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Report of the Parliamentary Commissioner for the Environment

Te Kaitiaki Taiao a Te Whare Pāremata

for the year ended
30 June 2005

Presented to the House of Representatives pursuant to section 23 of the Environment Act 1986

Parliamentary Commissioner for the Environment
Te Kaitiaki Taiao a Te Whare Pāremata

Hon Margaret Wilson
Speaker of the House of Representatives
Parliament Buildings
WELLINGTON

Madam Speaker

I have the honour to submit, pursuant to section 23 of the Environment Act 1986 and the Public Finance Act 1989, the annual report and financial statements of the Parliamentary Commissioner for the Environment for the year ended 30 June 2005.

Yours faithfully

Dr J. Morgan Williams
Parliamentary Commissioner for the Environment

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Role and purpose

The Parliamentary Commissioner for the Environment (PCE) is an Officer of Parliament appointed under section 4 of the Environment Act 1986 and has a five-year term of appointment. The Environment Act establishes the office of the Parliamentary Commissioner for the Environment and details the Commissioner's powers and functions.

The purpose of the Parliamentary Commissioner for the Environment is to provide an independent check on the capability of the New Zealand system of environmental management and the performance of public authorities in maintaining and improving the quality of the environment.

Parliament and the public will be confident that the advice provided by the Commissioner will lead to:

- improved public authority accountability for decisions affecting the environment
- improved public authority environmental management
- improved capability of the New Zealand system for environmental management to deliver sound decisions
- improved quality of the environment in New Zealand.

1 About the PCE

We aim to provide independent scrutiny, advocacy and advice for a better environment

The Parliamentary Commissioner for the Environment (PCE) is an independent Officer of Parliament with wide-ranging powers to investigate environmental concerns. 'Independent' means independent of the government of the day, so the PCE reports not to a Government Minister but to Parliament through:

- the Speaker of the House
- the Officers of Parliament select committee.

The PCE aims to maintain and improve the quality of New Zealand's environment. The central focus is on environmental sustainability – how we can live within the ecological limits of the planet today and into the future.

Under the Environment Act 1986 the PCE has five key roles:

- *Environmental guardian*: checking on the ability of public agencies to manage the environment
- *Information provider*: giving information about the environment to a wide range of groups and individuals
- *Environmental auditor*: evaluating the performance of public agencies to ensure they are meeting their environmental responsibilities
- *Advisor*: offering information and advice to Parliamentary select committees
- *Environmental advocate*: investigating concerns that citizens raise about the environmental performance of public agencies, and encouraging preventative measures and remedial actions.

The Commissioner also has powers to investigate and report on any matter where the environment may be, or has been, adversely affected. The PCE can obtain information, protect the confidentiality of that information where appropriate, report findings, and make recommendations. However, he does not have the power to make any binding rulings and nor can he reverse decisions made by public authorities.

The acceptance and effectiveness of his advice depends to a large degree on the independence, integrity, and quality of the investigations undertaken by PCE staff.

Many of the reports and investigations outlined in this annual report reflect the work priorities identified in *Future focus*, the PCE's strategic plan for 2003-07. That plan focuses on three broad areas:

- legislation and policies that impact on environmental sustainability
- ecosystems at risk
- the performance of public authorities to meet their environmental responsibilities.

The PCE was set up under the Environment Act 1986, and the Commissioner is appointed for a five-year term. In 2002, Dr Morgan Williams was appointed to a second five-year term.

2 Commissioner's report

This year, three studies[1] spanning farming and the electricity sector's provision of energy services have highlighted yet again just how big the opportunities are for New Zealand to aggressively pursue environmental sustainability as a key plank in our business, industry, and national strategies.

Farming's opportunities lie in putting the super-efficient use of nutrients, energy, water and soils at the heart of our business model. How we manage these four components will be a key determinant of the viability of farm businesses in the future. They are not the current focus, which is partly why we are seeing lowland water quality decline and a rundown in critical science capacity in soils and in soil/plant/animal systems.

We have the human capacity to develop new, more sustainable farming systems. The challenges lie in how to get some consensus on the future pathway so we can start on the journey – one that could see us recognised as a leader in 'solar powered' farming systems that maximise all forms of renewable energy and nutrient sources and make highly efficient use of all other inputs.

The picture for our energy services is even more striking. New Zealand is uniquely placed to develop an electricity generating system based on renewable resources. No other country has the mix of hydro, wind, geothermal, and potential wave power resources. We could, if we chose to, make this a 'man on the moon' type national goal and be among the first nations on this planet to have an electricity services' system that does not have a fuel bill.

However, the challenges are daunting, despite the innovation evident across our farming and agribusiness sectors and in parts of our electricity sector. What do we need to consider if we are to realise some of these opportunities? Five arenas, I suggest, need reflecting on. Here is my short list for focus, learning and action.

Beyond mitigation

How can we move beyond a focus on mitigating effects on the environment? Yes, we need to mitigate the effects of various current activities – something the RMA ensures. However, it is increasingly evident that sustainability is a rather different concept. Simply, it's about designing systems to meet society's needs and wants without making a mess in the first place. Mitigation becomes a much smaller component of the sustainability equation. Extracting advantage, in economic and environmental terms, therefore necessitates major mind shifts.

[1] *Growing for good: Intensive farming, sustainability and New Zealand's environment*; *Future currents: Electricity scenarios for New Zealand 2005-2050*; *Energy, electricity and the environment: Environmental performance assessment 1 March–30 June 04*.

It requires thinking about redesigning systems – whether they are production, financial, knowledge generation, or whatever. But as my team and I discovered on releasing *Growing for good*, our study into the intensification of farming, the term redesign was seen as threatening and thus rejected by some farming sector groups, apparently without substantive reflection on the issues and opportunities. This leads to my second point.

Forums for dialogue

New Zealand seems to lack forums where major sectors such as agriculture can maintain a dialogue about the big issues that will shape the sector's evolution. During our farming study, a number of farming and agribusiness leaders noted the lack of such forums. Our farming, food, and fibre sector is primarily in the export business. We are evolving these land-based businesses (which underpin the quality of life of all New Zealanders) on a global stage.

To do this strategically, to develop the human capital to underpin its evolution, and to maintain rather than mine the natural capital underpinning the sector's competitive advantage, we need a 'Team New Zealand' approach. Various sectors and industries must be able to share strategic views, build common visions for New Zealand's future, and collaborate to use scarce human and fiscal capital to best collective advantage.

But, we have no major or even regional platform on which to do this. Despite farming and agribusiness leaders identifying this need, when I articulated it as a recommendation for action in *Growing for good*, it was greeted with considerable derision by some organisations and interpreted as a call for more Government control. In my report it was clearly presented as a need for an entity or entities outside of Government, but partnered to it, at a local or central level. Such organisations have emerged in other parts of the world – and in modest ways here.

Successful communities, businesses and nations develop strong visions for the future they want to create. That always needs a team approach. Why can we do it on the sports field, but not well on the bigger development fronts? In my view, it's because we don't have enough opportunities to nurture the dialogue.

Costing our development

My third point links to how we cost our development, be it in expansion of agricultural productivity or energy services. The dominant paradigm is that we need to focus primarily on increasing inputs: of energy nutrients and water to our agricultural systems and generating capacity to our electricity sector. In both areas the case for greater efficiency in using physical inputs, to get more from less, is not well made.

It appears the dominant focus is on economic efficiency e.g. capital, labour costs, etc. There is too little focus on ecological efficiency, that is, how to develop highly nutrient, energy and water efficient systems that are knowledge and innovation rich and that have ecological principles at the core of the business model, with capital requirements subservient to the ecological. Utter heresy? No – leading farmers already have some of the pieces of tomorrow's farm, but many factors – some off-farm in the market, the views of advisors, and research spheres – constrain their evolution.

A similar picture is evident in the electricity sector. The people who are primarily shaping the thinking about our needs for the next few decades represent a limited set of the necessary skills. They portray primarily a 20th century model of how electricity service needs should be met. As outlined in my opening to this report, New Zealand has the opportunity to be among the first nations to meet all its needs for electricity services from renewable sources – thus having no ongoing fuel bill for generation. What a competitive advantage that would give to New Zealand in an energy constrained, energy expensive world.

Knowledge gaps

My fourth point relates to knowledge needs for navigation to a more sustainable future. From this year's studies, these knowledge needs include:

- a national set of indicators for environmental sustainability
- indicators for sustainable agriculture
- enhanced capacity in soil systems and soil/plant/animal interactions
- a vastly better understanding of New Zealand household and small and medium business electricity services needs
- the energy demands of all currently installed systems.

Yes, these are all complex areas, but it's well nigh impossible to systematically get better value (more warmth, light, etc) from our electrons unless the current 'demand picture' is well understood. At present it is not, so we focus largely on feeding more electrons into the supply side, which we then use in relatively inefficient ways.

The need for a robust understanding of the health of our lands, waters, and biodiversity is essential if we are to maintain the productivity of the agriculture and forestry sectors, which generate the lion's share of our foreign exchange – over 60 percent per annum. Until we have good regional and national data sets, the need for substantive action will continue to be rejected, as was evident in some responses to my study of farming intensification. Despite some good regional and specific research data indicating farming's impact on lowland river water quality, the lack of a cohesive

national data set and gaps in knowledge about causality were used as an argument by some to reject the conclusions drawn from the overall trends.

The single biggest deficiency in knowledge capacity I believe I have ever seen in my 35 years' work in agricultural and ecological sciences is in soil science and a suite of interlinked plant and animal sciences. It's almost inconceivable that a nation so dependent on limited good soils for its wealth generation could allow the human capital capacity associated with its knowledge expansion to become so depleted. Imagine if Microsoft or Philips Electrical had done the same with the research teams that underpin their businesses.

The important issues are why we let it happen, and why we have not yet fully recognised the hole we have dug for ourselves by allowing this systemic erosion all the way from our university courses to our funding systems to our research organisations. There is some recognition of the gaps but I am not convinced that the enormity of the strategic weakness has yet been fully acknowledged.

Allocating resources

My fifth point relates to our capacity to allocate key national resources. There is widespread awareness that New Zealand faces big challenges in fresh water allocation, particularly on our drier east coast. Although it is rising, there is less awareness that we are also facing increasing tension over the allocation of land and landscapes – between competing uses such as farming and lifestyle subdivisions in the case of land, and between vistas, wind turbines, power pylons, and lifestyle sprawl in the case of landscapes.

In the case of water, high profile projects such as Project Aqua on the Waitaki River and the rapid expansion of irrigation in Canterbury have put a spotlight on the weaknesses in our allocation mechanisms. It is now well recognised that the RMA's 'first in, first served' model is simply inadequate, as evidenced by Government's call in of resource consents for Project Aqua. Once the water needs of ecosystems have been met, there needs to be much more sophisticated systems for allocating water for energy, irrigation, urban, and industrialised uses. Water markets and the widespread use of flow-based charging systems are clearly needed.

However, there are many complexities, for example, how do we design allocation systems that will ensure farming's water needs can compete with, say, electricity generation? One keeps us warm, the other feeds us and provides much of the income that pays the nation's bills. Given the low values that markets tend to put on food – but increasingly less so for energy – this allocation interface is a tough one that needs substantive research and policy action.

On the soil and land allocation front, the annual loss of topsoils to lifestyle block development is a major concern. Last year that loss totalled 37,600 hectares nationally of mostly high quality soils. For a nation with a relatively small area of such soils, that is a big area. The incentives to subdivide are powerful: it's the way to maximise the capital gain on land in New Zealand, and thus release retirement or development capital. It's of note that about 75 percent of farming's growth in wealth in recent years has been from rises in the value of land. This, of course, parallels what has been going on in our towns and cities with built assets.

But the significance on the farmland front is that subdivision means good soils are simply becoming part of the local New Zealand 'consumptive' economy, and are being lost to the export economy. This loss is strategically important. Our best soils generate our highest production *and* are our most robust ecologically. On these soils we will develop the more sustainable farming systems we need. They will continue to generate much of our national wealth *via* very innovative down stream foods, fibres and compounds. However, our current district and regional plans are largely ineffective at limiting the loss. Major revisions are needed.

Study tour

To round out these reflections on how well New Zealand is responding – or not – to these opportunities, I conclude with some observations on how other countries are approaching the same challenges. In April and May 2005 I undertook a study tour to Canada, Netherlands, Berlin and the UK with the prime aim of talking to organisations with similar roles and independence as the PCE.

The objective was to explore how effective they were, and why, in setting environmental sustainability agendas and ultimately influencing outcomes. In short, how best can independent environmental and sustainable development organisations help meet a nation's needs in a century when resource and environmental matters will be the major determinants of humanity's well being? A few highlights follow.

Agriculture's effects on soils and waters are a widely acknowledged challenge. In British Columbia, a major public and private sector effort is addressing nutrient loss to ground water. All lower Fraser Basin farms will shortly be under whole-of-farm nutrient management plans. In Toronto, a Nutrient Management Act was passed in 2003.

In Germany, a Federal Soil Protection Act was adopted in 1998, and in 2002, a decision was made to publish a soil protection report every four years. In common with New Zealand there is major concern about nitrates and chemical substances leaching into ground and surface waters. The loss of high quality land to urbanisation is also of concern in Germany.

In the Netherlands, specialists are increasingly making the link between health and the environment. This link has become the main policy driver for issues such as groundwater quality and the establishment of congestion charges for roads where traffic volumes are causing serious deterioration in air quality – and hence drivers' and residents' health.

In the UK, it was refreshing to see several independent agencies providing very robust analysis of the Government's environmental sustainability policies, actions, and education. Under the Blair Administration, robust critique has been fostered, at least in the environment and sustainable development arena, as well as education for improved understanding of these. I believe this is a healthy approach, and reviews are delivered in clear, unambiguous language. I close with an example from a Sustainable Development Commission assessment of the Government's reported progress over the last five years. On the state of the environment, it said:

> ***The Government sees a world in which reasonable progress is being made in the UK on most aspects of the protection of the environment and natural resources. We see a world in which many natural resources are being dangerously depleted, in which biodiversity is being lost at an alarming rate, in which many forms of pollution are spreading, which is gravely threatened by long-term climate change, and in which the total impact of the UK's activity (including its interactions with the rest of the world through trade and travel) is adding to the world's problems.***

A stark assessment, and one that simply reinforces how tough the transition to a society focused on sustainability is proving to be. Nevertheless I remain convinced that, particularly for New Zealand, the opportunities are substantial – we have the capacity to achieve, and simply have to be visionary enough to grasp them.

3 Environmental investigations

Under this category PCE teams investigate broad issues that contain many environmental challenges. Through rigorous research and analysis we aim to shed light on New Zealand's environmental performance in key areas, and to draw conclusions on how we might improve that performance.

3.1 Growing for good

Released in November 2004, my report *Growing for good: Intensive farming, sustainability and New Zealand's environment* was the result of a major investigation into the sustainability of intensive farming in this country.

Drawing on research and over 150 interviews, it examined key trends and local and global drivers and influences, and identified a number of risks and challenges for farming. In particular, it focused on key trends in the use of water and artificial nitrogen fertiliser as the fuel for intensification, and identified a number of environmental impacts.

The report concluded that some farming practices are putting our natural capital under increasing pressure. There is strong evidence that our waterways and lakes are becoming nutrient enriched and degraded from nitrogen, animal faecal matter, and eroded sediment.

Growing for good argues that a fundamental redesign of the whole farming/food system is needed in order to secure sustainable environmental outcomes and the future of farming itself. Recommendations include:

- the need for a dialogue to develop a new strategic vision for farming's future
- establishment of a new pan-sectoral institution to develop this dialogue – the institution should be a foundation or trust that represents all sectors and is outside of government but partnered to it
- enhancing investment in research into farming systems, soils, and integrated catchment management, to enable major redesign.

Non-point source pollution, managing fresh water resources, and developing indicators for sustainable agriculture and the state of the environment were identified as issues requiring immediate action.

Following the report's release, eight workshops were held around New Zealand during February and March 2005 to discuss it. Organised and run by the New Zealand Landcare Trust, the workshops were an opportunity for farmers and others to provide feedback. Of more than 730 people who attended, forty-six percent were landowners.

3.2 Missing links: Connecting science with environmental policy

How can environmental policy makers in central and local government make better use of scientific knowledge and expertise? This was the key question addressed in my report *Missing Links: Connecting science with environmental policy* published in September 2004.

Agencies in central and local government who have environmental policy-making responsibility face a number of challenges. These include making decisions on issues that may reveal serious limitations in current knowledge and understanding of complex natural systems, and uncertainty about the extent of human impacts on those systems now and in the future.

Complexity and uncertainty have implications for deciding what scientific research needs to be undertaken, how science informs policy, and how policy makers respond to both scientific information and public concerns.

My report examines how the links between science, policy-making, and the public interest can be strengthened to engender confidence in the way policies are developed and what they will achieve. Approaches such as adaptive management, integrating scientific perspectives into policies, learning 'loops' in the policy cycle, and the facilitative role of 'boundary organisations' are explored.

The report concludes with four recommendations aimed at forging better science–policy links. They include the need for regular reporting on the state of our environment, regular reviews of the environmental science capacities of central and local government agencies, the development of long-term strategic alliances between research organisations and policy makers, and ways to strengthen communication links between scientists, policy makers and the public.

3.3 Electricity, energy and the environment: Environmental performance assessment 1 March–30 June 2004

In the first of what will become an annual assessment, this report presents my findings on the environmental performance of the Electricity Commission and the other government agencies involved in the electricity sector. The assessment covers the period from March 2004, when the Commission was set up, to June 2004, the end of the Government's financial year.

The report contains 12 recommendations, including the need for the Commission to:

- complete an environmental sustainability framework
- broaden the range of advisory groups

- address market barriers to demand-side initiatives and distributed generation
- clarify its role in relation to the Energy Efficiency and Conservation Authority.

Other recommendations to the Government include the need to:

- clarify a wider energy strategy for New Zealand
- review relevant legislation to ensure the right environmental standards are in place across the electricity sector
- improve data collection specifically related to the use of electricity.

3.4 Future currents: Electricity scenarios for New Zealand 2005–2050

My ongoing assessments of the electricity sector include 'focused investigations' that look at some electricity issues in greater depth. This year I looked at possible futures for New Zealand's electricity system. I took this focus due to:

- worries about the depletion of the Maui gas field, expected in 2007
- community resistance to more large electricity projects
- the need to respond to climate change
- the coming peak in global oil production
- the rising cost of energy
- the relative inefficiency of much of New Zealand's energy use.

Future currents paints a picture of what New Zealand could look like in 10, 25, and 45 years' time, depending on the energy choices we make today. It uses two scenarios. One sketches a 'business as usual' picture dominated by established thinking, as more big power projects are built to maintain security of supply.

The other scenario looks at how we can 'get more from less' by redesigning the way we use energy for our social and economic advantage. It emphasises small-scale projects close to where the energy will be used and has a strong focus on energy efficiency and smart designs.

I believe this report will make a very important contribution to the ongoing dialogue on our electricity and energy futures.

3.5 Review of the Energy Efficiency Standards in the New Zealand Building Code

The Department of Building and Housing is currently reviewing the New Zealand Building Code, and a key part of the exercise is reviewing the Code's current energy efficiency provisions.

We assisted the Department in developing the scope of the review, and we participated in two meetings. The first was a day-long workshop where key issues, possible approaches, and future work areas were identified.

The second meeting reviewed the results of the workshop and focused on the next steps. At this point we indicated that the technical nature of the work meant our contribution would be limited.

4 Communications

4.1 General communications

The Environment Act 1986 outlines my advisory and investigative functions, and also requires me to "undertake and encourage the collection and dissemination of information relating to the environment." To fulfil this requirement, I have drafted a communications plan to more clearly articulate our roles and to publicise more widely the results of our investigations and reports.

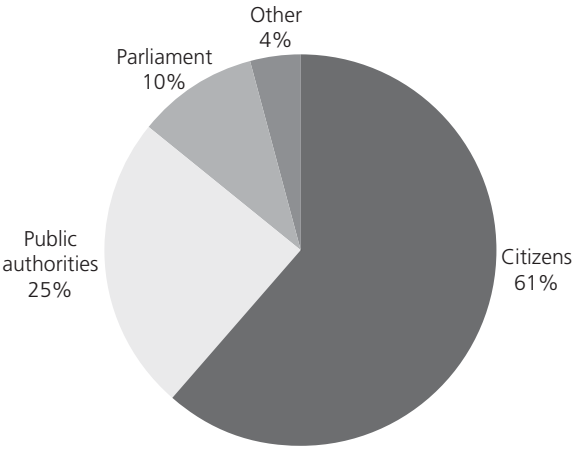
We are developing a range of strategies to reach our many different audiences. These strategies range from media releases and interviews to revamping our quarterly newsletter and contributing columns and articles to newspapers and magazines. A key communications tool is face-to-face presentations to a wide range of groups and individuals. Communications highlights during the year include:

- ongoing media coverage of the *Growing for good* report. In the eight months from the report's release in November 2004, it was either featured or referred to in the print media on 319 occasions. This statistic comes from another initiative, which is to monitor the media coverage of PCE activities
- two television appearances on the *Growing for good* report, and one on the Hawke's Bay expressway investigation
- a lengthy interview on sustainability for a BBC World *Earth Report* programme that was broadcast to an audience of 267 million homes worldwide
- sixty-three presentations to groups ranging from Local Government chief executives, Landcorp senior management, and the Fonterra Shareholders' Council, to university environmental and engineering students, plus groups such as the New Zealand Hydrological Society, Fish and Game New Zealand, and the Waste Management Institute. The majority of these presentations were on the role of the PCE and general environmental themes, particularly sustainability and environmental education, and 20 were on the *Growing for good* report.

4.2 Information dissemination

During the year we responded on 223 separate occasions to requests for information and advice, or about issues of concern to individuals and groups. The sources of those requests are shown in Figure 1.

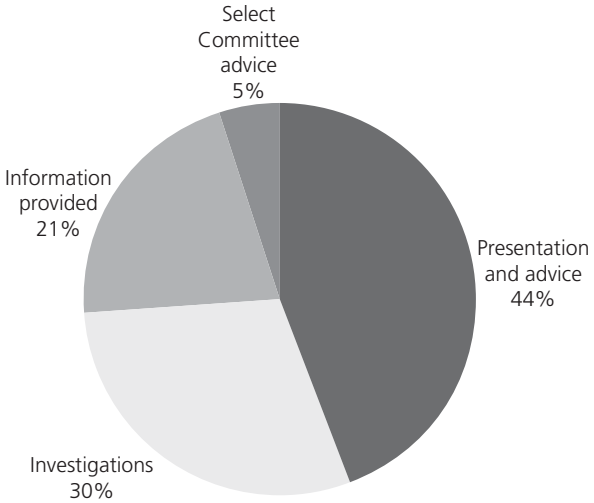
Figure 1 Sources of requests



Our responses included issuing general information about the environment, providing environmental advocacy or advice, making presentations to different interest groups, providing information and advice to public authorities, and advising select committees. The range of responses is shown in Figure 2.

On a significant number of occasions we responded by investigating the issues raised with us – see Citizens' Concerns in Section 5.

Figure 2 Response given



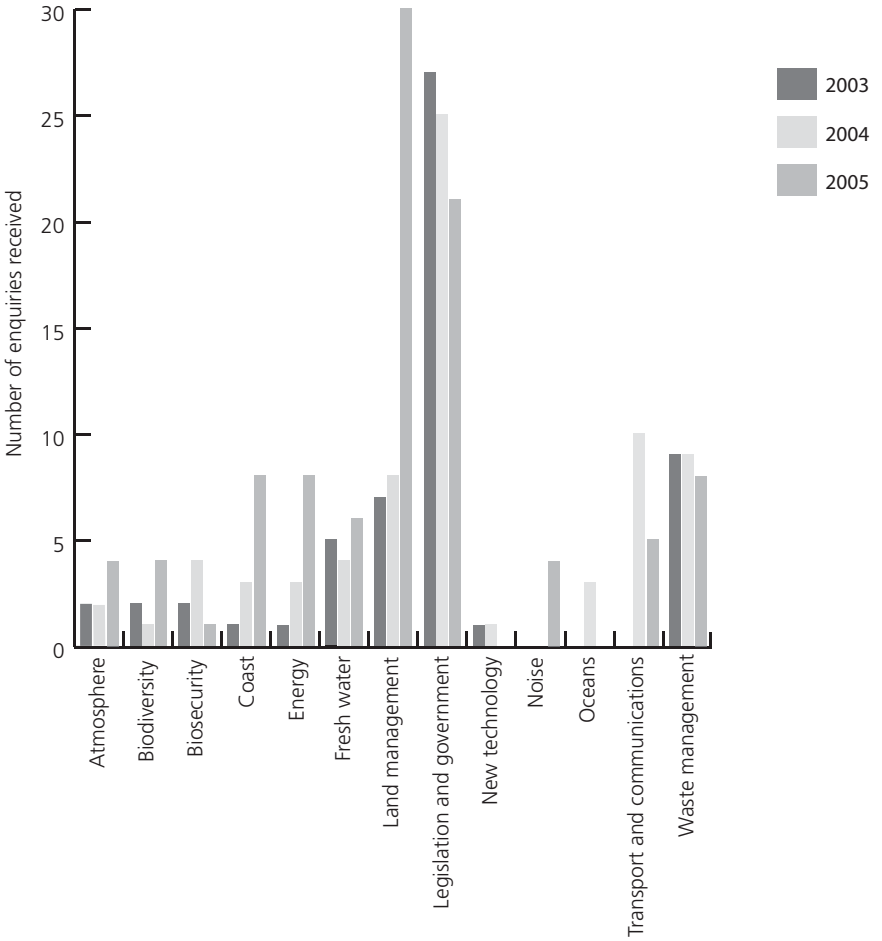
5 Citizens' Concerns

Many approaches made to my staff and I led to investigations of environmental concerns. By responding to these concerns, I fulfil two of my key roles as environmental watchdog and guardian.

In the year to June 2005, 30 percent of our 223 responses to groups and individuals led to investigations. These ranged from sewage effluent discharge at Pegasus Bay and aircraft noise at Auckland International Airport to the effects of hunters' steel shot on wetlands and the drift of fertiliser dust at Oturehua in Central Otago.

Figure 3 provides a breakdown of the focus of those investigations, and following are more detailed reports on four of them.

Figure 3 Areas of focus for Citizens' Concerns



5.1 Moa Point Wastewater Treatment Plant

In October 2001 representatives of the Wellington Waste Water Community Liaison Group requested my assistance in finding a solution to odour emissions from the Wellington Wastewater Treatment Plant at Moa Point.

Odour issues associated with Moa Point, initially with a milliscreening facility and subsequently with the transportation and treatment of sewage there, had arisen repeatedly over a period of years.

Following discussions with all parties I decided in November 2002 to carry out a study of odour emission standards established for the Moa Point Treatment Plant under the Resource Management Act 1991.

As a result I concluded in a report published in November 2004 that one of the conditions associated with the treatment plant consent was virtually impossible to comply with or enforce and is likely to create unattainable expectations. My recommendation was that the parties work together to agree appropriate, and realistic, odour management standards for the plant.

Given the significant improvement in the operation of the plant and effective management of odour issues, the parties declined to adopt my recommendation, but were committed to working, progressively, towards trying to minimise or eliminate odour incidents.

5.2 Community planning in Whangamata

In March 2005 I released the report of an investigation into the process used by Environment Waikato and the Thames Coromandel District Council to address the environmental pressures caused by development.

Whangamata groups had raised concerns primarily about the harbour's management and wastewater treatment system. My report, *Turning hopes and dreams into actions and results: Whangamata, a case study of community planning in a coastal area* concluded that while community planning is a good way of tackling complex environmental issues, the Whangamata process had shortcomings including:

- inadequate understanding by some in the community of legal, environmental and financial constraints on achieving the desired outcomes
- the plan not sitting comfortably with other layers of local government, including planning and resource consenting processes under the Resource Management Act
- the process lacked a 'champion', dedicated resources, and awareness that it is an enduring, long-term project requiring commitment from all stakeholders

- insufficient appreciation that, to ascertain the causes of declining harbour water quality and to secure sustainable improvements, an integrated approach based on managing the entire harbour catchment is needed.

5.3 Proposed sale of Nelson Park, Hastings

'Big Box' shops – are they a boon or a bane for the environment? This question surfaced during my July 2004 investigation into the proposal by the Hastings District Council to sell Nelson Park, Hawke's Bay's main athletics stadium, and zone the land for Large Format Retail Outlets (or Big Box shops).

The investigation followed concern at the prospect of Hastings losing valuable open space. My 1998 report, *The cities and their people: New Zealand's urban environment*, had identified open space as essential for making liveable urban environments.

I found that Napier City Council and Hastings District Council were separately implementing strategies for managing Big Box developments, which focused mainly on economic considerations. Environmental sustainability had received scant recognition.

Noting that a final decision on the sale of Nelson Park had been deferred, I urged the District Council to research the environmental sustainability of Big Box developments. I also drew the Hawke's Bay Regional Council's attention to the two separate strategies, pointing out the need for more research into their regional environmental effects.

5.4 Hawke's Bay expressway

Last year residents living near the Hawke's Bay expressway asked me to investigate their concern that traffic noise and air pollution were adversely affecting their health. The expressway originally passed through mainly rural land, but several hundred people now live in close proximity and traffic is heavy.

During the investigation several broader transport planning issues emerged and provided a good context for the investigation. I recommended several practical steps to deal with the immediate problems, such as reducing engine braking, cutting the maximum speed, and using quieter road surfaces. I also recommended that a National Environmental Standard for traffic noise is urgently needed.

At another level I suggested several steps to develop more of a 'big picture' approach to regional transport planning. Instead of simply upgrading roads to cater for future traffic demand, I have called for a more integrated approach that promotes alternatives such as buses, cycles, and trains, and greater coordination between land use and transport planning.

6 Outcome evaluations

I normally follow up on recommendations six to 12 months after they have been notified to the relevant authorities. A full outcome evaluation may be undertaken two to four years later and a formal report released. Evaluations such as the three outlined below help us to monitor our effectiveness.

6.1 Whose water is it?

In May 2001 I released *Whose water is it? The sustainability of urban water systems on the Kapiti Coast.* The report contained two recommendations:

1. To the Kapiti Coast District Council (KCDC):

To develop and implement a long-term water services strategic plan in consultation with tangata whenua, the Kapiti community and other stakeholders such as the Wellington Regional Council and the Regional Public Health Service.

2. To the Wellington Regional Council and KCDC:

To investigate the opportunities for improving integrated water catchment management planning in both the Otaki and Waikanae Rivers and catchments.

I am pleased to report that KCDC has made good progress since 2001. It has:

- produced a long-term water services strategic plan and continued to work on local water management plans
- within that strategic plan, implemented an acceptable solution to water supply issues in Waikanae, Paraparaumu and Raumati
- increased the emphasis on managing and reducing demand for water, although the daily target of 400 litres per person still seems relatively high.

Greater Wellington Regional Council has been involved in improvements to the coast's urban water systems as the consent authority under the RMA. It has also taken steps to address concerns about the sustainability of shallow groundwater on the Kapiti Coast.

However, because other catchments in the region have been prioritised, little work appears to have been done on improving integrated water catchment management planning in both the Otaki and Waikanae Rivers.

6.2 Gas flaring in hydrocarbon exploration

During a 2002 investigation into the possibility of excessive flaring of gas during a field development, I was advised that a revised Minerals Programme for Petroleum would set specific requirements on the flaring of gas during exploration and development.

The programme came into effect on 1 January 2005, with the new sections expanding on the provisions contained in the Crown Minerals Regulations 1999 and the implicit principles in the good exploration and mining practice provisions. The effectiveness of the policies and objectives will, however, depend on the efforts of the Ministry of Economic Development (MED) to monitor operators and to require them to achieve best practice.

I am concerned that:

- there may be a reluctance to set stringent flaring standards at a time when the Government is making extra efforts to encourage investment in New Zealand
- only four staff monitor 80 permits, and the Crown Minerals Office relies on accurate self-reporting by the permit holders and/or information provided by other parties.

It is uncertain whether the new programme in itself will result in reduced gas flaring, therefore I am maintaining a watching brief on the MED's efforts.

6.3 Boggy patch: Wetlands management

The report *Boggy patch or ecological heritage? Valuing wetlands in Tasman* was released in March 2002. It included a review of sustainable wetlands management at a strategic level and included recommendations to the Tasman District Council (TDC), the Minister for the Environment, and the Minister of Conservation.

I am happy to report that TDC has made some good progress on wetlands management in its region. The provisions of its resource management plan have been amended to reflect a more precautionary approach until the baseline wetland inventory is available. TDC has funded and/or been involved in a number of initiatives to work with stakeholders and restore and protect wetlands. Some further work has been done on the inventory but, overall, a lot remains to be done, particularly in terms of assessing significance.

Unfortunately, there is little evidence of progress at a national level. The Water Programme of Action got underway since *Boggy patch* was released and this may have future benefits. However, the relevant National Policy Statement on Rare and Depleted Indigenous Vegetation is still under development and there is no indication when it will progress to the next stage. A classification system for wetlands would appear to have been developed, but it is unclear how it will be become operational.

7 Advice to select committees

7.1 Estimates and financial reviews

I assisted the Local Government and Environment Select Committee in its examination of the annual reports of the Ministry for the Environment and the Department of Conservation. I assisted the same committee in examining the estimates for Vote: Environment, Vote: Conservation, and Vote: Climate change and energy efficiency.

7.2 Resource Management and Electricity Legislation Amendment Bill

In the second half of 2004 the Government announced that it intended to develop a package aimed at improving the Resource Management Act 1991. Part of that package was the Resource Management and Electricity Legislation Amendment Bill, which was referred to the Local Government and Environment Select Committee. I was asked by the Committee to act as an advisor on the Bill, and members of my staff undertook that role.

As introduced, the Bill contained a number of significant changes to the way in which the RMA would operate. I was of the view that, while some of those changes would result in improved environmental changes, a number would have been counter productive.

I believe the Committee worked very successfully to improve the Bill. They recommended a number of significant changes that will, in my view, result in better environmental outcomes than could have been achieved by the Bill in its original form.

I still have reservations about some of the changes, but believe it is a better piece of amending legislation at the end of the select committee process than it was at the beginning.

The Resource Management Amendment Act 2005 was subsequently passed and came into force on 10 August 2005.

8 Environmental report

This section covers the environmental impacts of our office activities and operations during the financial year. We continue to monitor our key resource flows into and out of the office.

The 2004/05 year was the first full year in our new office. The biggest sustainability challenge has been the impact of the new tenancy on our energy consumption, and we commissioned an energy audit to help us improve our energy efficiency performance. Travel is another challenging area, as I must travel extensively to effectively fulfil my role as PCE.

8.1 Environmental measures

Carbon footprint

The carbon emissions generated by our business activities contribute to climate change. Our carbon footprint measures these emissions, and is calculated from data collected from our main energy uses: electricity, air travel, and vehicles (Table 1). (This calculation was made possible by the assistance of the EBEX team at Landcare Research.)

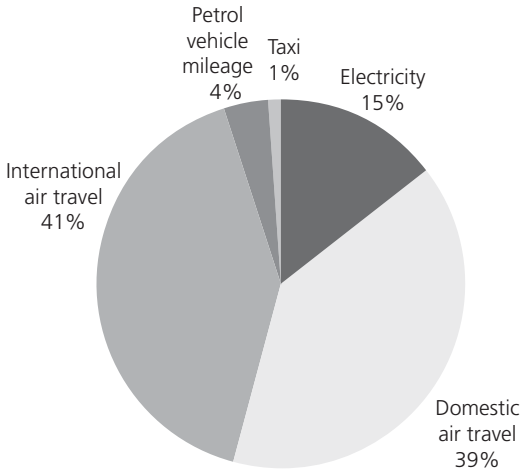
Energy consumption in all areas has increased as a result of:

- increased tenancy space
- more international and domestic air travel
- increased use of hire vehicles.

Table 1 Carbon footprint

Energy type	*CO_2 (tonnes) 2003/04*	*CO_2 (tonnes) 2004/05*	*% difference*
Electricity (44,157 kWh)	4.1	6.4	+56%
Domestic air travel (95,530 km)	9.7	17.2	+77%
International air travel (161,760 km)	1.5	17.8	+1190%
Petrol vehicle mileage (6,640 km)	1	1.7	+70%
Taxi (125 trips)	-	0.4	-
Total tonnes of CO2	16.4	43.6	+265%

Figure 4 Sources of CO_2 emissions (total 43.6 tonnes)



Electricity use

During the year I contracted the services of an energy auditor to assess and report on the energy used by the office to light the rooms and corridors and to provide power to computer equipment and appliances. The audit did not cover heating and ventilating air conditioning as our landlord, the Reserve Bank, provides these services. The audit's purpose was to identify actions we could undertake to significantly reduce CO_2 emissions and costs to complement the initiatives already in place. The recommendations included:

- changing halogen lights to compact fluorescent lights (CFLs)
- reducing excessive lighting in corridors
- changing from standard dichroic to infra red coated (IRC) lamps
- installing more motion sensors for lights.

Table 2 shows total electricity consumption for this financial year. The increase in consumption compared to 2003/04 is explained by the increase in office space after the relocation.

Implementing the audit recommendations will lead to an improved result next year, both for energy consumption and cost reduction.

Table 2 Electricity use

	2003/04	*2004/05*	*% difference*
Total electricity use (kWh)	28,185	44,157	+157%
Energy use per employee (kWh/FTE)	1,601.4	2,612.8	+163%
Energy use per square metre of office space (kWh/m^2)	40	62.6	+157%

Paper consumption

Our office uses 100 percent, total chlorine-free office paper. I am pleased to report that our paper consumption continues to decrease (Table 3). Strategies to reduce it include having duplexing units on all networked printers, and LCD monitors to facilitate on-screen reading.

Table 3 Office paper use

	2003/04	*2004/05*	*% difference*
Reams of paper used	282	264	-9.4%
Reams of paper per FTE	16	15.6	-2.5%

Waste

In March 2005, we performed our second audit of waste collected over a period of one week (Table 4). The audit was important, to measure progress against last year's results and to assess the effectiveness of our recycling systems.

I am pleased to report that our waste per full time equivalent (FTE) has reduced by 20 percent. The proportion of recyclable material has also reduced by 54 percent. Eliminating paper towels in our staff toilets and replacing them with cloth towels and hot-air dryers contributed significantly to this reduction.

Table 4 Waste audit results

	February 2004	*March 2005*
Total waste to landfill (kg/week)	4.02	3.12
Waste per FTE (kg/FTE/week)	0.25	0.20
Proportion of recyclable content found in waste to landfill	63%	34%

Staff environmental profile

During the 2004/05 reporting period each PCE staff member has:	*2003/04*	*2004/05*
- used office paper equivalent to	16.0 reams	15.6 reams
- used office paper per day	30.7 sheets	30 sheets
- used electricity totalling	1,601 kWh	2,613 kWh
- driven by car for work purposes	229 km	472 km
- flown by domestic air flights	3,061 km	5,653 km
- flown by international air flights	775 km	9,572 km

Govt^3

We continue to be an active and committed participant in the Ministry for the Environment's Govt^3 programme, which helps government agencies improve the sustainability of their activities in terms of environmental bottom line performance.

We look forward to working with the Govt^3 team and other agencies that are taking a lead in office sustainability.

9 Financial statements

Financial statements for the year ended 30 June 2005.

Statement of Responsibility

In my opinion the financial information presented in these statements and notes fairly reflects the position and operations of the Parliamentary Commissioner for the Environment.

A system of internal control has been established which provides reasonable assurance that public money and assets entrusted to the Commissioner are being efficiently and economically managed.

In terms of the Public Finance Act 1989 I accept responsibility, as Parliamentary Commissioner for the Environment, for the preparation of the financial statements and the associated judgements.

Dr J. Morgan Williams
Parliamentary Commissioner
for the Environment

Countersigned by:
Rodney Farrant
Manager, Corporate Systems

Audit New Zealand
AUDIT AND ASSURANCE SERVICES

AUDIT REPORT

TO THE READERS OF
THE PARLIAMENTARY COMMISSIONER FOR THE ENVIRONMENT'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

The Auditor-General is the auditor of the Parliamentary Commissioner for the Environment (PCE). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the PCE, on his behalf, for the year ended 30 June 2005.

Unqualified opinion

In our opinion the financial statements of the PCE on pages 35 to 52:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the PCE's financial position as at 30 June 2005;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 21 September 2005, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Parliamentary Commissioner for the Environment and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Parliamentary Commissioner for the Environment
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the PCE and the auditor

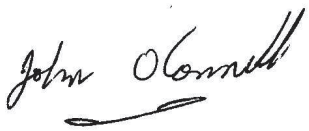
The PCE is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the PCE as at 30 June 2005. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The PCE's responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the PCE.



John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Objectives and Service Performance

For the Year Ended 30 June 2005

Output: Reports and advice

Under this output class, reports and advice are provided on the capability of the Government system for managing the environment. This includes independent advice on the performance of central and local government agencies with statutory and administrative responsibilities relating to the maintenance and improvement of environmental quality. Information is provided to the general public in response to enquiries and concerns about environmental management issues. The reports and advice arise from the exercise of functions under the Environment Act 1986.

Outcome

Outputs produced by the Commissioner contribute to:

- improved public authority accountability for decisions affecting the environment
- improved public authority environmental management
- improved capability of the New Zealand system of environmental management to deliver sound decisions
- improved quality of the environment in New Zealand.

An outcome evaluation is an enquiry (or investigation) to ascertain the response(s) of public authorities to the findings and/or recommendations from a particular environmental management investigation undertaken by the PCE, usually two or three years earlier.

Resources employed

30/06/04 Actual $		*30/06/05 Actual $*	*30/06/05 Main Est $*	*30/06/05 Supp Est $*
2,130,000	Revenue Crown	2,256,000	2,170,000	2,256,000
543	Other Revenue	200	3,000	3,000
2,130,543	**Total Revenue**	**2,256,200**	**2,173,000**	**2,259,000**
2,099,411	Total Expenses	2,220,388	2,173,000	2,259,000
31,132	**Net Surplus**	**35,812**	**0**	**0**

Explanation of major variations

Financial performance

The appropriation for this output class was increased by $86,000 (GST exclusive) in the Supplementary Estimates. This provided for an increase in the Permanent Legislative Authority of $14,000 and an increase in the Annual Appropriation of $72,000.

Service Performance

Quantity and cost

Output	Target		Performance Achieved		
	No.	Budget $000	No.	Under Action	Cost $000
Investigation Reports					
Environmental Management Audits	1-2	540	3	2	378
National Systems Issues	2-3	567	2	3	579
Citizens' Concerns Investigations	20-50	256	69	31	439
Outcome Evaluation Reports	5-8	25	4	4	8
Environmental Management Initiatives	2-5	306	3	2	75
Select Committee Assistance	5-10	72	11	0	132
Total	**35-78**	**1,766**	**92**	**42**	**1,611**
Information Dissemination					
Information for Stakeholders	50-100	104	46	8	123
Communication of Advice	40-60	252	102	27	433
Information for Parliament	4-6	51	7	2	53
Total	**94-166**	**407**	**155**	**37**	**609**
TOTAL	**129-244**	**2,173**	**247**	**79**	**2,220**

Explanation of major variations

Non-financial performance

In the area of 'Information for stakeholders', performance was less than forecast because fewer requests were received than anticipated.

Timeliness

Target	Performance Achieved
Provide a response to external requests for services and indicate action to be taken by Commissioner:	External requests received: 238
Within 15 working days in 80% of cases	Responses within 15 days: 81%
Within 25 working days in 95% of cases	Responses within 25 days: 92%

Quality

Throughout the year, the Parliamentary Commissioner for the Environment has ensured that:

- all reports have clearly stated their purpose, and addressed, where relevant:
  - the requirements of Part I of the Environment Act 1986 and the terms of reference established for reviews, investigations and enquiries
  - questions raised by the House of Representatives and select committees
- assumptions behind the findings of reviews, investigations and enquiries and behind advice on remedial action and preventative measures for protecting the environment were explicit, and arguments were logical and supported by facts
- all known material facts relevant to findings and advice were included in reports and accurately presented
- all reports provided evidence of adequate consultation with interested parties and ensured that parties and public authorities which are the subject of investigations were given the opportunity to examine and comment on reports before the reports were released
- technical information and analysis was of acceptable scientific quality as measured by peer review
- material presented in reports was:
  - summarised effectively
  - concise
  - written in plain language
  - free of spelling or grammatical errors.

Statement of Accounting Policies

For the Year Ended 30 June 2005

Reporting entity

The Parliamentary Commissioner for the Environment was established under the Environment Act 1986 and is designated as an Officer of Parliament by the Public Finance Act 1989.

The financial statements of the Parliamentary Commissioner for the Environment are prepared pursuant to the Public Finance Act 1989.

Measurement system

The measurement base adopted is that of historical cost unless otherwise stated.

Accounting policies

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied:

Budget figures

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates.

Revenue

The Parliamentary Commissioner for the Environment derives revenue through provision of outputs to Parliament and from sale of publications. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Cost allocation policy

The Parliamentary Commissioner for the Environment has one output only. All costs are allocated directly to that output.

Debtors and receivables

Receivables are recorded at estimated realisable value after providing for doubtful and uncollectable debts.

Operating lease

The Parliamentary Commissioner for the Environment leases its office premises. As all the risks and benefits of ownership are retained by the lessor, this lease is classified as an operating lease.

Operating lease costs are expensed in the period in which they are incurred.

Fixed assets

All fixed assets, or groups of assets forming part of a network or which are material in aggregate, costing more than $1,000 are recorded at historical cost less accumulated depreciation.

Depreciation

Depreciation is provided on a straight line basis so as to write off the cost or valuation of fixed assets over their expected useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated and adopted as follows:

Furniture, fittings and fixtures	10 years (10%)
Computer equipment	4 years (25%)
Other office equipment	5 years (20%)

Employee entitlements

Provision is made in respect of liability for annual, long service, and retirement leave. Annual leave has been calculated on an actual entitlement based at current rates of pay while other provisions have been calculated on an actuarial basis based on the present value of expected future entitlements.

Statement of cash flows

Cash means cash balances on hand and held in bank accounts.

Operating activities include cash received from all income sources of the Parliamentary Commissioner for the Environment and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise capital injections by, or repayment of capital to, the Crown.

Financial instruments

The Parliamentary Commissioner for the Environment is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors, and creditors.

All financial instruments are recorded in the Statement of Financial Position. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments are shown at their estimated fair value.

Goods and services tax (GST)

The Statement of Departmental Expenditure and Appropriations is inclusive of GST. The Statement of Financial Position is exclusive of GST except for creditors

and payables and debtors and receivables. All other statements are GST exclusive. The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between output GST and input GST, is included in creditors and payables or debtors and receivables (as appropriate).

Taxation

The Parliamentary Commissioner for the Environment is not liable for the payment of income tax in terms of the Income Tax Act 1994. Accordingly no charge for income tax has been provided for.

Commitments

Future expenses and liabilities to be incurred or contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Taxpayers funds

This is the Crown's net investment in the Parliamentary Commissioner for the Environment.

Changes in accounting policies

There have been no material changes in accounting policies since the date of the last audited financial statements. All policies have been applied on a basis consistent with other years.

Statement of Financial Performance

For the Year Ended 30 June 2005

30/06/04 Actual $		*(Note)*	*30/06/05 Actual $*	*30/06/05 Main Est $*	*30/06/05 Supp Est $*
	REVENUE				
2,130,000	Crown	(1)	2,256,000	2,170,000	2,256,000
543	Other	(2)	200	3,000	3,000
2,130,543	**Total revenue**		**2,256,200**	**2,173,000**	**2,259,000**
	EXPENDITURE				
1,264,561	Personnel costs	(3)	1,311,872	1,315,000	1,329,000
783,926	Operating costs	(4)	829,451	772,000	844,000
45,909	Depreciation	(5)	65,305	72,000	72,000
5,015	Capital charge	(6)	13,760	14,000	14,000
2,099,411	**Total expenses**		**2,220,388**	**2,173,000**	**2,259,000**
31,132	**Net surplus**		**35,812**	**0**	**0**

The accompanying accounting policies and notes form part of these financial statements.

For information on major variances against budget, refer to Note 14(a) (page 52)

Statement of Movement in Taxpayers Funds

For the Year Ended 30 June 2005

30/06/2004 Actual $		*30/06/2005 Actual $*	*30/06/2005 Main Est $*	*30/06/2005 Supp Est $*
31,132	Net surplus for the period	35,812	0	0
31,132	***Total recognised revenue and expenses***	**35,812**	**0**	**0**
113,000	Capital Contribution	0	0	0
(31,132)	Provision for repayment of surplus to the Crown	(35,812)	0	0
113,000	**Movement in Taxpayers funds for the year**	**0**	**0**	**0**
59,491	Taxpayers funds as at 1 July	172,491	172,000	172,000
172,491	***Taxpayers funds as at 30 June***	**172,491**	**172,000**	**172,000**

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2005

30/06/2004 Actual $		*(Note)*	*30/06/2005 Actual $*	*30/06/2005 Main Est $*	*30/06/2005 Supp Est $*
	TAXPAYERS FUNDS				
172,491	General funds		172,491	172,000	172,000
172,491	**Total taxpayers funds**		**172,491**	**172,000**	**172,000**
	Represented by:				
	CURRENT ASSETS				
301,369	Cash		280,928	179,000	185,000
8,027	Prepayments		7,979	0	0
361	Debtors and receivables	(7)	(515)	0	0
309,757	***Total current assets***		**288,392**	**179,000**	**185,000**
	NON-CURRENT ASSETS				
216,020	Fixed assets	(8)	194,544	175,000	190,000
216,020	***Total non-current assets***		**194,544**	**175,000**	**190,000**
525,777	**Total assets**		**482,936**	**354,000**	**375,000**
	CURRENT LIABILITIES				
178,435	Creditors and payables	(9)	93,420	45,000	45,000
31,132	Provision for repayment of surplus to the Crown		35,812	0	0
81,061	Provision for employee entitlements	(10)	104,257	61,000	81,000
290,628	***Total current liabilities***		**233,489**	**106,000**	**126,000**
	NON-CURRENT LIABILITIES				
62,658	Provision for employee entitlements	(10)	76,956	76,000	77,000
62,658	***Total non-current liabilities***		**76,956**	**76,000**	**77,000**
353,286	**Total liabilities**		**310,445**	**182,000**	**203,000**
172,491	**NET ASSETS**		**172,491**	**172,000**	**172,000**

The accompanying accounting policies and notes form part of these financial statements.

*Statement of Cash Flows

For the Year Ended 30 June 2005

30/06/04 Actual $		*30/06/05 Actual* $	*30/06/05 Main Est* $	*30/06/05 Supp Est* $
	CASH FLOWS–OPERATING ACTIVITIES			
	Cash provided from:			
2,129,999	Supply of Outputs to Parliament	2,256,876	2,170,000	2,256,000
0	Other Revenue	0	3,000	3,000
0	Interest	0	0	0
2,129,999		**2,256,876**	**2,173,000**	**2,259,000**
	Cash disbursed to produce Outputs:			
(1,234,964)	Personnel	(1,265,943)	(1,304,000)	(1,304,000)
(825,213)	Operating	(936,267)	(772,000)	(980,000)
(11,802)	Net GST paid	13,414	0	0
(5,015)	Capital Charge	(13,760)	(14,000)	(14,000)
(2,076,994)		**(2,202,556)**	**(2,090,000)**	**(2,298,000)**
53,005	**Operating activities net cash flows**	**54,320**	**83,000**	**(39,000)**
	CASH FLOWS–INVESTING ACTIVITIES			
	Cash provided from:			
543	Sale of fixed assets	200	0	0
	Cash disbursed for:			
(173,946)	Purchase of fixed assets	(43,829)	(30,000)	(45,000)
(173,403)	**Investing activities net cash flows**	**(43,629)**	**(30,000)**	**(45,000)**
	CASH FLOWS–FINANCING ACTIVITIES			
	Cash disbursed from:			
113,000	Capital Contribution	0	0	0
	Cash disbursed for:			
(6,061)	Repayment of Net Surplus	(31,132)	0	(31,000)
106,939	**Financing activities net cash flows**	**(31,132)**	**0**	**(31,000)**
(13,459)	Net Increase in cash held	(20,441)	53,000	(115,000)
314,828	Add opening cash	301,369	126,000	300,000
301,369	**Closing cash**	**280,928**	**179,000**	**185,000**
	Cash comprises			
301,369	Cash	280,928	179,000	185,0000

The accompanying accounting policies and notes form part of these financial statements.

*Main estimate figure for cash disbursed to produce outputs – personnel, including operating.

Reconciliation of Net Surplus to Net Cash Flow from Operating Activities

For the Year Ended 30 June 2005

30/06/2004 Actual $		*30/06/2005 Actual $*	*30/06/2005 Main Est $*	*30/06/2005 Supp Est $*
31,132	**Net surplus**	**35,812**	**0**	**0**
	Add/Less non-cash items			
45,909	Depreciation	65,305	72,000	72,000
0	Other non-cash items	0	0	0
8,279	Inc/(Dec) in non-current employee entitlements	14,298	11,000	14,000
54,188	**Total non-cash items**	**79,603**	**83,000**	**86,000**
	Add/Less Working Capital Movements			
(1)	(Inc)/Dec in debtors and receivables	876	0	0
2,845	(Inc)/Dec in prepayments	48	0	8,000
(54,682)	Inc/(Dec) in creditors and payables	(85,015)	0	(134,000)
20,066	Inc/(Dec) in current employee entitlements	23,196	0	1,000
(31,772)	**Working capital movements-net**	**(60,895)**	**0**	**(125,000)**
	Add/Less investing activities			
(543)	Net loss/(gain) on sale of fixed assets	(200)	0	0
(543)	**Total Investing activities**	**(200)**	**0**	**0**
53,005	**Net cash flow from operating activities**	**54,320**	**83,000**	**(39,000)**

The accompanying accounting policies and notes form part of these financial statements.

Statement of Commitments

As at 30 June 2005

As at 30 June 2005 the Parliamentary Commissioner for the Environment had no capital commitments (2004: Nil).

In 2004 the Parliamentary Commissioner for the Environment negotiated a five-year lease of its long-term lease on Wellington premises, with a right of renewal for a further two years. The annual lease payments are subject to review at the end of the renewal period. The amounts disclosed below as future commitments are based on the current rental rate.

30/06/2004 Actual $		*30/06/2005 Actual $*
	Operating lease commitments	
151,575	Less than one year	151,572
151,575	One to two years	151,572
429,462	Two to five years	277,882
0	Over five years	0
732,612	**Total operating lease commitments**	**581,026**

Statement of Contingent Liabilities

As at 30 June 2005

As at 30 June 2005 the Parliamentary Commissioner for the Environment had no contingent liabilities (2004: Nil).

Statement of Unappropriated Expenditure

For the year ended 30 June 2005

As at 30 June 2005 the Parliamentary Commissioner for the Environment incurred no unappropriated expenditure (2004: Nil).

Statement of Departmental Expenditure and Appropriations

For the year ended 30 June 2005
(Figures are GST inclusive where applicable)

30/06/2004 Expenditure Actual $		*30/06/2005 Expenditure Actual $*	*30/06/2005 Appropriation *Voted $*
	VOTE: PARLIAMENTARY COMMISSIONER FOR THE ENVIRONMENT		
	Appropriation for class of output		
2,129,411	D1—Reports and Advice	2,251,513	2,291,000
2,129,411	**Sub-Total**	**2,251,513**	**2,291,000**
	Appropriation for capital contribution		
113,000	Capital investment	0	0
113,000	**Sub-Total**	**0**	**0**
	Appropriation for other expenses		
210,000	Permanent Legislative Authority	223,000	223,000
210,000	**Sub-Total**	**223,000**	**223,000**
2,452,411	**Total**	**2,474,513**	**2,514,000**

The accompanying accounting policies and notes form part of these financial statements.

* This includes adjustments made in the Supplementary Estimates.

Notes to the Financial Statements

For the Year Ended 30 June 2005

Note 1 Revenue Crown

This is revenue earned for the supply of outputs to the Crown.

Note 2 Other revenue

30/06/2004 Actual $		*30/06/2005 Actual $*	*30/06/2005 Main Est $*	*30/06/2005 Supp Est $*
0	Sale of publications	0	3,000	3,000
543	Net gain on sale of assets	200	0	0
543	**Total other revenue**	**200**	**3,000**	**3,000**

Note 3 Personnel costs

30/06/2004 Actual $		*30/06/2005 Actual $*	*30/06/2005 Main Est $*	*30/06/2005 Supp Est $*
1,256,282	Salaries and wages	1,297,574	1,304,000	1,315,000
8,279	Retirement and long service leave	14,298	11,000	14,000
1,264,561	**Total personnel costs**	**1,311,872**	**1,315,000**	**1,329,000**

The Parliamentary Commissioner for the Environment is paid under Permanent Legislative Authority pursuant to section 9 of the Environment Act 1986. His salary at 30 June 2005 was $223,000. Included in the salary, he received a superannuation contribution of 10 percent and a retirement leave contribution of 5 percent of his salary. One staff member received remuneration in excess of $100,000 pa.

Note 4 Operating costs

The principal items of expenditure are as follows:

30/06/2004 Actual $		*30/06/2005 Actual $*	*30/06/2005 Main Est $*	*30/06/2005 Supp Est $*
29,065	Stationery, Publications and Software	29,715	38,780	38,780
36,258	Telecommunication, Postage and Freight	41,891	34,000	39,520
49,973	Travel	96,732	86,900	99,900
115,348	Operating Lease Rental	157,815	167,688	157,812
47,460	Property and Equipment Maintenance	31,633	31,443	34,333
234,679	Professional Services	173,694	239,500	174,500
59,630	Printing	182,843	68,000	192,000
11,545	Auditor's fee to audit Financial Statements	12,533	8,000	13,000
199,968	Other Operating Costs	102,595	97,689	94,155
783,926	**Total**	**829,451**	**772,000**	**844,000**

Note 5 Depreciation

30/06/2004 Actual $		*30/06/2005 Actual $*
3,908	Furniture and fittings	21,347
37,502	Computer equipment	36,918
4,499	Office equipment	7,040
45,909	**Total Depreciation**	**65,305**

Note 6 Capital charge

The Parliamentary Commissioner for the Environment pays the Crown a capital charge on the average level of Taxpayers Funds recorded in the Statement of Financial Position. The capital charge rate for the current year was 8.0% (2004: 8.5%).

Note 7 Debtors and receivables

30/06/2004 Actual $		*30/06/2005 Actual $*
361	Debtor Crown	(515)
361	**Total debtors and receivables**	**(515)**

Note 8 Fixed assets

30/06/2004 Actual $		*30/06/2005 Actual $*
	Furniture and fittings	
139,582	At cost	147,445
27,935	Accumulated depreciation	47,120
111,647	**Furniture and fittings—net book value**	**100,325**
	Computer equipment	
258,208	At cost	286,662
162,170	Accumulated depreciation	199,088
96,038	**Computer equipment—net book value**	**87,574**
	Office equipment	
46,449	At cost	51,799
38,114	Accumulated depreciation	45,154
8,335	**Office equipment—net book value**	**6,645**
216,020	**TOTAL CARRYING AMOUNT OF FIXED ASSETS**	**194,544**

Note 9 Creditors and payables

30/06/2004 Actual $		*30/06/2005 Actual $*
152,999	Trade Creditors	36,879
24,932	Accrued Expenses	29,698
0	Provisions	23
504	GST Payable	26,820
178,435	**Total creditors and payables**	**93,420**

Note 10 Provision for employee entitlements

30/06/2004 Actual $		*30/06/2005 Actual $*
	NON CURRENT LIABILITIES	
62,658	Retirement and long service leave	76,956
62,658	***Total non-current portion***	**76,956**
	CURRENT LIABILITIES	
81,061	Annual leave	104,257
81,061	***Total current portion***	**104,257**
143,719	**Total provision for employee entitlement**	**181,213**

Note 11 Financial instruments

The Parliamentary Commissioner for the Environment is party to financial instrument arrangements as part of everyday operations. These include instruments such as banking, investments, accounts receivable, and creditors.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Commissioner, causing the Commissioner to incur a loss. In the normal course of business the Parliamentary Commissioner for the Environment incurs credit risk from trade debtors and transactions with financial institutions.

The Parliamentary Commissioner for the Environment does not require any collateral or security to support financial instruments with financial institutions that the Commissioner deals with, as these entities have high credit ratings. For its other financial instruments the Commissioner does not have significant concentrations of credit risk.

Fair value

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Currency and interest rate risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that return on funds invested will fluctuate due to changes in market interest rates.

The Commissioner has no significant exposure to currency risk or to interest rate risk on financial instruments.

Note 12 Contingencies

The Parliamentary Commissioner for the Environment does not have any contingent assets as at 30 June 2005 (30 June 2004, Nil).

Contingent liabilities are separately disclosed in the Statement of Contingent Liabilities.

Note 13 Related party transactions

The Parliamentary Commissioner for the Environment is a wholly owned entity of the Crown. All transactions entered into with other Government Departments and State Owned Enterprises are conducted 'at arm's length' on normal business terms. These transactions are not considered to be related party transactions.

Note 14 Major budget variations

(a) Explanations for major variations from the initial Budget Night Estimates were outlined in the Supplementary Estimates. They were:

Output D1—Reports and advice

- The annual appropriation for this output class was increased by $82,000 (including GST). This reflects the cost to maintain capability and capacity
- The other appropriation for this output class was increased by $14,000. This reflects the movement in the Commissioner's salary and allowances as determined by the Higher Salaries Commission.

(b) Explanations for variations from Operational Effectiveness were:

- $183,000 was diverted from other investigations into two major Citizens' Concerns:
  - *Turning hopes and dreams into actions and results: Whangamata, a case study of community planning in a coastal area*
  - *Hawke's Bay expressway: Noise and air quality issues*
- resourcing of $181,000 was put into 'Communication of advice', particularly for presentations and workshops on the reports released by the PCE.

Statement of Financial Performance Objectives

For the Year Ended 30 June 2005

Performance Indicators

	Unit	Actual 2005	Budget 2005
Operating Results			
Revenue: Interest	$	0	0
Output expenses	$	2,220,388	2,173,000
Operating surplus before capital charge	$	49,572	14,000
Net surplus	$	35,812	0
Working Capital			
Net current assets	$	54,903	73,000
Current ratio	%	123	169
Liquid Ratio	No.	3:1	4:1
Average creditors outstanding	Days	18	11
Resource Utilisation			
Physical assets:			
Total physical assets at year end	$	194,544	175,000
Value per employee	$	12,235	10,000
Additions as % of physical assets	%	23	17
Taxpayers funds:			
Level at year end	$	172,491	172,000
Level per employee	$	10,849	10,000
Forecast Net Cash Flows			
Surplus/(deficit) operating activities	$	54,320	83,000
Surplus/(deficit) investing activities	$	(43,629)	(30,000)
Surplus/(deficit) financing activities	$	(31,132)	0
Net increase/(decrease) in cash held	$	(20,441)	53,000
Human Resources			
Staff turnover	No.	0	3
Analyst to Support Staff Ratio	No.	2.2:1	2.6:1
Total staff (FTE)	No.	15.9	18.0

10 Office organisation and management

10.1 Legal responsibilities

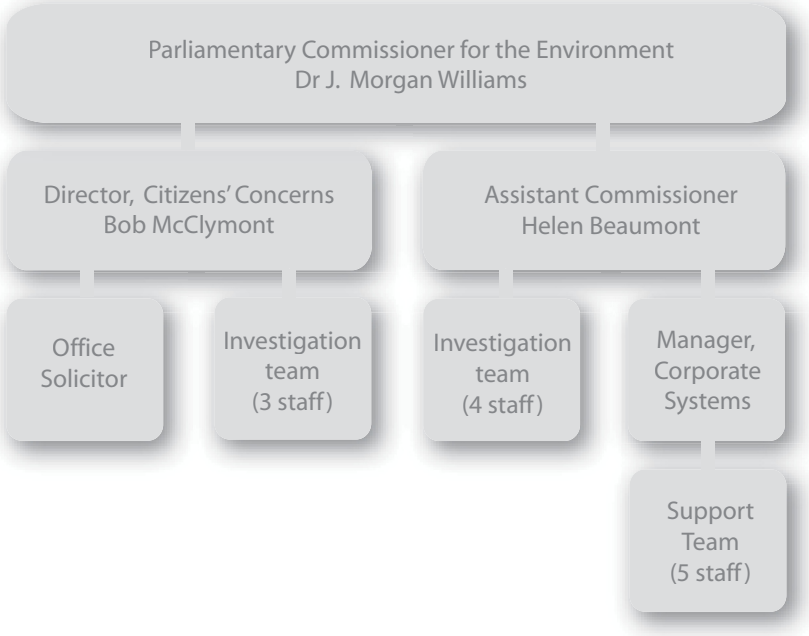
The Environment Act 1986 established the position of Parliamentary Commissioner for the Environment and outlines my functions, powers and responsibilities.

The Commissioner is an Officer of Parliament and reports directly to the House of Representatives through the Speaker. I was reappointed for a second five-year term on 27 February 2002.

10.2 Management and structure

Two staff members are employed part-time giving a total of 15.9 full-time equivalents (there were also 15.9 full-time equivalents at 30 June 2004). During the 12 months to 30 June 2005 one vacancy was filled and there were no staff resignations.

Figure 5 The management structure and staff of the office at 30 June 2005



10.3 Operational effectiveness

Details of output performance for the year are shown in the Statement of Objectives and Service Performance (pages 35-37). The significant variations are:

Table 5 Operational Effectiveness

	Objective	*Performance Achieved*		*Variance Over/(Under)*
Output	*$000*	*$000*	*%*	*$000*
Investigation Reports				
Environmental Mgmt Audits	540	378	70	(162)
Citizens' Concern Investigations	256	439	171	183
Environmental Mgmt Initiatives	306	75	25	(231)
Information Dissemination				
Information for Stakeholders	104	123	118	19
Communication of Advice	252	433	172	181

See Note 14(b) on page 52 for variation explanations.

10.4 Employment policy

At 30 June 2005 all staff were employed on individual employment agreements.

I subscribe to the Good Employer concept. Staff with unexpected and unavoidable child care commitments during normal working hours are entitled to work at home or receive reimbursement of reasonable child care costs. Employment contracts provide for essential caregivers' leave entitling a staff member to go on leave without pay while guaranteeing job protection.

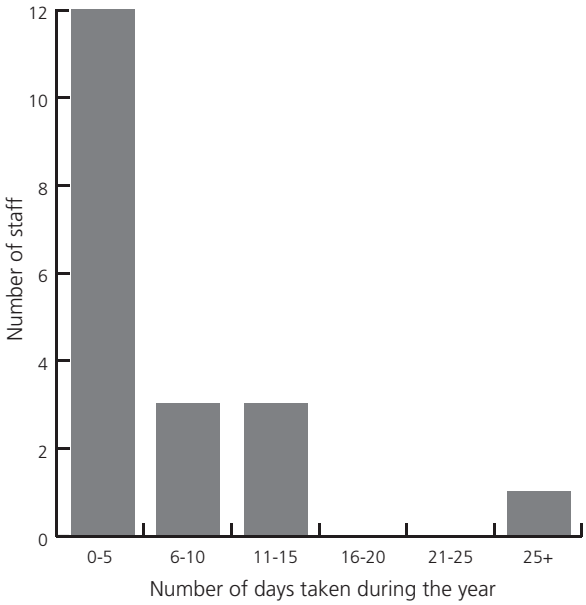
10.5 Wellness

The health of PCE staff is of prime importance. No health and safety incidents were recorded for 2004/05.

Proactive measures to promote a healthy workplace include:

- providing flexible working hours so staff can fit regular exercise into their schedules
- offering annual flu vaccinations to staff
- membership of the NZ Heart Foundation
- providing healthy food options for staff and visitors at catered events.

Figure 6 Sick leave 2004/05



10.6 Training and development

I encourage all staff, with the active support of their managers, to plan for their own professional and personal development. The PCE contributes to relevant training and, where possible, offers flexible working hours in order to facilitate personal study programmes.

In 2005, $24,300 ($1,530 per FTE) was spent on training and development. This includes attendance at conferences and seminars.

10.7 Diversity and EEO

I am committed to the principle of equal employment opportunity. My organisation is a member of the EEO Employers' Group. At 30 June 2005, the PCE employed eight women and nine men.

Table 6 Diversity and EEO

	2003/04	*2004/05*
Total no. of men employed	8	9
Total no. of women employed	8	8
NZ European	15	16
Maori	0	0
Other ethnic	1	1