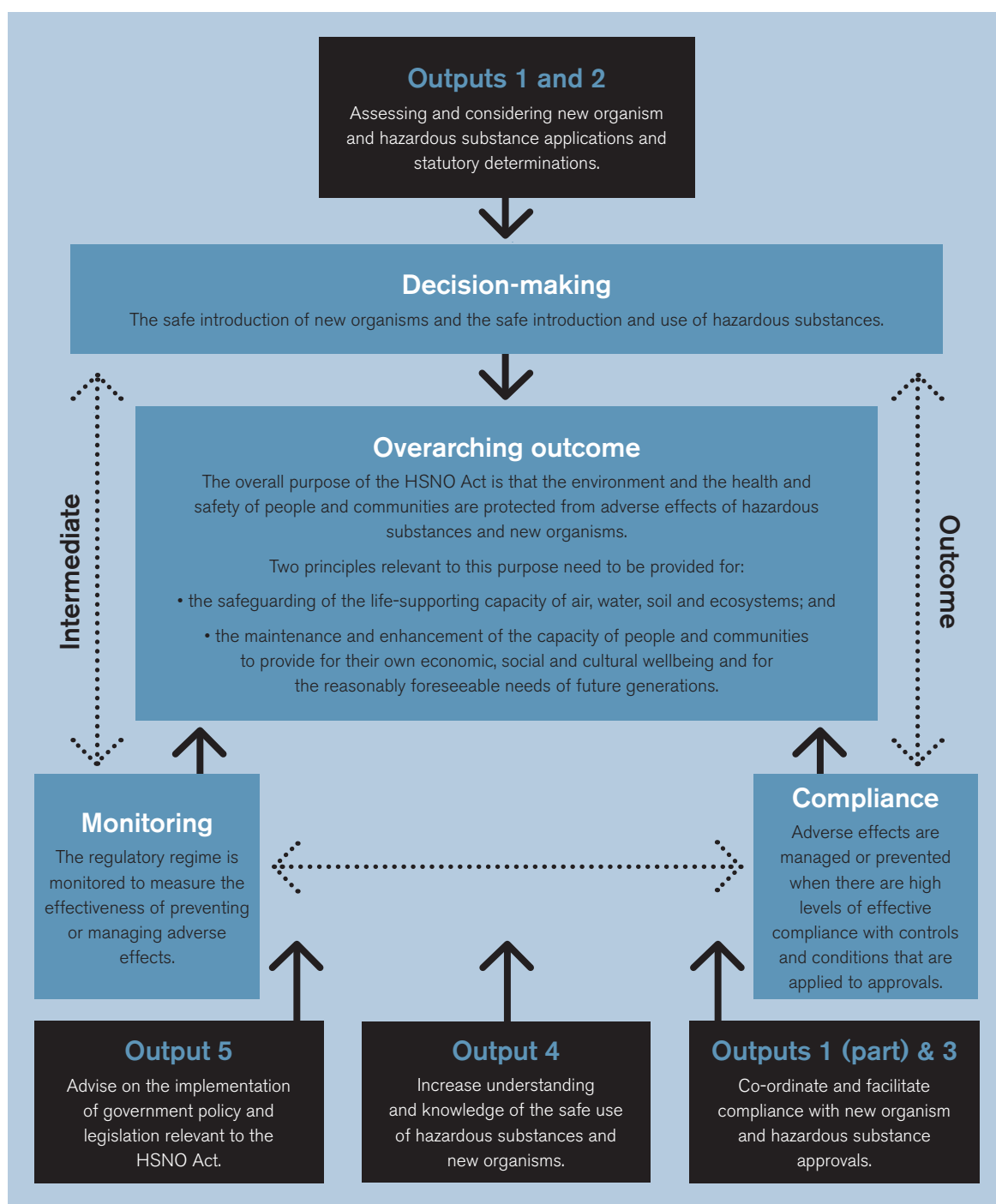
The success of the monitoring regime will be measured by:

- assessing the annual reports received from enforcement agencies on their HSNO Act activities to ensure they demonstrate effective systems for maintaining compliance with the HSNO Act; 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 ERMA New Zealand's activities on the intermediate outcomes is the quality of decisions, including controls and conditions; the level of compliance with them; and the reliability of our monitoring of the implementation of the HSNO Act regime. We will make 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. We have renamed Output 4 “Promoting Awareness”, as the main focus of this output relates to general awareness. The outputs relating to awareness of the applications process for New Organisms and Hazardous Substances are in Outputs 1 and 2 respectively, as awareness activities in these outputs relate to facilitating stakeholder participation in the application process.



# 3 EXTERNAL DELIVERY FOCUS FOR 2009/10

## 3.1 OUR OPERATIONAL FOCUS FOR 2009/10

In 2009/10 our focus will be on improving the practical implementation and operation of the HSNO Act. Our priorities are as follows:

### Hazardous substance compliance and enforcement

ERMA New Zealand will contribute to the compliance and enforcement regime by:

- monitoring and evaluating the impact and effectiveness of HSNO Act compliance and enforcement activities;
- identifying areas that need improved capacity and capability in enforcement; and
- working with enforcement agencies, test certifiers and industry to achieve their improvement.

### Hazardous substance reassessments

We will continue to maintain the current level of Chief Executive-initiated reassessments so that we meet our target of completing 20 reassessments over a five year period. The substances for reassessment will be based on the Chief Executive's priority list of chemicals but we will adjust priorities if necessary. For example, if new information becomes available on other substances there may be a change in priorities. This work will be carried out in parallel with the evaluation of environmental and human health exposure models and the assessment of their relevance to New Zealand situations. This work includes the development of policies and protocols for their use.

### Promoting Awareness

Part of ERMA New Zealand's role is to provide information about hazardous substances and new organisms. The areas of focus for 2009/10 will be:

- continuing 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 on hazardous substances to stakeholders, especially small to medium-sized businesses that are newly established;

- responding to people's questions and concerns about the regulation of new organisms including genetically modified organisms; and
- providing targeted information and resources to iwi/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.

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 also 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 needs to monitor the relevant activities and participate where appropriate.

## 3.2 STATEMENT OF FORECAST SERVICE DELIVERY PERFORMANCE FOR 2009/10

### OUTPUT CLASS: Hazardous substance and new organism assessment and management

A non-departmental output class appropriation exists in Vote: Environment for 2009/10 for the costs associated with the activities of ERMA New Zealand.

	2008/09 \$000	2009/10 \$000	Change \$000
Total output class appropriation	10,012	10,170	158

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 promoting 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.

<b>FORECAST STATEMENT OF OUTPUTS</b>				
	<b>Estimated Actual 2008/09 \$000</b>	<b>Forecast 2009/10 \$000</b>	<b>Forecast 2010/11 \$000</b>	<b>Forecast 2011/12 \$000</b>
<b>Total Income</b>	<b>10,769</b>	<b>10,962</b>	<b>10,881</b>	<b>10,870</b>
<b>OUTPUT EXPENDITURE</b>				
Output 1 New Organisms Decision-making and Compliance	2,802	2,770	2,790	2,792
Output 2 Hazardous Substance Decision-making	5,210	5,056	4,935	4,953
Output 3 Hazardous Substance Compliance	1,289	1,690	1,638	1,615
Output 4 Public Information and Awareness	676	591	603	597
Output 5 Government Policy, Legislation and International	958	911	915	913
<b>Total expenditure</b>	<b>10,935</b>	<b>11,018</b>	<b>10,881</b>	<b>10,870</b>
Surplus / (Deficit)	(166)	(56)	-	-

## 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 (GMOs). The output comprises:

- processing applications as quickly and cost effectively as possible, and providing non-statutory advice relating to whether organisms are in fact new to New Zealand;
- monitoring and oversight of Institutional Biological Safety Committee (IBSC) delegated decision-making and providing guidance and advice to delegated decision-makers;
- developing and maintaining policies and procedures relating to new organism decision-making and compliance, including the incorporation of ethical and Māori perspectives;
- monitoring and facilitating compliance, including conducting necessary inquiries into new organism incidents; and

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

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

This output contributes to the following intermediate outcomes:

**DECISION-MAKING** – If good decisions are made on HSNO Act applications (including appropriate controls) adverse effects will be managed or prevented, leading to the safe use of hazardous substances and new organisms. This will mean that there will be no pests or weeds introduced and that the substances used will be less hazardous.

**COMPLIANCE** – Adverse effects are managed or prevented when there are high levels of effective compliance with controls and conditions that are applied to approvals. It should be noted that ERMA New Zealand does not undertake enforcement activities; it reports on the work of the enforcement agencies.

OUTPUT 1.1	INITIATIVES	OUTPUT MEASURES
<p>Making decisions on applications for new organisms.</p>	<ul style="list-style-type: none"> <li>• Develop and maintain systems to monitor and measure both compliance with statutory time frames, and that decisions are made in accordance with the HSNO Act.</li> <li>• Provide clear information and guidance, in a variety of formats, to assist applicants and interested parties engage effectively in the application process.</li> <li>• Provide advice to applicants on how to engage effectively with Māori.</li> </ul>	<ul style="list-style-type: none"> <li>• All decisions are made within the statutory time frames (including time waivers) and are reported quarterly, to the Minister.</li> <li>• The number of time waivers or extensions used by the Agency for managing internal processes (e.g. finalising Agency reports or setting consideration dates) is reduced, with the goal of achieving zero waivers.</li> <li>• The risk assessment process is checked (every other year) by a suitably qualified person and reported with only minor recommendations for improvement. The next audit is due in the 2009/10 financial year and will be reported to the Authority by 30 June 2010.</li> <li>• At least 70% of customers surveyed in the two-yearly customer satisfaction survey are satisfied with the level of service provided by ERMA New Zealand.</li> <li>• At least 60% of Māori surveyed in the two-yearly stakeholder survey are satisfied with how applicants have engaged with them (to be undertaken in 2010/11).</li> </ul>
OUTPUT 1.2	INITIATIVES	OUTPUT MEASURES
<p>Decisions made under delegated authority, by Institutional Biological Safety Committees (IBSC) and the Chief Executive (CE), are as efficient and effective as possible, and are made in accordance with the HSNO Act.</p>	<ul style="list-style-type: none"> <li>• Develop and maintain systems to administer, monitor and measure compliance with the statutory requirements. Check at least 20% of IBSC decisions; audit the processes of at least one IBSC each year; audit the CE decision-making process once every three years (next audit due in 2011/12).</li> </ul>	<ul style="list-style-type: none"> <li>• A report demonstrating that CE decision-making is carried out within statutory time frames is completed quarterly and provided to the Minister.</li> <li>• The results of the audits are reported to the audited parties and the Authority, with actions taken or proposed to address any issues identified, to the satisfaction of the Authority, by 30 June 2010 for IBSC auditing and 30 June 2012 for CE decision-making.</li> </ul>



**TABLE 1: NUMBER OF NEW ORGANISM DECISIONS – PART 5**

Application type	Estimated Actual 2008/09	Forecast 2009/10	Forecast 2010/11	Forecast 2011/12
Non-GMO release and conditional release	1	1	1	1
Non-GMO containment	10	10	10	10
GMO development in containment	2	2	2	2
GMO imports into containment	3	2	2	2
GMO field tests and outdoor developments	3	1	2	1
GMO releases and conditional releases	1	0	0	0
Rapid assessments (GM and non-GM)	16	18	18	18
Emergencies	0	0	0	0
Minor or technical amendments	4	2	2	2
Reassessments	0	0	0	0
Statutory determinations	4	3	3	3
Transshipment of a new organism	0	0	0	0
<b>Total</b>	<b>44</b>	<b>39</b>	<b>40</b>	<b>39</b>
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	1	1	1

**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 decision shown for 2008/09 reflects the 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:

- processing applications as quickly and cost-effectively as possible, and providing non-statutory advice relating to the regulatory status of substances and the labelling of products containing hazardous substances;
- developing and maintaining policies and procedures relating to hazardous substance decision-making, including the incorporation of ethical and Māori perspectives;
- implementing specific programmes focused on guiding stakeholders through the applications process, raising awareness and improving applicants' understanding of the application processes; and

- reassessing hazardous substance approvals, including group standards and 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

This output contributes to the following intermediate outcome:

**DECISION-MAKING** – If good decisions are made on HSNO Act applications (including appropriate controls) adverse effects will be managed or prevented, leading to the safe use of hazardous substances and new organisms. This will mean that there will be no pests or weeds introduced and that the substances used will be less hazardous.

OUTPUT 2.1	INITIATIVES	OUTPUT MEASURES
<p>Making decisions on applications for hazardous substances.</p>	<ul style="list-style-type: none"> <li>• Develop and maintain systems to monitor and measure both compliance with statutory time frames, and that decisions are made in accordance with the Act.</li> <li>• Provide clear information and guidance, in a variety of formats, to help applicants and interested parties engage effectively in the application process.</li> <li>• Hold one wānanga relating to hazardous substances as a forum for knowledge sharing to occur, and for the gathering of valuable information on Māori perspectives that can be incorporated into the application/ decision-making process.</li> <li>• Provide advice to applicants on how to engage effectively with Māori.</li> </ul>	<ul style="list-style-type: none"> <li>• All decisions are made within the statutory time frames (including time frame waivers) and are reported quarterly, to the Minister.</li> <li>• The number of time waivers or extensions used by the Agency for managing internal processes (e.g. finalising Agency reports or setting consideration dates) is reduced to 60% of current levels by 30 June 2010.</li> <li>• The risk assessment process is checked (every other year) by a suitably qualified person and reported with only minor (unimportant) recommendations for improvement. Next audit is due in the 2009/10 financial year and will be reported to the Authority by 30 June 2010.</li> <li>• At least 70% of customers surveyed in the two-yearly customer satisfaction survey are satisfied with the level of service provided by ERMA New Zealand.</li> <li>• At least 60% of Māori surveyed in the two-yearly stakeholder survey are satisfied with how applicants have engaged with them (to be undertaken in 2010/11).</li> </ul>

OUTPUT 2.2	INITIATIVES	OUTPUT MEASURES
<p>Decisions, including those under delegated authorities, are made in accordance with the HSNO Act.</p>	<ul style="list-style-type: none"> <li>• Develop and maintain systems to administer, monitor and measure compliance with the statutory requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and implement a programme of audits of both delegated and non-delegated decisions for sign-off by the Authority by 30 September 2009.</li> <li>• The results of the audits are reported to the audited parties and to the Authority by 30 June 2010. Actions taken or proposed to address any issues identified are to the satisfaction of the Authority.</li> </ul>

OUTPUT 2.3	INITIATIVES	OUTPUT MEASURES
<p>The Chief Executive-Initiated Reassessment programme is efficiently and effectively progressed to achieve the purpose of the Act.</p>	<ul style="list-style-type: none"> <li>Twenty substances from the Chief Executive-Initiated Reassessment list are reassessed within a five-year timeframe, i.e. by 30 June 2013.</li> </ul>	<ul style="list-style-type: none"> <li>At least three new reassessment applications for hazardous substances are publicly notified for submissions by 30 June 2010 with at least two decisions notified by 30 June 2010.</li> </ul>

**TABLE 2: FORECAST NUMBER OF HAZARDOUS SUBSTANCE DECISIONS – PART 5**

Application type	Estimated Actual 2008/09	Forecast 2009/10	Forecast 2010/11	Forecast 2011/12
Import or manufacture for release	47	42	42	42
Import or manufacture in containment	32	33	33	33
Emergencies	0	1	1	1
Special emergencies	1	1	1	1
Minor or technical amendments	0	0	0	0
Rapid assessments	60	60	60	60
Reassessments	7	5	6	6
Statutory determinations	0	0	0	0
Transshipment of a hazardous substance	4	4	4	4
<b>Total</b>	<b>151</b>	<b>146</b>	<b>147</b>	<b>147</b>
Non-statutory advice – status of substances and product labelling	660	600	600	600

**TABLE 3: FORECAST NUMBER OF HAZARDOUS SUBSTANCE DECISIONS – PART 6**

Application type	Estimated Actual 2008/09	Forecast 2009/10	Forecast 2010/11	Forecast 2011/12
Test certifiers	43	109	31	62
Test certificate waivers	59	56	56	56
Permissions	6	6	6	6
Approvals	51	179	29	29
Licences and certificates	640	2,880	1,480	1,280
Waivers and variations	44	53	32	32
Codes of practice/practice guides	3	5	3	3
<b>Total</b>	<b>846</b>	<b>3,288</b>	<b>1,637</b>	<b>1,468</b>

## 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; and

- maintaining general oversight and reporting on the hazardous substance compliance and enforcement regime, and monitoring decision-making by test certifiers and other specified parties.

### Outcome contribution

This output contributes 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. It should be noted that ERMA New Zealand does not undertake enforcement activities; it reports on the work of the enforcement agencies.

OUTPUT 3.1	INITIATIVES	OUTPUT MEASURES
<p>Support stakeholders in the effective administration of the compliance and enforcement regime.</p>	<ul style="list-style-type: none"> <li>• Develop and maintain relationships with enforcement agencies to help them develop their capability to effectively enforce the compliance regime.</li> <li>• Keep and maintain a register of test certificates issued by test certifiers.</li>   <li>• Test certifiers are supported in the delivery of test certification services through regular updates and workshops.</li> <li>• Industry awareness of compliance with the controls is increased through the provision of user-friendly information, focused particularly on small to medium sized enterprises (SMEs).</li> <li>• Maintain an incidents database and ensure that incidents are recorded, as required under the HSNO Act.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide a joint report (with New Organisms) to the Minister by 30 November 2009 on enforcement agencies' performance against their 2008/09 intentions plan and comment on their plan for the 2009/10 year.</li> <li>• Finalise a training manual for enforcement officers by 30 September 2009 and participate in at least two training workshops by 30 June 2010.</li> <li>• Redevelopment of the register of test certificates is completed by 31 December 2009.</li> <li>• Provide at least ten electronic updates to test certifiers and hold at least one test certifier workshop by 30 June 2010.</li> <li>• Develop a plan for increasing awareness of HSNO Act requirements for SMEs by 30 September 2009 and implement as per the timeframes in the plan.</li> <li>• Data on incidents are reported quarterly to the Minister, the Authority, and published on the ERMA New Zealand website.</li> </ul>

## OUTPUT 4: PROMOTING AWARENESS

### Description

Our primary activities under this output are 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 safety rules, compliance regime and regulatory framework; and

- developing the awareness of iwi/Māori about HSNO Act matters and encouraging their participation in HSNO Act processes.

### Outcome contribution

This output contributes 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. It should be noted that ERMA New Zealand does not undertake enforcement activities; it reports on the work of the enforcement agencies.

OUTPUT 4.1	INITIATIVES	OUTPUT MEASURES
Educate people on the safe management and use of hazardous substances and new organisms.	<p>Deliver the 2009/2010 ERMA New Zealand communications strategy.</p> <ul style="list-style-type: none"> <li>• Ensure key safety messages are included in public information.</li> <li>• Maintain the currency of public information by publishing new standards and safety rules: <ul style="list-style-type: none"> <li>• on the website before or on the day they become applicable; and</li> <li>• in print, if required, within two months of becoming applicable.</li> </ul> </li> <li>• Maintain and improve the accessibility of public information: <ul style="list-style-type: none"> <li>• in print;</li> <li>• on the website;</li> <li>• by newsletter; and</li> <li>• in the news media.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• News and industry media analysis shows that at least 70% of ERMA New Zealand generated messages relating to the safe use of hazardous substances and new organisms are published.</li> <li>• More than 60% of website users surveyed classify finding information on the ERMA New Zealand website as very easy or quite easy.</li> </ul>

OUTPUT 4.2	INITIATIVES	OUTPUT MEASURES
The level of awareness and participation of iwi/Māori in the HSNO Act processes is increased.	<ul style="list-style-type: none"> <li>• Maintain good communication and a positive and mutually beneficial relationship with ERMA New Zealand's Māori National Network.</li> <li>• An annual hui of ERMA New Zealand's Māori National Network is held to educate Māori on HSNO Act processes.</li> <li>• Publish two issues of <i>Te Pūtara</i> and distribute to Māori National Network members and other iwi/ Māori contacts.</li> </ul>	<ul style="list-style-type: none"> <li>• At least 60% of Māori National Network members surveyed in the two-yearly stakeholder survey feel that being part of the Network has helped increase their awareness of and participation in HSNO Act processes (to be undertaken in 2010/11 financial year).</li> </ul>

## OUTPUT 5: GOVERNMENT POLICY, LEGISLATION AND INTERNATIONAL ACTIVITIES

### Description

Our primary activities under this output are advising on the implementation of Government policy and legislation relevant to the HSNO Act, (including monitoring and reviewing the effectiveness of the HSNO Act regime), working to ensure inconsistencies or conflicts between the HSNO Act and other legislation are minimised, and maintaining an overview of and participating in international developments in the management of hazardous substances and new organisms. The output comprises:

- providing input into ministerial correspondence and responses to parliamentary questions and briefing papers;
- participating in the development of Government policy, legislation and regulations;
- monitoring and reviewing the effectiveness of the HSNO Act; and
- participating and representing New Zealand's interests in the work of international bodies dealing with hazardous substances and new organisms.

### Output contribution

This output contributes to the following intermediate outcomes:

**DECISION-MAKING** – If good decisions are made on HSNO Act applications (including appropriate controls) adverse effects will be managed or prevented, leading to the safe use of hazardous substances and new organisms. This will mean that there will be no pests or weeds introduced and that the substances used will be less hazardous.

**COMPLIANCE** – Adverse effects are managed or prevented when there are high levels of effective compliance with controls and conditions that are applied to approvals. It should be noted that ERMA New Zealand does not undertake enforcement activities; it reports on the work of the enforcement agencies.

**MONITORING** – The regulatory regime is monitored to ascertain the effectiveness of preventing or managing adverse effects. Monitoring provides the information that enables us to set priorities to reassess approvals and identify the areas where additional or reduced compliance and enforcement action is needed.

OUTPUT 5.1	INITIATIVES	OUTPUT MEASURES
<p>Delivering high quality responses to ministerial correspondence, parliamentary questions and requests for information from parliamentary select committees within the agreed timeframes.</p>	<ul style="list-style-type: none"> <li>• A log of correspondence, questions and information requests is kept, which also notes those documents returned for reworking.</li> </ul>	<ul style="list-style-type: none"> <li>• Respond to all ministerial correspondence to the satisfaction of the Ministry for the Environment within 5 days (or as otherwise agreed).</li> <li>• Respond to all parliamentary questions within the specific timeframes requested to the satisfaction of the Ministry or department (where a contribution is sought).</li> <li>• Respond to all requests for information from parliamentary select committees to support inquiries and consideration of petitions within the timeframes specified.</li> </ul>

OUTPUT 5.2	INITIATIVES	OUTPUT MEASURES
<p>Provide input to the development of Government policies and legislation, including regulations.</p>	<ul style="list-style-type: none"> <li>• Assist the Ministry for the Environment and other government agencies in developing policies and legislation that assist in achieving the purpose of the HSNO Act, including the HSNO Act amendments in the Regulatory Improvement Bill and other interfacing legislation.</li> <li>• A log of correspondence, questions and information requests is kept.</li> </ul>	<ul style="list-style-type: none"> <li>• Respond to all requests for assistance within the agreed timeframes, to the satisfaction of the Authority.</li> </ul>

OUTPUT 5.3	INITIATIVES	OUTPUT MEASURES
<p>Monitor and report on the extent to which the Act reduces adverse effects on the environment or people from hazardous substances or new organisms.</p>	<ul style="list-style-type: none"> <li>• The annual report, <i>Monitoring the Effectiveness of the HSNO Act</i>, completed and forwarded to the Minister.</li> <li>• Work with the Ministry for the Environment to assist it in developing indicators of effectiveness of the HSNO Act.</li> </ul>	<ul style="list-style-type: none"> <li>• Report to the Minister by 30 April 2010, to the satisfaction of the Authority.</li> </ul>

OUTPUT 5.4	INITIATIVES	OUTPUT MEASURES
<p>Assist New Zealand to meet its international obligations by providing input and influence into international activities for the effective management of hazardous substances and new organisms.</p>	<ul style="list-style-type: none"> <li>• Support the Ministry of Foreign Affairs and Trade and the Ministry for the Environment in meeting New Zealand's international obligations.</li> <li>• Contribute to and represent New Zealand's interests at relevant international fora and conventions, including the Cartagena Protocol on Biosafety, the Stockholm Convention on Persistent Organic Pollutants, the Rotterdam Convention on Prior Informed Consent, OECD, SAICM, UNEP, TTMRA, APEC and others.</li> <li>• Maintain Biosafety Clearing House (Cartagena Protocol).</li> <li>• Contribute to the development of international standards (ISO 31000, ISO 31100) for risk management applicable to managing the adverse effects of hazardous substances and new organisms.</li> </ul>	<ul style="list-style-type: none"> <li>• New Zealand not found in breach of any of its international obligations under the Cartagena Protocol, or the Stockholm and Rotterdam Conventions, due to advice provided by ERMA New Zealand.</li> <li>• Report to the Authority on assistance provided by 30 June 2010, to the satisfaction of the Authority.</li> </ul>

### 3.3 ORGANISATIONAL RISK MANAGEMENT

ERMA New Zealand's 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 2009/10 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, iwi/Māori and/or stakeholder confidence in HSNO Act decision-making, or damage to 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 decision-making.

#### RISK 2: INABILITY TO DELIVER 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), leading to "failures" with:

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

##### Description of controls

The controls of this risk are:

- having appropriately-trained decision-makers;
- continued engagement with enforcement agencies;
- continued engagement with iwi/Māori;
- 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: INADEQUATE 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, iwi/Māori 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;
- up-skill and educate internal experts as required;
- develop strategies to avoid excessive staff turnover;
- develop a succession plan to maintain capability and provide cover for essential skills; and
- develop recruitment strategies to ensure sufficient expertise.

### **RISK 4: POOR MANAGEMENT OF THE 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: FAILURE TO INFLUENCE AND PERSUADE 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:

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

#### **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, iwi/Māori 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 2009/10 and beyond.

### GENERAL DECISION-MAKING AND COMPLIANCE

**FRAMEWORKS** – Developing and maintaining general risk management, decision-making and compliance infrastructures and frameworks.

### INCORPORATING MĀORI PERSPECTIVES IN

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

**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. Approving and undertaking an annual internal audit work programme.

**EFFICIENCY, COSTS AND PRICING** – Maintaining the data 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.
- Report on organisation-wide compliance with key legislation on a six-monthly basis.
- Set organisation performance benchmarks and monitor performance against them.

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

- Implement the Human Resources Strategy.
- Strengthen the organisational capacity and capability.
- Provide increased development and support for third tier managers.

**INFORMATION MANAGEMENT** – Ensure that we meet the requirements of the Public Records Act and the Official Information Act.

- Provide appropriate responses to all Official Information Act 1982 requests within statutory timeframes.
- Use the electronic document and records management system and permanent records to:
  - ensure that information is in an easily searchable system; and
  - retain and archive important documents.

**INFORMATION TECHNOLOGY** – Supporting strategic and operational activities with a focus on aligning technology and business and automating core business processes.

- 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 continue to implement our obligations to be a “good employer”. This will ensure our people management practices will continue to evolve to meet the changing needs of the organisation.

- 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.

FORECAST FINANCIAL AND NON-FINANCIAL PERFORMANCE MEASURES				
	UNIT	Forecast 2009/10	Forecast 2010/11	Forecast 2011/12
<b>Working Capital</b>				
Net current assets	\$000	853	728	648
Current ratio	%	167	161	154
<b>Resource Utilisation</b>				
Fixes assets as % of total assets	%	40	44	46
Additions as % of fixed assets	%	20	39	33
Fixed assets per FTE	\$000	16	17	18
Accommodation cost per FTE	\$000	8	8	8
<b>Human Resources</b>				
Total FTEs	No.	90	90	90
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. 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 forecast financial statements may not be appropriate for purposes other than those described.

These forecast financial statements have been prepared in accordance with the Crown Entities Act 2004. These forecast financial statements of ERMA New Zealand are for the year 1 July 2009 to 30 June 2010, with forecast results for the next two years, 2010/11 and 2011/12. These financial statements were authorised for issue by the Authority on 7 May 2009.

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

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 has been increased by \$158,000 from 2009/10 onwards.

CROWN REVENUE					
	2007/08	2008/09	2009/10	2010/11	2011/12
\$000	9,012	10,012	10,170	10,170	10,170

#### REVENUE FROM FEES

The revenue from fees in 2009/10 is based on our assumptions about the activities of our stakeholders using historical data on the number of applications made under Part 5 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 for 2007/08 and 2008/09.

**CAPITAL EXPENDITURE**

The remaining work planned for the office improvement project that started in April 2008 has been cancelled. In not going ahead with the project, the Authority decided to return \$250,000 to the Crown as a repayment of capital. However, other essential improvement work in the office premises will continue.

As a result, our working capital will be just above the range (1.25:1 to 1.40:1) we identified as appropriate for an organisation of our type and size. The working capital ratio is forecast to be 1.7:1 at the end of 2009/10.

The position primarily reflects the cancellation of the remaining work planned for the office improvement project and the repayment of capital to the Crown.

**GOING CONCERN**

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

**Statement of accounting policies for the year ended 30 June 2010****BASIS OF PREPARATION****Statement of Compliance**

These forecast 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**

These forecast financial statements are prepared using NZ IFRS.

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

**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**

There are no standards, amendments and interpretations that are not yet effective or have not been adopted earlier by ERMA New Zealand.

**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.

**Leases***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 comprehensive income 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 comprehensive income. 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.

## Property, plant and equipment

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

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

### *Additions*

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to 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 comprehensive income.

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 comprehensive income 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, employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

#### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive income. 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 comprehensive income.

### **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*

Long service leave entitlements that are payable beyond 12 months have been calculated on an actuarial basis.

The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

### **Superannuation schemes**

#### *Defined contribution schemes*

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

### **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 expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures 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.

### **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, as detailed below.
- Cost drivers are used to allocate costs directly to outputs, whether personnel or other costs.
- All other costs are allocated to outputs on a proportional basis, using direct personnel time as the cost driver, based on actual data collected through the time recording system for the year.

### Critical accounting estimates and assumptions

In preparing these financial statements 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 lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires 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 2009.

#### Lease classification

Determining whether a lease agreement is 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 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 comprehensive income.

**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 2008.

**Charging policy**

Charges will be applied for most types of applications to ERMA New Zealand for decision-making under Parts 5 and 6 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 2009/10.

#### 4.4 FORECAST FINANCIAL STATEMENTS

FORECAST STATEMENT OF COMPREHENSIVE INCOME				
	Estimated Actual 2008/09 \$000	Forecast 2009/10 \$000	Forecast 2010/11 \$000	Forecast 2011/12 \$000
<b>INCOME</b>				
Revenue Crown	10,012	10,170	10,170	10,170
Interest income	150	61	61	61
Other revenue	607	731	650	639
<b>Total Income</b>	<b>10,769</b>	<b>10,962</b>	<b>10,881</b>	<b>10,870</b>
<b>EXPENDITURE</b>				
Personnel costs	7,167	7,185	7,226	7,313
Capital charge	169	152	148	148
Depreciation and amortisation	394	483	458	447
Other expenses	3,205	3,198	3,049	2,962
<b>Total operating expenditure</b>	<b>10,935</b>	<b>11,018</b>	<b>10,881</b>	<b>10,870</b>
Surplus / deficit	(166)	(56)	-	-
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for year</b>	<b>(166)</b>	<b>(56)</b>	<b>-</b>	<b>-</b>

FORECAST STATEMENT OF CHANGES IN EQUITY				
	Estimated Actual 2008/09 \$000	Forecast 2009/10 \$000	Forecast 2010/11 \$000	Forecast 2011/12 \$000
Balance at 1 July	2,524	2,108	2,052	2,052
Net surplus / (deficit)	(166)	(56)	-	-
Repayment of capital	(250)	-	-	-
<b>Balance at 30 June</b>	<b>2,108</b>	<b>2,052</b>	<b>2,052</b>	<b>2,052</b>

<b>FORECAST STATEMENT OF FINANCIAL POSITION</b>				
	<b>Estimated Actual 2008/09 \$000</b>	<b>Forecast 2009/10 \$000</b>	<b>Forecast 2010/11 \$000</b>	<b>Forecast 2011/12 \$000</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,752	1,845	1,591	1,569
Debtors and other receivables	92	32	56	32
Prepayments	48	45	65	45
Investments	300	200	200	200
<b>Total current assets</b>	<b>2,192</b>	<b>2,122</b>	<b>1,912</b>	<b>1,846</b>
<b>Non-current assets</b>				
Property, plant and equipment	523	444	405	366
Intangible assets	938	951	1,119	1,238
<b>Total non-current assets</b>	<b>1,461</b>	<b>1,395</b>	<b>1,524</b>	<b>1,604</b>
<b>Total assets</b>	<b>3,653</b>	<b>3,517</b>	<b>3,436</b>	<b>3,450</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Creditors and other payables	709	711	695	691
Employee entitlements	644	558	489	507
<b>Total current liabilities</b>	<b>1,353</b>	<b>1,269</b>	<b>1,184</b>	<b>1,198</b>
<b>Non-current liabilities</b>				
Provisions	31	35	39	39
Employee entitlements	161	161	161	161
<b>Total non-current liabilities</b>	<b>192</b>	<b>196</b>	<b>200</b>	<b>200</b>
<b>Total liabilities</b>	<b>1,545</b>	<b>1,465</b>	<b>1,384</b>	<b>1,398</b>
<b>Net assets</b>	<b>2,108</b>	<b>2,052</b>	<b>2,052</b>	<b>2,052</b>
<b>EQUITY</b>				
General funds	2,108	2,052	2,052	2,052
<b>Total equity</b>	<b>2,108</b>	<b>2,052</b>	<b>2,052</b>	<b>2,052</b>

<b>FORECAST STATEMENT OF CASH FLOWS</b>				
	<b>Estimated Actual 2008/09 \$000</b>	<b>Forecast 2009/10 \$000</b>	<b>Forecast 2010/11 \$000</b>	<b>Forecast 2011/12 \$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Crown	10,012	10,170	10,170	10,170
Interest received	150	67	67	67
Receipts from other revenue	478	774	606	653
Payments to suppliers	(3,459)	(3,169)	(3,066)	(2,948)
Payments to employees	(6,972)	(7,267)	(7,291)	(7,295)
Payments for capital charge	(169)	(158)	(154)	(154)
Goods and Service Tax (net)	97	(7)	1	12
<b>Net cash flows from operating activities</b>	<b>137</b>	<b>410</b>	<b>333</b>	<b>505</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts from sale of investments	370	300	200	200
Purchase of property, plant and equipment	(314)	(137)	(177)	(177)
Purchase of intangible assets	(462)	(280)	(410)	(350)
Acquisition of investments	(300)	(200)	(200)	(200)
<b>Net cash flows from investing activities</b>	<b>(706)</b>	<b>(317)</b>	<b>(587)</b>	<b>(527)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of capital	(250)	-	-	-
<b>Net cash flows from financing activities</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>	<b>(819)</b>	<b>93</b>	<b>(254)</b>	<b>(22)</b>
Cash and cash equivalents at the beginning of the year	2,571	1,752	1,845	1,591
<b>Cash and cash equivalents at the end of the year</b>	<b>1,752</b>	<b>1,845</b>	<b>1,591</b>	<b>1,569</b>

<b>FORECAST STATEMENT OF CAPITAL EXPENDITURE</b>				
	<b>Estimated Actual 2008/09 \$000</b>	<b>Forecast 2009/10 \$000</b>	<b>Forecast 2010/11 \$000</b>	<b>Forecast 2011/12 \$000</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Computer hardware	167	117	147	147
Furniture and fittings	56	5	10	10
Leasehold improvements	7	5	10	10
Office equipment – owned	10	10	10	10
<b>INTANGIBLE ASSETS</b>				
Computer software	375	140	410	350
<b>Total</b>	<b>615</b>	<b>277</b>	<b>587</b>	<b>527</b>

# 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 2009/10 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. ERMA New Zealand will continue to ensure that Māori perspectives are incorporated into the decision-making.

For new organism containment approvals, the increasing use of project-based and broad applications will continue to streamline the process and by working with MAF on their compliance and enforcement activities we will ensure a high degree of assurance that controls or conditions placed on approvals are being adhered to.

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 2009/10 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, co-ordination and implementation 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 2009/10. 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.
- Seven decisions on grounds for reassessment of a substance and none for new organisms were made in 2008/09. They were:
  - RES08002: Methyl bromide
  - RES08003: Dichlorvos
  - RES08004: Trichlorfon
  - RES08005: Methyl arsinic acid
  - RES08007: Subtilex – a substance containing Bacillus Subtilis
  - RES08008: Chlorpropham
  - RES08009: Certain explosives

# 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 5 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 5 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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