



ENVIRONMENTAL RISK MANAGEMENT AUTHORITY

# Statement of Intent

FOR THE YEAR 2010/11



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FOR THE YEAR 2010/11

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Prepared in accordance with section 139 of the Crown Entities Act 2004  
and section 147 of the Hazardous Substances and New Organisms Act 1996

ISSN 1177-8334 (Print)  
ISSN 1177-8342 (Online)



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# Chair's Foreword

A prime focus for ERMA New Zealand during 2010/2011 will be making a positive contribution to the formation of the new Environmental Protection Authority (EPA). The Government's intention is that the EPA will come into operation on 1 July 2011 and will incorporate ERMA's functions under the Hazardous Substances and New Organisms (HSNO) Act (the Act).

As it is the intention that ERMA New Zealand will be disestablished and form part of the new EPA, the Minister for the Environment, the Hon Dr Nick Smith, has granted approval as per section 141 (4) of the Crown Entities Act for ERMA New Zealand to prepare a Statement of Intent for a period of one year to 30 June 2011.

We will contribute constructively to this process, working with the Ministry for the Environment (MfE) and other agencies as appropriate. We aim to provide to the EPA the best possible legacy in terms of people, relationships, assets, finances, work programmes and processes. At the same time we will do our best to minimise disruption to our staff and to our ongoing work.

In addition to that major task, we will continue to work closely with the MfE on other legislative and regulatory improvements. Depending on progress by 30 June 2010, this may include work on the Regulatory Improvement Bill currently before Parliament, and on the revised draft Methodology.

The lack of compliance with the hazardous substances regime remains of concern. We will continue to work with the Department of Labour and other agencies to address weaknesses in this area.

We will continue to make strong progress with the Chief Executive's priority list of chemicals for reassessment. An increase in the number of other hazardous substances applications is expected; we will process them within statutory timeframes.

A steady flow of applications for new organisms, including applications for genetically-modified organisms in containment, and biological control agents for release, are expected. We still have no indication that any applications for new plant species of economic importance are expected.

Our Māori Advisory Committee, Ngā Kaihautū Tikanga Taiao, will continue to make its strong contribution, in conformity with the Act. This includes ongoing interaction with our national Māori Network.

The Ethics Advisory Committee will continue to assist us, with a focus on embedding the Ethics Framework in our ongoing work.

In the lead-up to the formation of the EPA, this year will be unusually challenging for the Authority, the Chief Executive and the staff. I am confident that they will all rise to this challenge and deliver a positive contribution to the EPA, while maintaining the high standard they all show in their everyday work.



**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 the Environmental Risk Management Authority (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 2010/11. We note the Minister for the Environment's intention that from 1 July 2011 ERMA New Zealand's functions will be carried out by the new EPA.



**Richard Woods**

Chair  
Environmental Risk Management Authority  
Date 7 May 2010



**Max Suckling**

Deputy Chair  
Environmental Risk Management Authority  
Date 7 May 2010

# Our Purpose

Our 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 as set out under the Hazardous Substances and New Organisms Act 1996 (HSNO Act).

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, communities and environmental groups.

We want to ensure that we do not approve the introduction of any pests or weeds into New Zealand and do this by undertaking comprehensive risk assessments. We also want to reduce the level of risk from hazardous substances by making sure that they are handled safely and that any new substance we approve has been comprehensively assessed.

## **OUR VISION**

Safeguarding New Zealand's future by managing the risks of hazardous substances and new organisms.

# Overview

## **ROLE OF ERMA NEW ZEALAND AND THIS STATEMENT OF INTENT**

This Statement of Intent will guide ERMA New Zealand's work over the twelve months to 30 June 2011. ERMA New Zealand's role as required under the HSNO Act, is to make decisions that help protect people and the environment; we also monitor and review compliance. The key to measuring our performance is how well we carry out those tasks: is the health and safety of people and the environment protected by our activities? An additional focus during this year will be to work constructively internally and with other agencies to deliver the best possible legacy to the proposed EPA.

ERMA New Zealand plays a key role in protecting the health and safety of New Zealanders and of their environment now and in the future. ERMA New Zealand does this by deciding on approvals to import, manufacture or field test a wide range of organisms or substances. Controls are put in place to manage the potential negative impact on New Zealand's environment and economy.

ERMA New Zealand forms part of a network of agencies that make up the hazardous substance and new organisms regulation and compliance regime. The regime has been set up to ensure that people know how to keep themselves safe. In particular, we work closely with the Ministry of Agriculture and Forestry, the Department of Labour and the Ministry of Health, which are major compliance and enforcement agencies. ERMA New Zealand will continue to work with the other agencies to ensure that end users understand what they need to do to comply with the controls.

We work with Foods Standards Australia and New Zealand in relation to correct food labelling and aspects of the assessment of genetically modified organisms in food. We also work with the New Zealand Food Safety Authority which regulates and registers agricultural compounds and veterinary medicines and pesticide residues in food. 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 to improve and simplify it.

The HSNO Act complements other legislation, including the Biosecurity Act, regarding the unintended introduction of new organisms that could damage the environment. It also interfaces with the Agricultural Compounds and Veterinary Medicines Act regarding the regulation and registration of agricultural compounds that are hazardous.

# 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 (the Māori Advisory Committee); and staff. Relationships among these elements are presented in the diagram below.

The **Authority** has 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** (Ngā Kaihautū) has four to eight members who are appointed by the Authority under Part 4A of the HSNO Act.

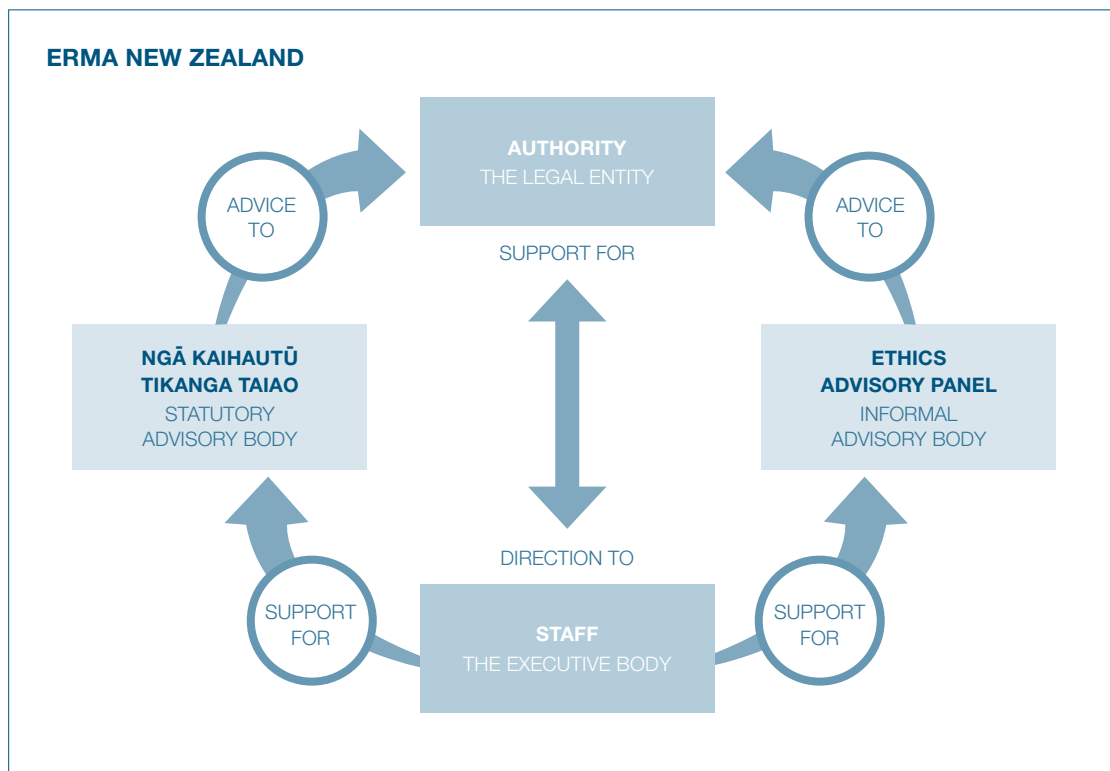
They are responsible for advising the Authority on Māori interests and concerns.

Ngā Kaihautū's focus is to help the Authority 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 which 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 2010/11

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

- Any significant changes to the legislative framework will not come into effect during the year.
- The proposed formation of an EPA by 1 July 2011 will have an impact on ERMA New Zealand's work programme in 2010/11.
- The volume and complexity of applications will not change significantly.
- There will be no unforeseen increases in monitoring requirements and costs.
- There will be no significant/court cases or legal costs.

## 1.3

### GOVERNANCE

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

- The Authority meets at least every two months to carry out governance functions and to deal with major issues. Out of session decisions are made if needed.
- The Authority has delegated a range of powers to the Standing Committees.
- Standing Committees of the Authority meet every second month 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 staff members 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 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 (IBSCs) 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

#### 1.4.1

#### Hazardous Substances and New Organisms Act 1996 (HSNO Act)

ERMA New Zealand's strategic direction derives from the HSNO Act. It draws on both the purpose of the Act and those provisions that provide direction and guidance in meeting the 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 other applications such as the approval of test certifiers and equipment, issue controlled substances licenses, and approve compliance plans.

The Act operates on the basis of managing risks of hazardous substances and new organisms.

We manage the risks associated with approved hazardous substances and new organisms through assigning controls or conditions attached to the approvals. In some cases where the risk cannot be managed appropriately we either decline an application (for a new substance or organism) or remove the approval through the reassessment process (for an existing substance).

The second broad function is that ERMA New Zealand monitors and reviews the enforcement of the Act. The legislation also specifies additional functions including conducting inquiries into incidents involving hazardous substances and new organisms, and monitoring and reviewing the extent to which the HSNO Act reduces adverse effects on people and the environment. We also monitor the impact of the interventions, through analysing the number and severity of incidents.

ERMA New Zealand's work programme includes a component that seeks to ensure that people understand what they need to do to keep themselves safe.

For details of the planned work programme refer to section 3.0 of this Statement of Intent.

#### **1.4.2 Requirements under the Crown Entities Act**

**CONSULTATION AND REPORTING TO THE MINISTER**  
ERMA New Zealand is an autonomous Crown entity for the purposes of section 7 of the Crown Entities Act 2004, governed by a Board (The Authority) of no fewer than six members appointed by the Minister for the Environment.

The Minister may decide any application made under the HSNO Act if the Minister considers that the decision on the application will have:

- a) significant cultural, economic, environmental, ethical, health, international, or spiritual effects; or
- b) significant effects in an area in which the Authority lacks sufficient knowledge or experience.

The Minister may not direct the Authority in relation to the exercise of any power, duty, or function relating to group standards, or to the assessment of applications relating to hazardous substances, or new organisms.

ERMA New Zealand does not intend to consult the Minister for the Environment on any matters before making a decision.

Consultation is undertaken with our other stakeholders through both formal and informal mechanisms including application notifications, hui, workshops, and meetings.

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.

#### **MANAGING ORGANISATIONAL HEALTH AND CAPABILITY**

We will build our capability so that we continue to meet our obligations as set out in the HSNO Act. To do this we will continue to implement processes and technologies that increase our cost effectiveness.

Our good employer and personnel policies are formally recorded and include a commitment to equal employment opportunities.

The measures outlined in this section will be reported to the Authority or in the Annual Report.

#### *Internal Capability*

It is important that ERMA New Zealand continues to develop high levels of internal capability so that we can deliver on our priorities as effectively and efficiently as possible.

In order to do this we will develop and maintain policies that ensure that recruitment, training and remuneration focus on attracting and retaining skilled, flexible, efficient and knowledgeable staff.

We will continue to provide our staff with opportunities such as secondments to other areas of ERMA New Zealand or to other organisations to develop their skills. We will continue to manage succession planning to maintain capability and provide cover for essential skills, for example our management coaching programme. We have developed recruitment strategies including off-shore recruitment, to ensure we have sufficient expertise in the required areas.

Measures:

- the type and number of development awards given;
- individual training needs assessed annually and programmes developed;
- staff development plans in place and monitored regularly;
- external salary comparisons conducted regularly and adjustments made as required;
- leadership training initiatives are put in place;
- recruitment activity, trend and time to fill vacancies are monitored and reported; and
- responses to exit and entry surveys are monitored and any recommendations for improvement are implemented.

Our office environment is safe and our office equipment is well maintained.

Measures:

- modest maintenance programme carried out;
- zero tolerance of harassment, bullying and discrimination; and
- each new employee has an ergonomically suitable workspace.

#### *Good employer obligations*

ERMA New Zealand recognises that to effectively deliver services we require a productive and diverse workforce. ERMA New Zealand is committed to providing equal opportunity to all employees with respect to compensation, promotions, transfers, and all other terms and conditions of employment.

ERMA New Zealand will seek to provide opportunities that will enable employees to advance on merit as far as their talents and skills will take them. Our focus on equal employment opportunities is guided by the Human Rights Commission "*Crown Entities 'The good employer'"* report. We collect data on ethnicity and gender information for staff and analyse this in our annual human resources plan.

Measures:

- EEO principles are included in all relevant documents and practices; and
- ERMA New Zealand results as reported in the Human Rights Commission report.

#### *Information technology*

ERMA New Zealand has invested in information technology over the past three years to provide a stable platform and infrastructure, as well as implementing new systems to improve its efficiency. The programme has been planned to ensure that we are able to leverage from one system to the other. We are now in the process of investigating additional features such as online payment and applications to see if they will provide further efficiencies and thus additional cost savings. We are working with a provider to identify the requirements to upgrade our current web site and anticipate having it operational by the end of 2010.

#### *Data integrity and efficiency*

We will maintain the data needed to support the internal monitoring of our processes and external reporting of our performance including maintaining the currency and integrity of applications-related data, including delegated decisions, in order to hold accurate statutory registers. We will also continue monitoring "the efficiency of decision-making throughout the year, by analysing time and cost data.

#### *Information management*

We need to ensure that we meet the requirements of the Public Records Act 2005 and the Official Information Act 1982 by providing appropriate responses to all requests within statutory timeframes.

We will continue to use the electronic document and records management system and paper records to ensure that information is in an easily searchable system and that we retain and archive important documents.

#### *Capital asset management*

ERMA New Zealand will continue to manage its capital programme within its current funding. The programme is primarily made up of ongoing replacement of existing equipment or additional equipment to meet organisational growth or changing technology.

### **1.5 KEY PARTNERSHIPS**

We work with many other agencies and industry groups that have an interest in the HSNO Act. ERMA New Zealand's role is to approve or decline the importation or manufacture of new hazardous substances and the importation of new organisms and/or to reassess those already here. As part of this, controls are applied which outline how the substance or organism should be handled. Once the controls are in place we work with the enforcement agencies to ensure that users are complying with the requirements set out in the approval. We recognise we are a member of a team of HSNO Act agencies and 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.

We will also work closely with the Ministry to assist with the ongoing work to improve the HSNO Act and its Regulations, including the Methodology Order, and keep the Ministry advised of any regulatory improvements that ERMA New Zealand considers may merit progressing longer term.

#### **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** 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 activities with other agencies, including:

- 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 **Department of Labour**, which administers the Health and Safety in Employment Act 1992;
- 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 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;
- the **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.

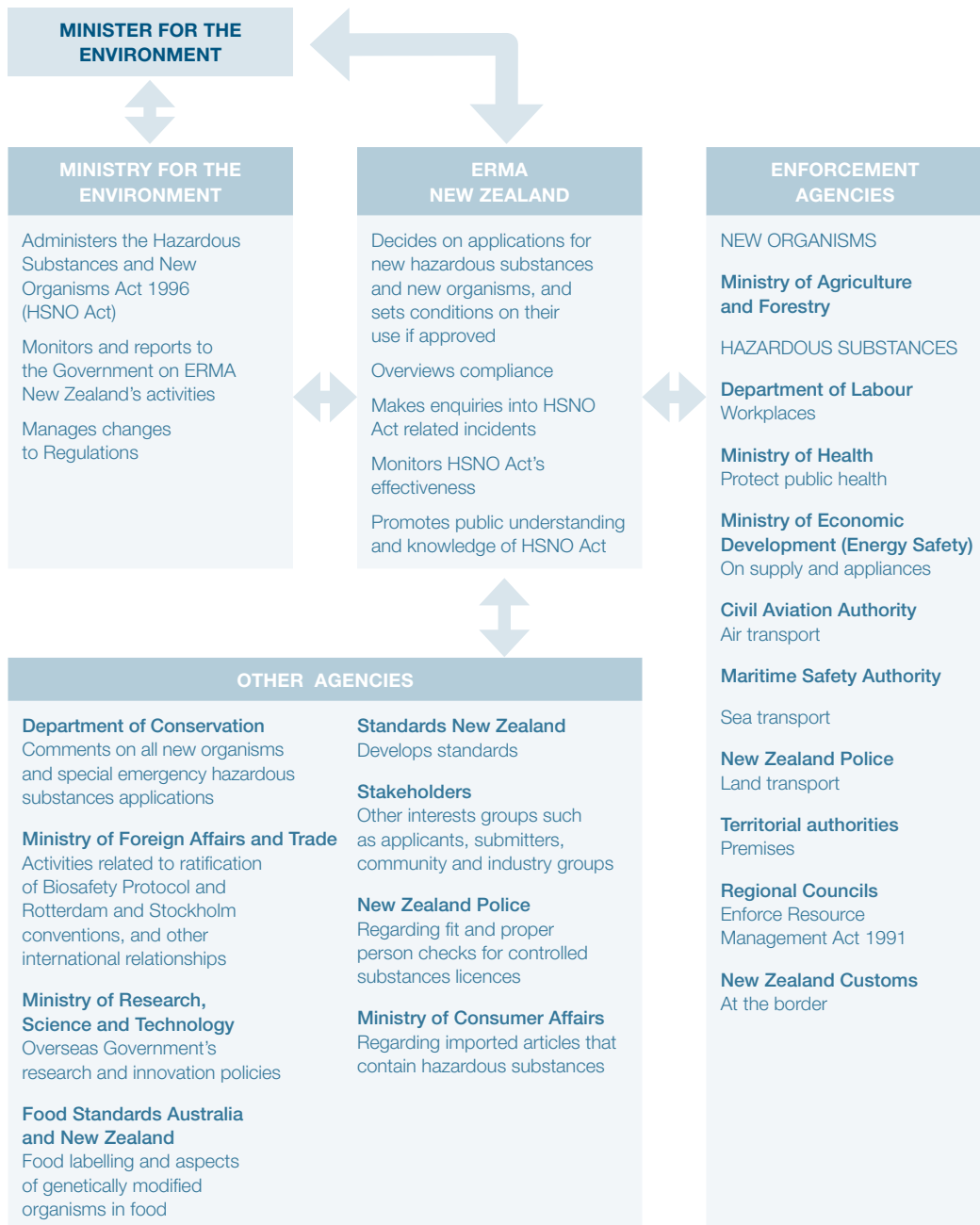
#### WIDER STAKEHOLDER RELATIONSHIPS

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 application process.

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

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

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



# 2 Strategic Direction

## 2.1

### ALIGNMENT WITH GOVERNMENT PRIORITIES

The driving goal of the Government is to grow the New Zealand economy in order to deliver greater prosperity, security and opportunities for New Zealanders.

The Minister has set the following priority areas for ERMA New Zealand:

- financial sustainability including tight, realistic budgets and managing within them;
- a demonstrated understanding of the business, the cost drivers and how they will be managed including fees and charges and pay and employment conditions;
- continue to review how ERMA New Zealand's services can be delivered more cost effectively, including looking at opportunities to use technology or shared services agreements to lower costs and improve services, and implementing changes; and
- work closely with the Ministry for the Environment to help manage the broader set-up of the Environmental Protection Authority (EPA).

We intend to meet these requirements through the following:

- ensuring our expenditure is tightly linked to the key priority areas and to ensure that we are achieving maximum returns for dollars spent;
- continuing to identify a number of indicators to help us measure whether we are moving towards our intended results. We are setting new baseline figures and will analyse trends. In some instances we have only recently been able to gather meaningful information, so it will take a number of years for trends to emerge. It should also be noted that ERMA New Zealand is a regulator and relies on enforcement agencies to monitor compliance with the Act;
- reviewing our fees and charges against the pricing principles that have been set by Cabinet;

- ensuring that our remuneration system is clearly aligned to staff performance and takes into account the current economic climate;
- continuing to seek ways to reduce costs by using improved IT systems and by streamlining our processes;
- reporting performance improvement actions to the Minister on a quarterly basis; and
- working constructively with the Ministry for the Environment and other agencies to ensure smooth transition of ERMA New Zealand's functions to the proposed EPA.

### Engagement with the monitoring Department

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

ERMA New Zealand will work with the Ministry for the Environment to ensure that we continue to align with 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 well-informed.

## 2.2

### OUTCOMES AND OBJECTIVES

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

#### Overarching outcome

New Zealanders and their environment are protected from the adverse effects of hazardous substances and new organisms.

#### Intermediate outcomes

- There is an increase in the number of useful (beneficial) organisms and substances.

- No new pests, weeds or diseases are approved by ERMA New Zealand.
- Risks from hazardous substances and new organisms are prevented or managed.
- Fewer deaths or chronic/catastrophic environmental damage.
- The number of significant incidents arising from non compliance with controls reduce.
- The impact on valued flora, fauna and Taonga is considered.
- The principles of the Treaty of Waitangi are taken into account.
- International obligations and innovative approaches relevant to our responsibilities are monitored and wherever possible introduced into New Zealand.
- The policies and processes of the HSNO Act and regulations are continuously improved.

### **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 strategic framework diagram for ERMA New Zealand shows the linkages between the outputs, impacts and outcomes.

# ERMA New Zealand's Strategic Framework

Vision

Values



# Safeguarding New Zealand's future by managing the risks of hazardous substances and new organisms.

EXCELLENCE

RESPONSIVENESS

MANA

ACHIEVEMENT



# 3 What we will deliver in 2010/11

## 3.1

### OUR OPERATIONAL FOCUS FOR 2010/11

In 2010/11 our focus will be on improving the practical implementation and operation of the HSNO Act and on preparing for the EPA. The following priorities have been derived from the Government's priorities, our statutory obligations and to ensure the health and safety of people and the environment. They are designed to concentrate on "what matters" namely:

#### 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. We also have a protocol for incorporating Māori perspectives in making decisions on the approval of new organisms and hazardous substances.

#### Assessment of and making decisions on 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 2010/11 we are expecting a similar number of new organism applications as in 2009/10 with only a small number of applications, if any, for the field testing or outdoor development of genetically modified organisms (GMO). An 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.

We will continue to maintain the current level of Chief Executive-initiated hazardous substance 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 the list if necessary.

#### Co-ordinating and facilitating compliance when dealing with new organisms and hazardous substances

ERMA New Zealand has a role to monitor and review compliance and enforcement in order to effectively manage the risks and harms attributable to hazardous substances and new organisms. 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 continue to work with the Ministry of Agriculture and Forestry in relation to compliance relating to new organisms. We will also work with the Ministry for the Environment to identify how the level of compliance with hazardous substance safety rules can be improved, including working with other agencies to implement the required changes.

ERMA New Zealand will continue to 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
- assisting enforcement agencies, test certifiers and industry to improve their performance.

#### Increasing the general public's understanding of and knowledge about the safe use of hazardous substances and new organisms

Part of ERMA New Zealand's role is to provide information about hazardous substances and new organisms. The areas of focus for 2010/11 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 and how they might contribute;
- providing user-friendly information on hazardous substances to stakeholders, especially small to medium-sized businesses;
- responding to people's questions and concerns about the regulation of new organisms including genetically modified organisms; and
- providing targeted information and resources to community groups to improve their understanding of and participation in the HSNO Act decision-making process.

**Provide advice regarding Government policy, legislation and oversight of international activities.**

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 to the Cartagena Biosafety Protocol, the Rotterdam Convention on Prior Informed Consent and the Stockholm Convention on Persistent Organic Pollutants.

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 fora.

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

**PREPARING FOR THE ENVIRONMENTAL PROTECTION AUTHORITY (EPA)**

ERMA New Zealand will continue to work positively with the Ministry for the Environment and other agencies to help the set up of the Environmental Protection Authority. We aim to provide the EPA the best possible legacy in terms of our people, relationships, assets, finances, work programmes and processes. At the same time we will do our best to minimise disruption to our staff and to our ongoing work.

**3.2 STATEMENT OF FORECAST SERVICE DELIVERY PERFORMANCE FOR 2010/11**

**Output class: Hazardous substance and new organism assessment and management**

A non-departmental output class appropriation exists in Vote: Environment for 2010/11 for the costs associated with the activities of ERMA New Zealand.

	2009/10 \$000	2010/11 \$000	CHANGE \$000
Total output class appropriation	10,170	10,170	-

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.

**Forecast Statement of Outputs**

	ESTIMATED ACTUAL 2009/10 \$000	FORECAST  2010/11 \$000
<b>Total Income</b>	<b>11,213</b>	<b>11,043</b>
<b>Output Expenditure</b>		
<i>Output 1</i> New Organisms Decision-making and Compliance	2,404	2,614
<i>Output 2</i> Hazardous Substance Decision-making	4,504	4,681
<i>Output 3</i> Hazardous Substance Compliance	1,801	1,858
<i>Output 4</i> Promoting Awareness	905	752
<i>Output 5</i> Government Policy, Legislation and International	1,176	1,138
<b>Total Expenditure</b>	<b>10,790</b>	<b>11,043</b>
Surplus / Deficit	423	-

**OUTPUT 1:****ASSESSMENT OF AND MAKING DECISIONS ON NEW ORGANISM APPLICATIONS, AND MONITORING COMPLIANCE AGAINST APPROVALS.****Description**

Our primary activity under this output relates to assessing and considering applications and statutory determinations for new organisms, including genetically modified organisms (GMOs). We undertake this work to assess the effects of new organisms on human health and the environment and provide guidance to the Authority on the risks, costs and benefits of applications. 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;
- ensuring monitoring and oversight of Chief Executive and Institutional Biological Safety Committee (IBSC) delegated decision-making and providing guidance, support and advice to delegated decision-makers;
- developing and maintaining policies and procedures relating to new organism decision-making and compliance, including the incorporation of Māori perspectives and ethical considerations;

- oversight of the regime for 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 how to make an application.

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

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**OUTPUT 1:**  
**ASSESSMENT OF AND MAKING DECISIONS ON NEW ORGANISM APPLICATIONS,  
AND MONITORING COMPLIANCE AGAINST APPROVALS.**

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*We will provide the following outputs:*

- Assessment of, and making decisions on, new organism applications.
- Overseeing the monitoring of compliance with approvals given.

---

*We will undertake the following activities:*

- Make decisions that take into account the potential to introduce pests or weeds and comply with the Act, Methodology and regulations.
- Apply appropriate controls to ensure that no pests, weeds or diseases are introduced into New Zealand.
- Accompany MAF on a proportion of audits of containment facilities, in particular of GM-field test and outdoor development facilities.
- Run workshop(s) jointly with MAF for approval holders, when appropriate.

---

*We will measure our success through the following:*

- Audits of decisions show that they have minimised the risks of approved organisms becoming pests or weeds or giving rise to diseases, and are compliant with the Act and the Methodology.
- No incidents resulting in adverse effects are caused by inadequate setting of controls (i.e. no incidents occur when controls are complied with).
- All decisions are made within the statutory timeframes.

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*The outcomes we want are:*

- Prevention and management of adverse effects of new organisms to an acceptable level while increasing the number of beneficial/useful organisms.
- No ERMA New Zealand-approved organisms become pests, weeds or diseases in New Zealand.

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*Our goal for New Zealanders is:*

- People and the environment are protected from the adverse effects of new organisms.
-

**Table 1**  
**Number of new organism decisions – Part 5**

APPLICATION TYPE	ESTIMATED ACTUAL 2009/10	FORECAST 2010/11
Non-GMO release and conditional release	1	1
Non-GMO containment	10	10
GMO development in containment	2	2
GMO imports into containment	2	1
GMO field tests and outdoor developments	1	1
GMO releases and conditional releases	0	0
Rapid assessments (GM and non-GM)	18	16
Emergencies	0	0
Minor or technical amendments	2	5
Reassessments	0	1
Statutory determinations	3	4
Transshipment of a new organism	0	0
<b>Total</b>	<b>39</b>	<b>41</b>
Non-statutory advice – present in New Zealand	30	30
Monitoring of IBSC decisions	100	100
Application for new IBSC delegation	0	0
Audit of IBSC delegation	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.

**OUTPUT 2:  
ASSESSMENT OF AND MAKING DECISIONS ON HAZARDOUS SUBSTANCES APPLICATIONS.****Description**

Our activities under this output relate to assessing and considering applications and statutory determinations under Parts 5, 6 and 6A of the Act. This includes:

- approvals of hazardous substances, licences, test certifiers, permissions, equipment, codes of practice, import certificates and waivers;
- developing and maintaining policies and procedures for decision-making on or relating to hazardous substances, including the incorporation of Māori perspectives and ethical considerations;
- implementing specific programmes focused on guiding stakeholders through the applications process, raising awareness and improving applicants' understanding of the application processes;
- reassessing hazardous substance approvals, including group standards and applications for reassessment initiated by the Chief Executive; and
- providing non-statutory advice relating to the regulatory status of substances and the labelling of products containing hazardous substances.

The output comprises processing applications as quickly and cost-effectively as possible and providing information to applicants to facilitate robust applications.

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**OUTPUT 2:**  
**ASSESSMENT OF AND MAKING DECISIONS ON HAZARDOUS SUBSTANCES APPLICATIONS.**

---

*We will provide the following outputs:*

- Assessment of and making decisions on applications for or relating to hazardous substances.

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*We will undertake the following activities:*

- Make decisions that take into account the potential to introduce harmful substances and comply with the Act, Methodology and regulations whilst allowing benefits to occur.
- Apply appropriate controls to approvals to manage the risk of hazardous substances.
- Review the list of hazardous substances to be reassessed on an ongoing basis.
- Reassess substances on the list, taking into account new information on the risks to human health and the environment.

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*We will measure our success through the following:*

- Audits show that all decisions have taken into account the risks, costs and benefits relating to the import, manufacture, and use of hazardous substances, and are compliant with the Act and the Methodology.
- All decisions are made within the statutory timeframes (where applicable).
- Completing reassessments of substances on the Chief Executive Initiated reassessment list so as to achieve the reassessment of 20 substances within a five year timeframe.

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*The outcomes we want are:*

- Prevention and management of risks from hazardous substances.
- New Zealanders have greater access to safer substances and know how hazardous substances should be managed.
- The number of significant incidents arising through non-compliance with controls decreases.

---

*Our goal for New Zealanders is:*

- People and the environment are protected from the adverse effects of hazardous substances.
-

**Table 2**  
**Forecast number of hazardous substance decisions – Part 5**

APPLICATION TYPE	ESTIMATED ACTUAL 2009/10	FORECAST 2010/11
Import or manufacture for release	42	67
Import or manufacture in containment	33	33
Emergencies	1	1
Special emergencies	1	1
Minor or technical amendments	0	6
Rapid assessments	60	55
Reassessments	5	8
Statutory determinations	0	10
Transshipment of a hazardous substance	4	4
<b>Total</b>	<b>146</b>	<b>185</b>
Non-statutory advice – status of substances and product labelling	600	600

**Table 3**  
**Forecast number of hazardous substance decisions – Part 6**

APPLICATION TYPE	ESTIMATED ACTUAL 2009/10	FORECAST 2010/11
Test certifiers	109	16 <sup>1</sup>
Test certificate waivers	56	74 <sup>2</sup>
Permissions	6	6
Approvals	179	26 <sup>3</sup>
Licences and certificates	2,880	1680 <sup>4</sup>
Waivers and variations	53	43
Codes of practice/practice guides	5	3
<b>Total</b>	<b>3,288</b>	<b>2,348</b>

<sup>1</sup> In 2009/10 there were large numbers of renewals however this is not expected to continue in 2010/11.

<sup>2</sup> The anticipated increase in 2010/11 relates to test certificate extensions.

<sup>3</sup> The increase in 2009/10 relates to compliance plan applications which will not continue in 2010/11.

<sup>4</sup> The 2009/10 estimate was based on a one year period for renewal which was subsequently extended to a five year phase-in period.

**OUTPUT 3  
CO-ORDINATING AND FACILITATING COMPLIANCE WHEN DEALING  
WITH HAZARDOUS SUBSTANCES.**

**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.

We will do this through maintaining oversight of the enforcement regime, monitoring decisions made by test certifiers and other parties and through the provision of information to support compliance.

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*We will provide the following outputs:*

- Co-ordinating and facilitating compliance when dealing with hazardous substances.

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*We will undertake the following activities:*

- Monitor and support the enforcement agencies as specified in Section 97 of the HSNO Act.
- Monitor and support the independent test certifier regime.
- Provide information and advice to users of hazardous substances on the controls and how to comply with them.

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*We will measure our success through the following:*

- All central government enforcement agencies regard the annual activities and intentions report to be fair and accurate and considered they had an acceptable opportunity to provide input into the process and report.
- A reduction in the percentage of audit recommendations made to address significant deficiencies in the performance of test certifiers.
- At least 80% of workshop participants surveyed confirm that the workshops effectively conveyed the theme and intent of the workshop and were relevant to the audience (being enforcement officers, test certifiers or industry as appropriate).
- At least 80% of users of the Hazardous Substances information line callers find the information provided to be clear, helpful and fit for purpose.

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*The outcomes we want are:*

- There are fewer deaths or chronic ill health or catastrophic environmental damage.

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*Our goal for New Zealanders is:*

- People and the environment are protected from the adverse effects of hazardous substances.
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## **OUTPUT 4**

### **INCREASING THE GENERAL PUBLIC'S UNDERSTANDING AND KNOWLEDGE ABOUT THE SAFE USE OF HAZARDOUS SUBSTANCES AND NEW ORGANISMS.**

#### **Description**

Our primary activities under this output aim to increase understanding and knowledge of the safe use of hazardous substances and new organisms, and support 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.

*We will provide the following outputs:*

- Educating New Zealanders on the safe handling of hazardous substances and new organisms.
- Ensuring there are opportunities for Māori to participate in HSNO Act processes.

*We will undertake the following activities:*

- Ensure that information is easy to access.
- Ensure that information relating to the safe handling of new organisms and hazardous substances is easy to understand.
- Ensure that Māori have the information required to be able to participate in the HSNO Act processes.

*We will measure our success through the following:*

- 70% of people surveyed find ERMA NZ information easy to access and easy to understand.
- There is a reduction in the level of incidents through people not complying with the controls.
- At least 90% of those surveyed from the participants in the Māori participation programmes rate them as good or very good.

*The outcomes we want are:*

- People know what to do to keep themselves safe when handling new organisms and hazardous substances.
- The impact on valued flora and fauna and taonga is minimised.
- Māori are informed about the impacts of hazardous substances and new organisms.
- The principles of the Treaty of Waitangi are taken into account.

*Our goal for New Zealanders is:*

- People and the environment are protected from the adverse effects of hazardous substances and new organisms.

**OUTPUT 5  
PROVIDE ADVICE REGARDING GOVERNMENT POLICY, LEGISLATION AND OVERSIGHT  
OF 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.

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*We will provide the following outputs:*

- Advice regarding Government policy, legislation and oversight of international activities.

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*We will undertake the following activities:*

- We will recommend improvements and provide input into any proposed changes to the HSNO Act.
- We will participate in international activities and ensure that any international trends and innovations are feed into the appropriate channels.

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*We will measure our success through the following:*

- By undertaking regular monitoring and reporting of key indicators on both a qualitative and quantitative basis.

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*The outcomes we want are:*

- The HSNO Act and regulations facilitate the approvals process to ensure that pests are not introduced and hazardous substances are effectively managed.
- International obligations and relevant innovative approaches are monitored and wherever possible introduced into New Zealand.

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*Our goal for New Zealanders is:*

- People and the environment are protected from the adverse effects of hazardous substances and new organisms.
-

**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 controls will enable us to provide a high level of performance in 2010/11.

We have identified specific risks in each of these areas and the controls required to manage them. The risks are monitored and the outcomes reported to the ERMA New Zealand Audit and Risk Committee on a quarterly basis.

# 4 How we operate as an organisation

## 4.1

### 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	2010/11
<b>Working Capital</b>		
Net current assets	\$000	1,363
Current ratio	%	214
<b>Resource Utilisation</b>		
Fixed assets as % of total assets	%	38
Additions as % of fixed assets	%	45
Fixed assets per FTE	\$000	18
Accommodation cost per FTE	\$000	8
<b>Human Resources</b>		
Staff turnover	%	22
Average length of service	Years	2
Total FTEs	No.	90
Professional Development as % of personnel expenses	%	4
Average annual leave liability as % of annual entitlement	%	50

## 4.2

### 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. ERMA New Zealand is domiciled in New Zealand and the ultimate parent is the New Zealand Crown.

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 financial statements of ERMA New Zealand are for the year 1 July 2010 to 30 June 2011. These financial statements were authorised for issue by the Authority on 7 May 2010.

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

	2006/07	2007/08	2008/09	2009/10	2010/11
\$000	9,397	9,012	10,012	10,170	10,170

While the review of the compliance and enforcement of hazardous substances was taking place, a small increase of Crown funding of \$385,000 was provided in 2006/07 to support interim arrangements. 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 was increased by \$158,000 from 2009/10 onwards.

##### REVENUE FROM FEES

The revenue from fees in 2010/11 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.

##### OPERATING RESULTS

Over our history, we have run both surpluses and deficits. Our intention is to be in a sound financial position in preparation for the set up of the Environmental Protection Authority.

##### CAPITAL EXPENDITURE

A number of software development projects are planned for the year to enhance the delivery of our core HSNO functions. Computer hardware will be replaced as part of our asset replacement programme.

##### GOING CONCERN

These forecast financial statements have been prepared on the basis of a going concern, although it is the Minister for the Environment's intention that from 1 July 2011 ERMA New Zealand's functions will be carried out by the new EPA.

#### Statement of accounting policies for the year ended 30 June 2011

##### 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 the 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 early.*

There are no standards, amendments and interpretations issued but not yet effective that has not been adopted earlier, and which are relevant to 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 financial performance over the lease term as an integral part of the total lease expense.

#### *Cash and cash equivalents*

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

#### *Debtors and other receivables*

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that ERMA New Zealand will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, default on payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

#### *Investments*

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

*Bank Deposits*

Investments in bank deposits are initially measured at fair value plus transaction costs.

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

For bank deposits, impairment is established when there is objective evidence that the 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 financial performance.

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

*Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to ERMA New Zealand and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of financial performance as they are incurred.

*Depreciation*

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

Computer hardware	3 to 4 years	(25%–33.3%)
Furniture and fixtures	6 years	(16.7%)
Leasehold improvements	6 to 9 years	(11.1%–16.7%)
Office equipment	6 years	(16.7%)

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

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

*Intangible assets**Software acquisition and development*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by ERMA New Zealand are recognised as an intangible asset.

Direct costs include the software development, 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 financial performance. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 to 8 years	(12.5%–33.3%)
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#### *Impairment of non-financial assets*

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where ERMA New Zealand would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

#### *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, 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 payment when contractually obliged or when there is a past practice that has created a constructive obligation.

##### *Long-term entitlements*

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

#### *Superannuation schemes*

##### *Defined contribution schemes*

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

##### *Defined benefit schemes*

ERMA New Zealand has no defined benefit scheme for employees.

#### *Provisions*

ERMA New Zealand recognises a provision for future expenditure of an uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that 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 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 determines the cost of outputs using the cost allocation outlined below:

- Direct costs are costs that can be charged (attributed) directly to an external activity (and therefore an output).
- Indirect costs are costs that cannot be readily identified with an output and are incurred for the common benefit of more than one output. (Examples include accommodation rental, computer network costs, and utility charges). Indirect costs are allocated to external activities to derive total output costs, as detailed below.
- Cost drivers are used to allocate costs directly to outputs, whether personnel or other costs.
- All other costs are allocated to outputs on a proportional basis, using direct personnel time as the cost driver, based on actual data collected through the time recording system for the year.

#### *Critical accounting estimates and assumptions*

In preparing these financial statements 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 2010:

##### *Lease classification*

Determining whether a lease agreement is a finance or 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 there are no lease arrangements that can be classified as 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 financial performance.

##### *Changes in accounting policies*

ERMA New Zealand's accounting policies have not changed since the date of the last audited financial statements for the year ended 30 June 2009.

##### *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. Our intention is to be in a sound financial position in preparation for the set up of the Environmental Protection Authority.

##### *New borrowings and other liabilities*

ERMA New Zealand has no plans to incur liabilities in the form of borrowings or financial leases in 2010/11.

**4.3****FORECAST FINANCIAL STATEMENTS****Forecast Statement of Comprehensive Income**

	ESTIMATED ACTUAL 2009/10 \$000	FORECAST 2010/11 \$000
<b>Income</b>		
Revenue Crown	10,170	10,170
Interest income	107	90
Other revenue	936	783
<b>Total Income</b>	<b>11,213</b>	<b>11,043</b>
<b>Expenditure</b>		
Personnel costs	7,045	7,059
Capital charge	184	202
Depreciation and amortisation	390	392
Other expenses	3,171	3,390
<b>Total operating expenditure</b>	<b>10,790</b>	<b>11,043</b>
<b>Surplus / deficit</b>	<b>423</b>	<b>-</b>
Other comprehensive income	-	-
<b>Total comprehensive income for year</b>	<b>423</b>	<b>-</b>

**Forecast Statement of Changes in Equity**

	ESTIMATED ACTUAL 2009/10 \$000	FORECAST 2010/11 \$000
Balance at 1 July	2,337	2,760
Total comprehensive income for year	423	-
<b>Balance at 30 June</b>	<b>2,760</b>	<b>2,760</b>

**Forecast Statement of Financial Position**

	ESTIMATED ACTUAL 2009/10 \$000	FORECAST 2010/11 \$000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,475	2,112
Debtors and other receivables	49	70
Prepayments	90	73
Investments	400	300
<b>Total current assets</b>	<b>3,014</b>	<b>2,555</b>
<b>Non-current assets</b>		
Property, plant and equipment	381	376
Intangible assets	893	1,221
<b>Total non-current assets</b>	<b>1,274</b>	<b>1,597</b>
<b>Total assets</b>	<b>4,288</b>	<b>4,152</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Creditors and other payables	739	667
Employee entitlements	591	525
Borrowings	-	-
<b>Total current liabilities</b>	<b>1,330</b>	<b>1,192</b>
<b>Non-Current Liabilities</b>		
Employee entitlements	37	39
Provisions	161	161
Borrowings	-	-
<b>Total non-current liabilities</b>	<b>198</b>	<b>200</b>
<b>Total liabilities</b>	<b>1,528</b>	<b>1,392</b>
<b>Net assets</b>	<b>2,760</b>	<b>2,760</b>
<b>Equity</b>		
General funds	2,760	2,760
<b>Total equity</b>	<b>2,760</b>	<b>2,760</b>

**Forecast Statement of Cash flows**

	ESTIMATED ACTUAL 2009/10 \$000	FORECAST 2010/11 \$000
<b>Cash flows from operating activities</b>		
Receipts from Crown	10,170	10,170
Interest received	103	88
Receipts from other revenue	941	693
Payments to suppliers	(3,218)	(3,354)
Payments to employees	(7,115)	(7,123)
Capital charge	(184)	(202)
Goods and Service Tax (net)	6	(20)
<b>Net cash flows from operating activities</b>	<b>703</b>	<b>252</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	300	400
Purchase of property, plant and equipment	(113)	(177)
Purchase of intangible assets	(354)	(538)
Acquisition of investments	(400)	(300)
<b>Net cash flows from investing activities</b>	<b>(567)</b>	<b>(615)</b>
<b>Cash flows from financing activities</b>		
Repayment of capital	0	-
<b>Net cash flows from financing activities</b>	<b>0</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>136</b>	<b>(363)</b>
Cash and cash equivalents at the beginning of the year	2,339	2,475
<b>Cash and cash equivalents at the end of the year</b>	<b>2,475</b>	<b>2,112</b>

**Forecast Statement of Capital Expenditure**

	ESTIMATED ACTUAL 2009/10 \$000	FORECAST 2010/11 \$000
<b>Property, Plant and Equipment</b>		
Computer hardware	117	147
Furniture and fittings	10	10
Leasehold improvements	-	5
Office equipment - owned	10	15
<b>Intangible assets</b>		
Computer software	301	538
<b>Total</b>	<b>438</b>	<b>715</b>

# 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 2010/11 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 2010/11 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 2010/11. 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.
- Eight decisions on grounds for reassessment of a substance and none for new organisms were made in 2009/10. They were:

RES09001	Yearly Chemical Review
RES09004	Cholecalciferol
ERMA200079	Diazinon
ERMA200080	Methamidophos/acetate
ERMA200171	Carbonyl sulphide
ERMA200233	DuPont Coragen (active ingredient chlorantraniliprole)
ERMA200290	Oberon (active ingredient spiromesifen)

# 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 was 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 the latter 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.





ENVIRONMENTAL RISK MANAGEMENT AUTHORITY



NGĀ KAIWHAKATŪPATO WHAKARARU TAIAO

ISSN 1177-8334 (Print) ISSN 1177-8342 (Online)

BP House, 20 Customhouse Quay  
PO Box 131, Wellington 6140, New Zealand  
Phone +64 4 916 2426, Fax +64 4 914 0433  
[www.ermanz.govt.nz](http://www.ermanz.govt.nz)