



MINISTRY OF AGRICULTURE AND FORESTRY

ANNUAL REPORT

2010-11

PRESENTED TO THE HOUSE OF REPRESENTATIVES PURSUANT TO SECTION 39 OF THE PUBLIC FINANCE ACT 1989



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Director-General's

OVERVIEW

I am pleased to present this report on the operations of the Ministry of Agriculture and Forestry (MAF) for the year ended June 2011 to the House of Representatives, pursuant to the Public Finance Act 1989.

This is my first overview for the MAF Annual Report having taken up the position of Director-General in November 2010. I would like to acknowledge the efforts of my predecessor, Murray Sherwin, and the capable Ministry he passed on to me is his legacy.

The 2010/11 year was a year of major transition for MAF, with the merger of the New Zealand Food Safety Authority (NZFSA) coming into effect from 1 July 2010 and the merger with the Ministry of Fisheries from 1 July 2011.

This document summarises the Ministry's key activities over the past year and outlines its performance in striving to reach its strategic objectives. We have also identified (where appropriate) the work undertaken to establish the new amalgamated organisation.

Given the Government's focus on improved public services for less, this report highlights the contribution MAF made in 2010/11 and will continue to make in the coming years.

One of the key developments of the year was the development of a new strategic direction for the Ministry. The vision of the new Ministry is Growing and Protecting New Zealand; MAF will focus on enabling and partnering the success of the primary sectors. The organisational strategy for the Ministry seeks to deliver on this vision and incorporates the best of the current strategic thinking from both MAF and the Ministry of Fisheries. There were a number of opportunities

for MAF stakeholders and staff to provide input into the strategy development process during 2010/11 and I would like to thank all those who contributed.

The new strategic direction was developed in anticipation of the merger with the Ministry of Fisheries in 2011/12. This merger creates a single agency focused on maximising export opportunities and improving sector productivity, while at the same time increasing sustainable resource use and protecting New Zealand from biological risk. The merger will significantly enhance the Ministry's ability to support the whole of the primary sector, deliver high-quality services and provide integrated strategic advice. It reduces duplication and operational costs and makes savings to allow us to meet the budget requirements for 2012/13. The merger will lead to substantial organisational and structural change during 2011/12 as we seek to realign our work programmes to focus on the delivery of the Ministry's new strategic direction and to meet the Government's fiscal and operational objectives.

A key focus in 2010/11 was the Government's priorities for MAF, and good progress was made in delivering on a number of these priorities.

We responded to the Government's desire for a more active involvement in water infrastructure by a programme of policy development and facilitating the development of the Land and Water Forum's report on water reform options. This work led to the National Policy Statement for Freshwater and the establishment of the Irrigation Acceleration Fund (IAF) in May 2011. The IAF is a major initiative that will provide a comprehensive approach to rural water infrastructure development. It consolidates

This annual report covers the activities of MAF for 2010/11. A separate annual report has been prepared for the Ministry of Fisheries, as the two ministries had not been amalgamated until the beginning of 2011/12.

existing irrigation funding from MAF's Sustainable Farming Fund and the Community Irrigation Fund in order to support the development of robust, investment-ready irrigation proposals.

Another major achievement for the Ministry this year was the inaugural ministerial meeting of the Global Research Alliance on Agricultural Greenhouse Gases held in Rome in June 2011. The summit was organised by MAF on behalf of New Zealand and saw the signing of the Alliance charter by 31 countries. At the Summit the Minister of Agriculture launched the New Zealand Fund for Global Partnerships in Livestock Emissions Research – a contestable, international fund worth NZ\$25 million to support research on mitigating greenhouse gas emissions from pastoral farming.

The Government wants MAF to support the major primary industries to lift their economic performance. During 2010/11, the Primary Growth Partnership (PGP) continued to allocate funds to support innovation and growth in the primary sector and seven PGP grants were approved which will have a value of \$208 million over the life of the projects. This included two projects with the seafood industry that will receive over \$50 million over the next six to seven years. In addition to PGP, MAF supported the Wood Council of New Zealand to release a Forestry Industry Strategic Study and consulted on potential legislative amendments to enable Fonterra to implement its Trading Amongst Farmers proposal.

During 2010/11 MAF also supported the development of Māori agribusiness by launching a study of Māori freehold land at Parliament in a joint function with the Te Puni Kōkiri, the Ministry of Māori Development in April 2011. At the same function, Te Puni Kōkiri launched a report on Māori landowners' aspirations for their land and will lead further work on Māori agribusiness with support from MAF and other agencies.

In 2010/11 the Ministry progressed two major pieces of biosecurity legislation through to the

Select Committee stages.

The Biosecurity Law Reform Bill is the first major change to the Biosecurity Act since 1997 and brings together legislative changes to implement a number of biosecurity change projects, including border risk management and Government–Industry Agreements. Government Industry Agreements are an approach to funding shared readiness and response activity and will change the nature of relationship between MAF and industry.

The National Animal Identification and Tracing (NAIT) Bill sets out the legal framework for the collection of information on livestock, their location and movement history throughout their lifetime. It also outlines governance arrangements and powers for the NAIT organisation which is being created through the merger of the Animal Health Board and NAIT Ltd (a government–industry partnership entity established to introduce better animal identification and tracing systems). To support the development of NAIT, MAF has developed FarmsOnLine, a web-based system that will supply the contact and location detail of rural properties in New Zealand. FarmsOnLine went live on schedule in March 2011 and it gives MAF instant access to information so it can respond quickly to a biosecurity alert or natural disaster.

In the food safety area, the Food Bill was reported back to Parliament by the Primary Production Select Committee in December 2010. The Bill would replace the Food Act 1981 and would introduce some fundamental changes to New Zealand's domestic food regulatory regime. The Food Bill aims to provide an efficient, effective and risk-based food regulatory regime. While there is no set date on when it will be passed by the House and become law, the Ministry has been working on the implementation details and liaising with stakeholders on the supporting regulatory detail.

During the year MAF was also heavily involved in Free Trade Agreement (FTA) negotiations with Russia, India, South Korea and countries under the Trans-Pacific Partnership, as well as working

on implementing commitments under the completed FTAs, in particular, its FTA with China. This work is complex and requires technical expertise to realise further market access outcomes from the negotiated agreement.

In 2010/11 MAF made a significant contribution to the achievement of the Government's goals for the primary sector and the New Zealand economy. I look forward to this continuing as we move into a new phase for the Ministry where we support the growth the economy for the benefit of all New Zealanders.



Wayne McNee
Director-General

MAF'S ROLE

OUR PURPOSE

MAF's focus this year was on the critical contribution to New Zealand's economic, environmental and social wellbeing from the primary sectors and related industries. This matters because growing, transporting, processing and trading animal and plant products are of vital importance to New Zealand. Around two-thirds of New Zealand's merchandise exports are animal and plant products and over 60 000 farms and 35 000 food businesses operate in the sector.

New Zealand's environmental and social wellbeing is built around the primary sector as well. This includes the sustainable use of land and water; having access to safe and suitable food; protecting unique land and marine environments; protecting resources of cultural value to Māori; and ensuring animal welfare practices that are consistent with New Zealanders' values.

OUR VOTES AND APPROPRIATIONS

Our role and the work we undertake is financed under Vote Agriculture and Forestry, Vote Biosecurity and Vote Food Safety. Further details about our specific appropriations can be found in the Estimates.

MAF AND NZFSA AMALGAMATION

MAF and the NZFSA were amalgamated to form a single agency on 1 July 2010. To give effect to the amalgamation, a new organisational structure was developed and a staff transfer process undertaken. The new integrated organisation's structure took effect in February 2011 and Wellington-based NZFSA staff were progressively relocated to MAF's Head Office – Pastoral House.

MAF AND MINISTRY OF FISHERIES

As part of work to improve performance across the state sector, the Government announced on 10 March 2011 that the Ministry of Fisheries was to merge with MAF. The legal merger took place on 1 July 2011, with full integration into the new Ministry taking place later in 2011/12.

Although there remains much to be done to complete the merger and implement the changes over the next year, significant work was necessary in both agencies to ensure an effective and properly functioning agency was in place by 1 July 2011. In addition to progressing development of the new organisational strategy, a new high-level organisational structure and integration of critical systems were undertaken –

all in three months, and all while continuing to deliver both agencies' important business as usual.

As the government hub for the primary sector, the new Ministry will develop good relationships, not only with primary production and food businesses but also with Māori, environmental non-governmental organisations, trading partners and across local and central government.

The merger reduces duplication and operational costs. It is expected that a proportion of savings from the merger will be shared with the sectors and industries we work with, effectively reducing the cost to those doing business with us.



The Ministry's

OUTCOMES FRAMEWORK

END OUTCOMES

What will long-term success look like?

ECONOMY: Sustainable economic growth and increased prosperity for New Zealanders

INTERMEDIATE OUTCOMES

What will medium-term success look like?

- › Prevention and reduction of harm to economic activity from pests and diseases
- › Sustained and enhanced market access
- › Enhanced economic relationship with Australia
- › Enhanced trade through principled application of international obligations
- › A business environment that increasingly supports innovation, enterprise and high performance
- › Reduced overall compliance burden
- › Enhanced prosperity for Māori engaged in the sectors
- › Sectors are more responsive to the challenges and economic opportunities associated with climate change

MAF Crown Forestry

Effective stewardship of the Crown's forestry assets

MAF and NZFSA were amalgamated at the beginning of the the current reporting period. Prior to the amalgamation, MAF and NZFSA agreed an interim outcomes performance measurement framework to facilitate non-financial performance reporting during the period under review. This year's outcomes performance reporting is therefore not based on the separate outcomes frameworks published in the respective MAF/NZFSA 2010/13 Statements of Intent, but on the above framework which was published in the Ministry of Agriculture and Forestry's 2011/14 Statement of Intent.

There have been a number of changes to the Statement of Service Performance where we report the Ministry's output performance measures. This is an area on which the Ministry has been focusing effort and these changes aim to ensure MAF's service performance reporting is "fit for purpose" and meets the requirements of the revised audit standard.

As a result of the amalgamation with the Ministry of Fisheries, a new outcome set will be developed for the Ministry and included in the 2012/15 Statement of Intent.

NATURE AND SCOPE OF MAF'S FUNCTIONS

MAF's functions revolve around New Zealand's primary industries. We work to improve the productivity and environmental performance of those sectors, enhance access to international markets, manage risk to New Zealand's biological foundations, and provide assurances about the integrity of food and other products.

SCOPE OF OUR WORK

We work for Ministers in four portfolio areas:

- › Agriculture, Forestry, Biosecurity and Food Safety.
- › In these portfolio areas, we administer 38 Acts of Parliament including: Animal Welfare Act 1999; Biosecurity Act 1993; Dairy Industry Restructuring Act 2001; Food Act 1981 and Forests Act 1949.

PEOPLE: Healthier New Zealanders

- › Improved safety and suitability of food
- › Healthier and safer food decisions made by informed consumers
- › Minimised impact on human health and wellbeing from pests and diseases, adverse events and emergencies
- › A more informed public increasingly involved in our regulatory activities
- › More resilient rural communities

New Zealand Walking Access Commission

Free, certain, enduring and practical walking access to the outdoors is enhanced in New Zealand

ENVIRONMENT: Maintained and enhanced economic, social and cultural benefits from the environment

- › Primary sectors use natural resources and systems in an increasingly sustainable manner
- › A reduction in New Zealand's agricultural greenhouse gas emissions compared with business as usual
- › An increase in the removal of carbon from the atmosphere from forestry
- › Prevention and reduction of harm to resources of cultural value to Māori from pests and diseases
- › Prevention and reduction of harm to the natural environment from pests and diseases

OUR ROLE

MAF's roles extend across the food, agriculture, forestry, animal welfare, and biosecurity areas.

Our roles include:

- › **Leadership:** Leading New Zealand's overall biosecurity and food safety systems.
- › **Policy Adviser:** Advising the Government on agriculture and forestry, trade and market access, animal welfare, climate change, walking access, biosecurity and food safety.
- › **Regulator:** Setting standards and enforcement to improve animal welfare and develop and maintain standards/systems that manage biosecurity risk associated with imports and exports. We also develop and implement food standards and provide assurance that food, food-related products and inputs into food are managed, audited, approved, registered and/or monitored in accordance with New Zealand legislation and importing countries' market access requirements. In addition we respond to food and biosecurity-related emergencies and suspected breaches of legislation. We regulate for the sustainable management of privately

owned indigenous forests under the Forest Act 1949.

- › **Provider:** Monitoring and running clearance programmes and biosecurity surveillance activities at the border. We assess and respond to food and biosecurity-related emergencies. We also implement the Emissions Trading Scheme (ETS).
- › **Funder:** Administering a number of grants and programmes for land-based sectors (including the PGP). We administer an international research fund for research into reducing greenhouse emissions from agriculture.
- › **Enabler:** Engaging and informing stakeholders about biosecurity and food safety, to encourage compliance with food regulations and to enable consumers to make appropriate food choices. We seek to enable exporters to identify opportunities, address unnecessary barriers to trade and help the primary sector deliver strategies for growth.
- › **Monitoring agency:** Providing oversight to the New Zealand Walking Access Commission.

OUTCOMES PERFORMANCE

In choosing what measures to include for publication purposes we were conscious of the need to provide a balanced but concise account of MAF's core outcomes performance.

Our activities and interventions have a wide scope and affect the economy, New Zealanders and the natural environment on multiple levels. The measures we chose cover the full spectrum of expected outcomes we intend to affect.

Given the interdependent nature of our activities, the performance measures (discussed below) ought to be considered within the wider context of all of our activities. There often exist complementarities between measures that cut across more than one intermediate or end outcome theme.

END OUTCOME: ECONOMY

Sustainable economic growth and increased prosperity for New Zealanders

Agriculture, food and forestry are the sectors in which New Zealand has global brands of scale,

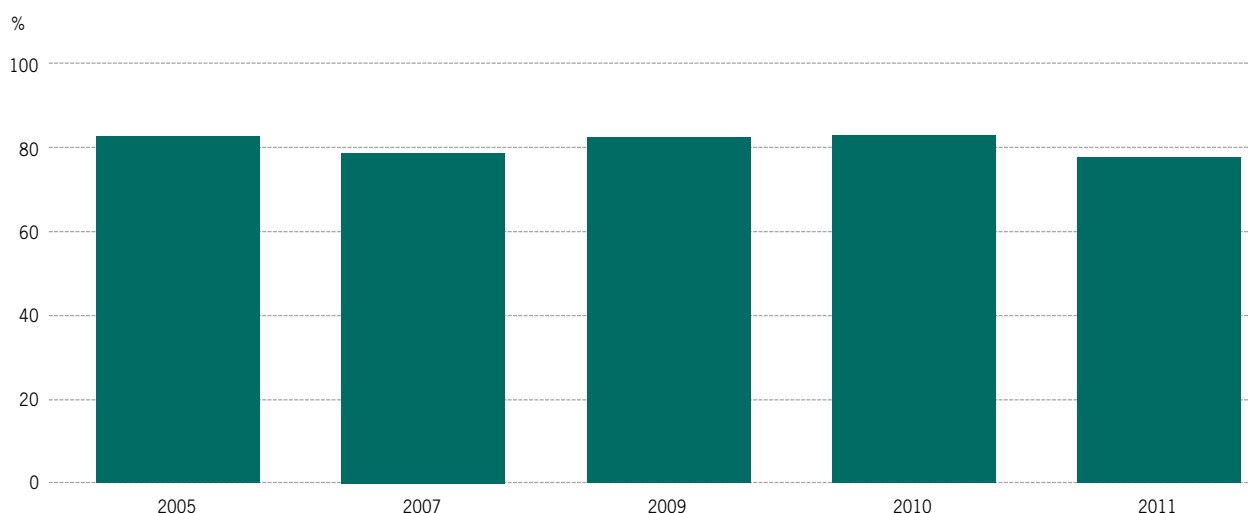
leading technology, skills and market position. The ability of these sectors to compete in international markets depends on effective trade negotiations and credible assurances of product safety. MAF helps facilitate market access for agriculture, food, forestry and related products alongside several other central government agencies. A well-functioning biosecurity system protects the primary production sectors and the natural resources on which they are based.

Intermediate Outcome: Prevention and reduction of harm to economic activity from pests and diseases

What are we seeking to achieve?

Exotic pests and diseases with the potential to harm the economy, people or the environment are stopped at the border or are detected early and kept from establishing in New Zealand. MAF's biosecurity focused activities therefore contribute to multiple outcomes across the New Zealand economy, society and the natural environment.

EFFECTIVENESS OF BIOSECURITY PATHWAY INTERVENTIONS



How do we measure our success?

MAF continually monitors its border control and biosecurity systems to determine whether interventions have been successful in detecting all potentially harmful pests and diseases. System or “pathway” effectiveness rates reflect the proportion of potentially harmful pests and diseases that are detected by MAF interventions.

MEASURE 1: INCREASED EFFECTIVENESS OF BIOSECURITY BORDER INTERVENTIONS

End-point surveys¹ conducted at Auckland International Airport aim to determine whether biosecurity border interventions are effective in identifying biosecurity risk material. Passengers who have cleared the biosecurity screening area

¹ Target populations were passengers and crew arriving on commercial flights into Auckland International Airport between 17 January and 11 February 2011. Excluded were passengers fully searched by the New Zealand Customs Service (NZCS), passengers disembarking from non-commercial aircraft and exiting through special gates, transit or transfer passengers, passengers carrying diplomatic passports and passengers missing any of their luggage.

are randomly selected for rescreening, and their luggage inspected for the presence of risk goods. Effectiveness is expressed as the proportion of estimated total arriving risk that is detected and mitigated by a particular process.²

Between 2005 and 2011 the effectiveness rate was kept within a narrow band of between 83.2 percent and 78.1 percent respectively (see diagram on page 8). Given the increasing pressure on border clearance services due to an increase in overseas passenger arrivals, the effectiveness levels achieved are encouraging.

MEASURE 2: BIOSECURITY INCURSION TARGET AREAS DECLARED PEST AND DISEASE FREE

This measure assesses programmes and initiatives aimed at managing biosecurity pests and diseases in New Zealand.

² For context, note that 96.6 percent of arriving passengers at Auckland International Airport carry no seizable risk goods.

NATIONAL INTEREST PEST RESPONSES

NATIONAL INTEREST PEST	SURVEILLANCE AREA	FINDINGS
Hornwort	Centennial Park Lake, Timaru	Nothing for three years
Hydrilla	Three infested lakes in Hawke's Bay Lake Tutira	Nothing Few tubers and turions in sediment
Water hyacinth	National	Only four new sites demonstrating a downward trend
Salvinia	National Kaituna wetlands	Only five new sites found (three on Waiheke Island) demonstrating a downward trend Nothing
Manchurian wild rice	Northland Auckland Waikato Waikanae, Wellington	All outlying sites now under management Experienced delays due to weather and need to obtain resource consent. Variable response levels Density of remnants continue to decrease
Phragmites	Canterbury Napier City	Very little regrowth Levels of reduction have been variable.
White bryony	Mokai Valley, Rangatikei, Aria, Mokauiti Valley — Waikato New outlying plants at Mokai Valley	Substantial decreases in number and size Increasing areas infected by numbers continue to decrease satisfactorily
Pyp grass	Santoft, Manawatu Koitiata, Waitarere Blackhead — Hawke's Bay	Small number of plants found No plants found Small number of plants found
Cape tulip	Whanganui National	One new site found Reoccurrence on previous regrowth-free areas
Johnson grass	National	No signs found

BOVINE TB NATIONAL PEST MANAGEMENT STRATEGY

The Biosecurity (National Bovine Tuberculosis Pest Management Strategy) Order 1998 (the Tb Strategy) is an \$82 million per year programme that seeks to control bovine tuberculosis (Tb) in cattle and deer herds, and control wildlife populations, particularly possums, that are vectors for spreading the disease.

Delivery of the strategy has consistently been ahead of target. The outcome of the strategy was focused on reducing the annual period prevalence of bovine TB in cattle and deer herds to 0.2 percent by 30 June 2013. The target for June 2011 was 0.3 percent and, as of May 2011, the national prevalence was 0.24 percent.

The Tb Strategy has relieved farmers and the industry of a major burden of herd infection and the associated costs, production losses and herd management difficulties. Approximately 62.4 percent of New Zealand is now classed as Vector Free.

NATIONAL INTEREST PEST RESPONSES

MAF manages the implementation of a range of pest surveillance activities. These activities focus on ensuring areas previously affected by pest incursions remain pest and disease free. Findings for National Interest Pest Responses that were implemented during 2010/11 are contained in the table on the previous page.

Intermediate Outcome: Sustained and enhanced market access

Sustaining and enhancing New Zealand's market access is crucial to New Zealand's economic growth.

MAF has primary responsibility for negotiating market access requirements covering the safety and suitability of exported animal and plant food products, agricultural compounds and veterinary medicines with governments of importing countries. We work in collaboration with the Ministry of Foreign Affairs and Trade, which has overall responsibility for trade and political relationships, on trade negotiations and trade relationships for the benefit of the primary sector.

MAF is also involved in the Government's FTA agenda – in particular, although not limited to, the negotiation and implementation of the sanitary and phytosanitary (SPS) chapters of all of New Zealand's FTAs.

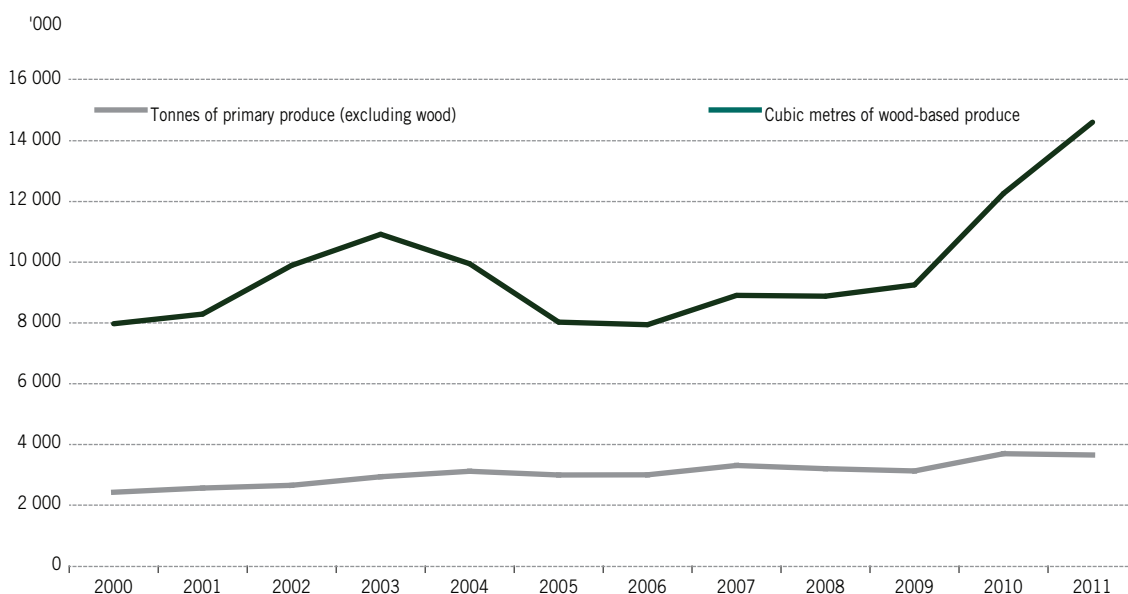
What are we seeking to achieve?

Less restrictive (or less costly) protocols, rules and regulations in markets for New Zealand's traded animal, plant, food and forestry products.

How do we measure our success?

MAF monitors the progress, and downstream fiscal benefits, associated with reduced tariffs for

INDICATIVE VOLUME OF EXPORTS FACILITATED AT THE BORDER



primary products to key markets, and less restrictive trade conditions including SPS agreements and protocols facilitating the trade in New Zealand's primary products.

MEASURE 3: VOLUME AND VALUE OF EXPORTS FACILITATED

Exports of primary produce³ (excluding wood and wood-based products) remained high during 2011 (year ending March) at approximately 3650 tonnes when compared with an average of 2718 tonnes in the preceding 11 years.

Exports of wood-based products⁴ increased from 12 260 tonnes in 2010 to 14 607 tonnes in 2011 (year ending March).

MEASURE 4: MARKETS REMAIN OPEN, NEW MARKETS ARE OPENED, AND NEW PRODUCTS ARE ACCEPTED IN MARKETS

New market access – quantitative:

New Zealand-Hong Kong, China Closer Economic Partnership Agreement (“the CEP”)

The New Zealand-Hong Kong, China Closer Economic Partnership Agreement (“the CEP”) came into force on 1 January 2011. It is Hong Kong's first FTA, aside from its Closer Economic Partnership Agreement with Mainland China.

Hong Kong is New Zealand's ninth largest export market, with exports worth over \$865 million in the year ended December 2010.

Trade in meat, dairy, kiwifruit, apples and honey accounted for a third of New Zealand's total exports to Hong Kong, which is a strategically important trading partner in the Asia Pacific region, particularly given its role as a regional trading hub. The CEP provides New Zealand with:

- › legal certainty that zero-tariff entry on all goods exported to Hong Kong will continue in the future;
- › assurance that existing duty-free access is “locked-in” by binding in place duty-free access for New Zealand exports;
- › Tariff reductions similar to the tariff reductions in the New Zealand-China FTA.

The SPS Chapter of the Hong Kong CEP establishes a formal avenue to address any

SPS-related practices or regulations creating unnecessary barriers to trade or that give rise to unnecessary costs. MAF will use this mechanism to facilitate trade in goods affected by SPS measures through improved communication and consultation and will look to progress the application of SPS measures including equivalence and adaptation to regional conditions.

The New Zealand – Malaysia Free Trade Agreement

The New Zealand – Malaysia Free Trade Agreement (Malaysian FTA) came into force on 1 August 2010. It is expected to liberalise and facilitate trade in goods, services and investment between New Zealand and Malaysia.

Malaysia is New Zealand's 12th most important export destination, with the total value of exports to Malaysia worth NZ\$775.6 million in the year ending December 2010. The trade is dominated by exports of agricultural and forestry-related products, which account for around 90 percent of New Zealand's trade to Malaysia.

The Malaysian FTA contains measures to improve trade and promote co-operation in a broad range of areas of mutual interest including in the SPS area. Importantly, it goes well beyond the commitments made in the agreement establishing the ASEAN – Australia New Zealand Free Trade Agreement.

The Malaysia FTA is expected to deliver significant benefits to New Zealand's primary sector with:

- › enhanced access to the Malaysian market through reductions in direct and indirect trade barriers;
- › commercially meaningful annual duty savings of over \$10 million based on current trade and the eventual removal of tariffs on 99.5 percent of New Zealand's current exports to Malaysia by value;
- › improved firm competitiveness as a result of preferential tariff treatment that our competitors do not enjoy;
- › potential longer term gains from regional integration.

³ Beef, veal, lamb, venison, butter, anhydrous milk fat, cream, cheese, wholemilk powder, skimmilk powder, wool, kiwifruit, pipfruit and wine.

⁴ Logs, sawn timber and panels.

Improved market access – quantitative:

European Union (EU) meat quotas:

MAF's negotiations with the European Union (EU) as a result of its enlargement resulted in New Zealand achieving an increase of 400 tonnes in the volume under the country-specific tariff quota (CSTQ) for sheep meat, and New Zealand being approved by the EU to access an annual 20 000 tonnes tariff-free quota for high-quality grain-fed beef. Trade within these two tariff quotas is potentially very lucrative for the New Zealand meat sector.

Australia is New Zealand's largest trading partner. The joint food regulation system is well respected internationally and has brought significant benefits to New Zealand (in terms of trade and savings through a greater economy of scale). Over half our food exports to Australia (\$1.2 billion or 55 percent) are made up of value-added processed foods that are regulated by joint food standards.

Negotiations with Australia have further reduced certification requirements for New Zealand beef products to Australia, expanding the recognition of food safety programmes to a greater range of secondary processors.

This outcome is particularly significant for small and medium businesses that did not have the capacity to obtain the full certification previously

required and are now able to export beef products to Australia.

Negotiations with Australia have concluded in an agreement to reduce certification requirements for most "risk foods" trade between Australia and New Zealand. This reduces the costs associated with clearance at the border for exporters and importers.

Free Trade Agreement negotiations – quantitative and qualitative:

Negotiations continue with the United States, Australia, Malaysia, Peru and Vietnam under the Trans-Pacific Strategic Economic Partnership (TPP). The Partnership expands the existing P4 FTA agreement New Zealand has with Brunei, Chile and Singapore. On the go also are negotiations with India and a number of negotiating rounds were held during 2010–11. Negotiations with Russia (and its Customs Union partners Belarus and Kazakhstan) were launched during the review period and a number of negotiation rounds have been held. Negotiations with Korea are continuing at a ministerial level. At the same time, MAF continues to progress the co-operative forums on agriculture and forestry it has with Korea with the aim of maximising benefits to New Zealand by showcasing domestic business opportunities.

Revision to measurement uncertainty saves food exporters millions

This year the Codex Alimentarius Commission, the international food standards body, adopted explanatory notes on measurement uncertainty, with important revisions drafted by New Zealand. The revisions ensure that measurement uncertainty is not misused to judge whether food meets specifications.

Many laboratories now include measurement uncertainty in their test reports. The Codex notes, in line with common thinking, at first suggested that the range "test result plus or minus uncertainty" can be used to determine whether the food might (or might not) be acceptable.

New Zealand statisticians showed that this thinking is badly flawed, providing very poor consumer protection while potentially imposing substantial costs on food manufacturers and exporters, and MAF representatives at Codex successfully argued that the explanatory notes should carefully avoid suggesting this approach. A major exporter estimated that this had saved their industry "millions".

As a follow up, New Zealand has been asked to lead a Codex working group to draft general principles for the use of sampling and testing in international food trade.

Improved market access – qualitative (food safety and biosecurity related):

An important function for MAF is working with trading partners to negotiate science and risk-based conditions for market access.

Negotiated alignment of food and biosecurity standards as part of bilateral and plurilateral trade agreements between competent authorities provide traders with new commercial opportunities as well as assuring that regulatory requirements are met. In the case of our animal and plant related exports, these agreements result in enhanced market access and reduce the costs of the regulatory systems that are needed for official assurances.

Codex

Codex is the pre-eminent international standard-setting body for food in the trade, and much of MAF's work in Codex is aimed at promoting science- and risk-based international standards for the widest possible application. Different Codex committees cover all of the primary food sectors as well as special types of food, for example, infant formula, and MAF representation is prioritised according to New Zealand's interests in enhanced international trading conditions for our primary products. Significant gains have been achieved in the past year as a result of work in the Codex Committees on Food Hygiene, Methods of Analysis and Sampling, Fresh Fruits and Vegetables, and Contaminants, amongst others.

Implementation and co-operation

Meanwhile we continue work on implementing commitments from our FTAs, particularly our FTA with China. For example, MAF has organised food safety study tours for officials from China as well as biosecurity-related capacity building; this year's Dairy Dialogue programme aimed to help New Zealand dairy service businesses make connections in China; and the China/New Zealand Wool Technical Working Group focused on addressing technical wool quality issues to improve access into China for New Zealand wool exporters.

An agreement for importation of Chinese pears into New Zealand was signed in March 2010, and under this 215 tonnes of pears and 148 tonnes of nashi have been brought into New Zealand since May 2010. Recently, agreements have paved the way for importation of table grapes and peeled onions from China.

Strong co-operation with New Zealand's closest trading partner, Australia, continues to bear dividends for both parties. Work in this area includes co-operation on domestic (i.e. not joint) regulation such as for agricultural and veterinary chemicals, and on the exchange of incident and response information. Such co-operation programmes provide the confidence that allow the agenda for enhanced access under Closer Economic Relations (CER) to progress.

WWTG wine labelling agreement came into force

The World Wine Trade Group (WWTG) Requirements for wine labelling agreement came into force in New Zealand on 1 July 2010. The agreement reduces compliance costs for producers by allowing flexibility on the placement of labelling terms. Once ratified by all signatories, the agreement will apply to just under half of New Zealand's wine export markets.

MEASURE 5 : NO MARKET CLOSURES DUE TO EXPORT ASSURANCE SYSTEMS FAILURES

As reported in the 2010/11 Statement of Service Performance (page 61), there were no market closures due to exports assurance systems failures during the period under review. Likewise, approximately 99.9 percent of export certificates met importing country requirements.

MEASURE 6: A DECREASE IN INSTANCES WHERE EXPORTERS REFUSED ENTRY DUE TO A BREACH OF DESTINATION COUNTRY SANITARY AND PHYTOSANITARY RULES AND REGULATIONS

At the moment, MAF does not actively monitor and report border rejections. Anecdotal evidence, however, (see reporting under Measure 7) suggests that there were no major instances where exporters were refused entry due to a breach of destination country SPS rules and regulations.

Intermediate Outcome: Enhanced trade through principled application of international obligations

What are we seeking to achieve?

New Zealand's goods and services have access to all key markets without facing unjustifiable trade barriers inconsistent with agreed trade rules. Cross-border trade in animal, plant and food products is increasingly influenced by consumers' perceptions of the inherent "quality" or social acceptability of the way in which products have come to market. Maintaining the global "reputation" of products produced in New Zealand (e.g. animal welfare practices, environmental sustainability) as well as our reputation as a principled trading partner (e.g. adherence to international trade rules and regulations) are therefore important to maintain market access and long-term consumer demand (at retail level) for our primary products in high-value markets.

How do we measure our success?

The nature of any existing trade barriers has been made explicit and placed on the agenda for bilateral negotiation. New Zealand is recognised by World Trade Organization (WTO) members as being fair and equitable in its application of the SPS and other WTO Agreements regarding imports. New Zealand's domestic policy is also consistent with international obligations.

Overseas consumers recognise that New Zealand's agricultural, forestry and related products are of high quality, pest free and have been produced in a sustainable manner.

MEASURE 7: NO CASES ASSOCIATED WITH BREACHING INTERNATIONAL TRADE RULES BROUGHT AND UPHELD AGAINST NEW ZEALAND ENTITIES

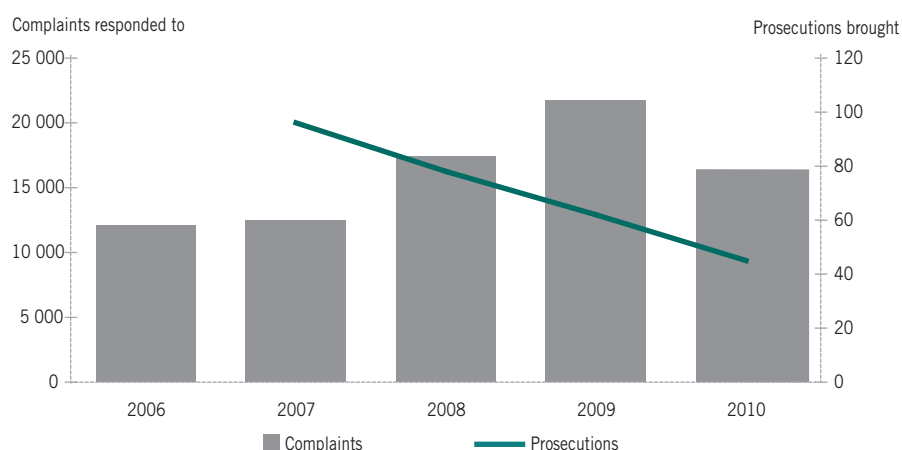
During 2010/11 no known cases associated with breaching international trade rules were brought or upheld against New Zealand entities. In a related issue, New Zealand had a 90-year ban on the exports of apples to Australia overturned earlier in the year, following a ruling by the WTO. Since 1919, Australia has banned imports of New Zealand apples after fireblight was discovered in Northland.

MEASURE 8: A DECREASE IN CASES OF CRUELTY TO ANIMALS

Data provided by MAF, the RNZSPCA and the Animal Welfare Institute of New Zealand shows that after increasing to 21 739 in 2009, the total number of animal welfare complaints decreased to 16 421.

The number of prosecutions brought against alleged offenders decreased from 62 in 2009 to 45 in 2010, while the number of convictions decreased from 73 to 50.

ANIMAL WELFARE COMPLAINTS AND PROSECUTIONS



Intermediate Outcome: A business environment that increasingly supports innovation, enterprise and high performance

What are we seeking to achieve?

The sectors operate in a dynamic environment characterised by ongoing investment in research and development, innovation and entrepreneurship. Profitability and productivity levels are high. Business survival rates are high and underpinned by the creation of new spin-off and diversification opportunities from industry-wide technology investments. There is close co-operation between public and private sector stakeholders. Sectors are active and informed participants in the setting and implementation of regulatory and strategic development frameworks. As a consequence, sectors are confident in the long-term viability of their business operations and MAF's ability to provide fit for purpose policy advice and information regarding issues that may impact on their future business operations.

How do we measure our success?

MAF measures success in achieving this outcome by monitoring several macro-economic variables impacting on the sustainability of business in the agricultural, food, forestry and related sectors. These include, among other things, investment in research and development, regulatory efficiency and compliance cost/burden, overall profitability and producer returns. MAF also monitors and evaluates the effectiveness of its own interventions (such as the Sustainable Farming Fund and the Primary Growth Partnership) aimed at supporting business sustainability.

MEASURE 9: INCREASES IN INVESTMENT IN SECTOR – SPECIFIC RESEARCH AND DEVELOPMENT FUNDING Primary Growth Partnership investment in research and development

During 2010/11, PGP awarded funding to a Manuka honey industry consortium seeking to improve the reliability of supply and yields of medical grade Manuka honey. The business plan outlined a programme of innovation totalling

more than \$1.7 million over seven years, with half the funding coming from industry.

A group across the Manuka honey supply chain is aiming to expand the value of the Manuka products industry by developing a science base for the industry to understand how local ecosystems affect yields and activity levels in Manuka honey. The group is led by Manuka Research Partnership (NZ) Limited and Comvita Limited.

The programme objective is to increase the reliability of supply, and proportion of medical-grade Manuka honey. If fully realised, it is estimated that this programme could see a 16-fold increase that will grow the sector to a billion-dollar industry.

The latest funding takes the total PGP investment awarded to nine programmes of research and innovation since 2009 to \$226 million. Including industry contributions the total is \$491 million.

This funding is an illustration of the potential that exists within New Zealand's primary sector. PGP is all about investing in forward-thinking, visionary business plans that have the potential to transform our primary sectors and bring about substantial and sustainable economic growth. The programme has a strong focus on matching market demand and research and development to identify productivity gains in the most profitable areas for the industry.

Other initiatives that benefited from the PGP include a seven-year programme, Shellfish: the Next Generation, from Sanford, Sealord Group and Wakatu Incorporation that will receive \$26.1 million to domesticate and selectively breed high-value green shell mussels.

Precision Seafood Harvesting, a six-year programme from Aotearoa Fisheries, Sanford and Sealord Group, will receive \$26.3 million for new harvesting technology that will enhance environmental sustainability and produce a better quality of catch.

The Stakeholders in Methyl Bromide Reduction will receive more than \$1.2 million to support

their applied research programme into identifying alternatives to the use of methyl bromide.

The dairy and red meat sectors embarked on an innovation investment programme totalling around \$321 million, with more than half the funding coming from industry.

A \$170 million dairy programme (PGP funding share of \$84.6 million) will be led by DairyNZ and Fonterra. The programme aims to support on-farm innovation and enhance off-farm outputs. Through the involvement of DairyNZ, all New Zealand dairy farmers are represented in the programme. The members of the dairy programme believe the programme will drive significant additional benefits across the New Zealand dairy industry by 2020.

In the meat industry, Silver Fern Farms, PGG Wrightson and Landcorp Farming will be leading a \$151 million red meat investment programme (PGP funding share of \$59.5 million). The programme is seeking to create a consumer demand driven integrated value chain for red meat. If successful, it is estimated that this programme will grow the red meat sector by 50 percent by 2025.

Outcome: Effective stewardship of the Crown's forestry assets

What are we seeking to achieve?

MAF seeks to prudently manage the Crown's commercial forestry assets and to progressively divest them on fully commercial terms, in line with government policy.

How do we measure our success?

MAF measures its success in achieving prudent management by independent external audit. Each annual audit targets a different group of forests and benchmarks the management of these forests against industry norms.

Success in achieving divestment is measured by recording the area and value of forest reduction.

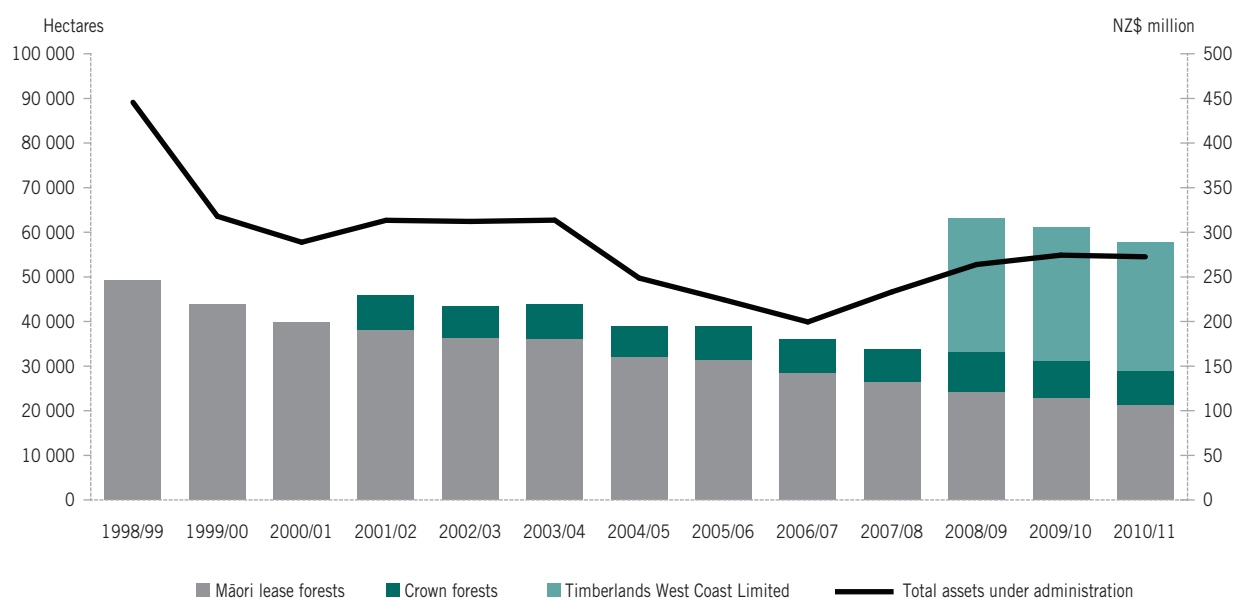
MEASURE 10: AREA AND VALUE OF CROWN FORESTRY ASSETS REMAINING UNDER MAF MANAGEMENT

During 2010/11 the *productive* area⁵ of all forests managed by MAF Crown Forestry decreased by 3352 hectares (5.5 percent) to 57 719 hectares while the value of forestry assets⁶ under

⁵ Productive area is net stocked area plus area awaiting restocking. The annual productive area divested differs from the annual gross land area surrendered from leases and forestry rights.

⁶ The term "forestry assets" as used in the MAF annual report means trees only, and excludes land, improvements and Forestry Encouragement Loans.

AREA AND VALUE OF CROWN FORESTRY ASSETS UNDER MANAGEMENT



management increased by \$6.78 million (2.8 percent) to \$246.23 million at the end of 2010/11.

The 2011 independent audit report concluded that management of the target forests compared favourably with industry norms.

The increased value of the Crown's forestry assets during 2010/11 was the result of increasing log prices and forest growth, which increased the forest value more than the reduction associated with harvesting and disposals.

END OUTCOME: PEOPLE

Healthier New Zealanders

MAF has a role in protecting human health and wellbeing via its pre-border, border control and post-border pest management activities. Our activities are also focused on ensuring the safety and suitability of food in New Zealand.

Intermediate outcome: Improved safety and suitability of food

What are we seeking to achieve?

We are seeking to achieve lower rates of sickness from harmful bacteria in food; safe levels of residues in food; safer food businesses; suitable

food that meets consumer expectations; and, good management of food safety emergencies.

We want businesses that produce food to be able to meet requirements relating to safe and suitable food in a way that is not overly complicated or costly.

MAF is tasked with managing the preparedness for, and the operational response to, food-related emergencies and events in such a way that the risk to public health and trade is minimised.

How do we measure our success?

In 2007, the NZFSA, now part of MAF, adopted public health goals (for the 2008–2012 period) against which to measure its progress and effectiveness. These goals, associated targets, and progress against targets are tabulated below.

MEASURE 11: A DECREASE IN THE INCIDENCE OF FOODBORNE DISEASES

The 44 percent decrease in foodborne campylobacter infections since 2007 is primarily attributed to the joint effort of government and the poultry industry in implementing the Campylobacter Risk Management Strategy.

Likewise, the declining rate of foodborne salmonellosis indicates that MAF is on track to meet its five-year goal of a 30 percent reduction.

TRENDS IN FOODBORNE DISEASE NOTIFICATIONS

FOODBORNE PATHOGEN	PUBLIC HEALTH GOAL	2007 BASELINE PER 100 000 POPULATION	2013 TARGET PER 100 000 POPULATION	2010 OBSERVATION	PERCENTAGE REDUCTION ACHIEVED TO DATE
Campylobacteriosis	50% reduction below baseline	161.9	80.95 or below	90.6 (7 346 cases)	44
Salmonellosis	30% reduction below baseline	14.2	9.9 or below	12.8 (557 cases)	10
Listeriosis	No increase in annual foodborne rate	0.47	0.47 or below	0.41 (18 cases)	12.8

Source: *Annual Report Concerning Foodborne Disease in New Zealand 2010*. Prepared for the Ministry of Agriculture and Forestry by the Institute of Environmental Science and Research Limited, May 2011.

The rate of foodborne infection for listeriosis has remained at around 4.5 per 100 000 of population since 2007. The 2010 observation reflects a 12.8 percent reduction compared with 2007.

Intermediate Outcome: A more informed public increasingly involved in our activities

What are we seeking to achieve?

New Zealanders are confident in our biosecurity and animal welfare systems; have a widespread understanding of reasons for biosecurity rules; actively report suspected biosecurity pests; voluntarily declare risk items at the border; and are aware of the complexity, trade offs and ethical issues concerning animal welfare.

How do we measure our success?

MAF uses a social marketing approach to achieve behavioural change and to support and contribute to the strategic goals of the business, particularly the goal of having members of the public comply and participate in its work.

It is a key tool for MAF in realising voluntary behaviour, particularly for those issues where traditional management approaches are not enough, need support, or are not appropriate.

MEASURE 12: INCREASE IN THE EFFECTIVENESS AND EFFICIENCY OF SOCIAL MARKETING INITIATIVES

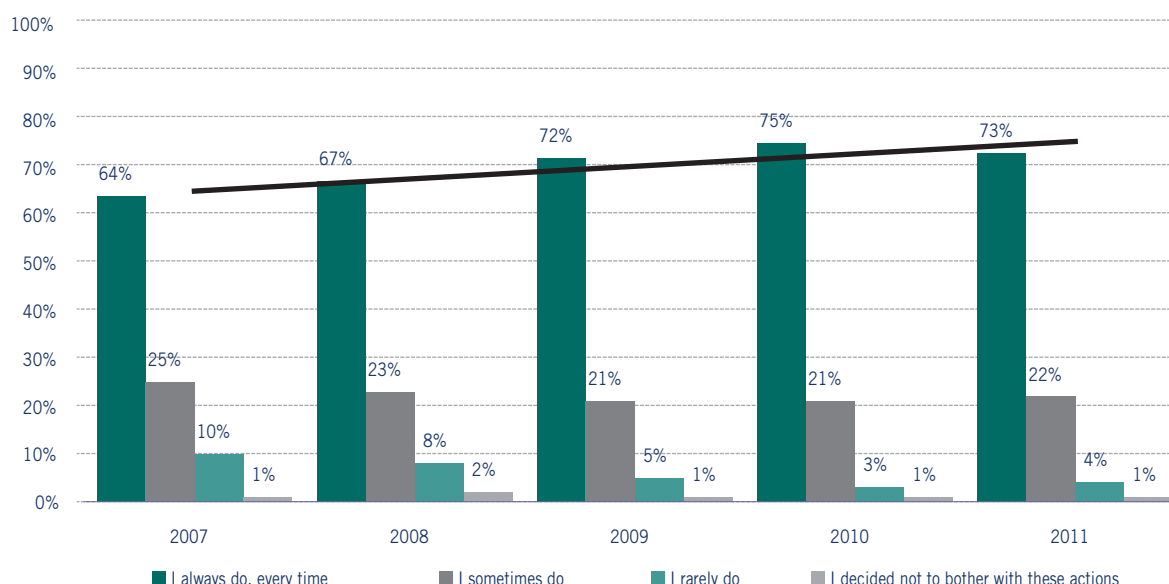
The Check, Clean, Dry Programme monitoring⁷ carried out in 2011 found that the programme has been an effective campaign – most people are aware of the message and most have taken steps to prevent the spread of freshwater pests (particularly didymo). Users tend to be prompted to action by river signs or by being able to see the pest (e.g. didymo) in the water. The results also suggest that the campaign is maturing, and some measures may have reached saturation point, such as actions taken by anglers.

Similarly, the Declare or Dispose programme is aimed at increasing the rate of international airline passengers declaring or disposing of risk items at the border. Programme monitoring⁸ carried out in

⁷ Similar to the 2010 research, a quantitative survey was conducted online amongst identified high-risk waterway users. An introduction to the survey was sent out via email newsletters, posted in forum pages or included as banner advertisements on the websites. The survey sample of high-risk waterways users was sourced from online "meeting places" of key communities for the activities of interest. Each of these sources has a database or regular visitation numbered from the 1000s (Jet Boaters Association) through to 65 000 (Fish & Game database). High-risk waterway users eligible for the survey were defined as those who participated in the activities of interest at least four times in the past 12 months and crossed between waterways. The sample achieved for this survey totalled 1433 (1384 NZ residents, 58 percent in North Island) and was conducted 28 April–17 May 2011.

⁸ An online interviewing approach was used to capture feedback from Australian travellers who had visited New Zealand in the past 12 months, as well as New Zealanders who had travelled overseas in the past 12 months. Within the New Zealand interviews, ethnicity quotas were used to capture high-risk groups. Airside pre-departure intercept interviews were also conducted with visitors from high-risk regions of China, India and the high-volume Pacific Island region. The airside interviews were conducted at Auckland Airport, however, respondents may have entered New Zealand at a point other than Auckland. A similar questionnaire was used for both groups. Online fieldwork was conducted between 6–18 May 2011 and for the airport intercept between 4–15 May 2011. Data has been weighted so that each of the travel groups of interest contribute equally to the total score. It assumes that all groups present are equal risk based on either compliance history or traveller volume. The sample for this survey totalled 1335 (539 New Zealand-based, 796 visitors).

EFFECTIVENESS OF MAF'S CHECK, CLEAN, DRY SOCIAL MARKETING INITIATIVE



2011 found that, compared with 2010, more travellers are aware of risk items, with almost all believing declaring is important. More travellers are thinking about risk items before they leave than previously, with more now identifying risk items and leaving them behind. Most importantly, upon arrival, more travellers were declaring items in the 2011 survey (98.6 percent) compared with 2010 (98.1 percent).

END OUTCOME: ENVIRONMENT

Maintained and enhanced economic, social and cultural benefits for New Zealanders from the environment

MAF is engaging on issues such as climate change, water quality and allocation, and sustainable land management.

Intermediate Outcome: Sustainable use of resources and the natural systems on which they are based by the sectors

What are we seeking to achieve?

Sectors' use of, and impact on, the biophysical environment are sustainable in the long-run. New Zealand is a recognised leader in the sustainable use of biophysical production resources in agriculture, food, forestry and related activities.

How do we measure our success?

MAF monitors sectors' current use of, and impact on, the environment as well as sectors' adoption of sustainable practices that will, over time, lessen the negative impacts of the sectors' activities.

MEASURE 13: AN INCREASE IN THE AREA OF IRRIGATED LAND

The Community Irrigation Fund (CIF) helps agricultural and rural communities overcome the high costs involved in getting irrigation schemes off the ground. Well-planned, designed and co-ordinated schemes increase the supply and reliability of irrigation water, provide other benefits and increase communities' resilience to climate change.

A total of \$5.7 million (excluding GST) spread over eight years (2008/09 to 2015/16) is available to provide financial support for up to 50 percent of costs to successful applicants.

In August 2010 and February 2011 MAF opened new funding rounds for the extended CIF. This additional funding round provides grants for detailed irrigation scheme design work. While the overall size of the CIF remains the same, its scope has been extended and it can now fund detailed irrigation scheme design work.

A total of \$1 896 120 (including GST) in funding up to 2011/12 has been allocated for four irrigation/water storage projects in the South Island and one project in the North Island.

The successful grant recipients were: Maungaroa Irrigation Scheme (Eastern Bay of Plenty), Lee Valley Dam (Tasman), Hunter Downs Irrigation Scheme (South Canterbury), Mayfield Hinds Irrigation Scheme (Mid-Canterbury) and Ashburton Lyndhurst Irrigation Scheme (Mid-Canterbury).

Given the long-term focus of infrastructure driven projects such as the CIF, and the relatively recent nature of this programme and fund, it is too early to identify and report on measureable impacts.

MAF, however, is in the process of developing an organisational evaluation strategy. This strategy will incorporate a framework that will enable MAF to report on impact performance in this area.

MEASURE 14: AN INCREASE IN PRIORITY ACTIONS AND TARGETS MET UNDER THE DAIRYING AND CLEAN STREAMS ACCORD

The Dairying and Clean Streams Accord is a voluntary agreement between Fonterra, regional councils and the Ministers for the Environment, and of Agriculture and Forestry.

The table on the next page shows that most of the accord targets have been met. However, while farm nutrient budgets have been set, how well these are managed and monitored is the key implementation issue.

DAIRYING AND CLEAN STREAMS ACCORD PRIORITY ACTIONS AND PERFORMANCE TARGETS

ACCORD TARGET	2004/05 %	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Dairy cattle are excluded from streams, rivers and lakes Target set for 2007: 50 percent Target set for 2012: 90 percent	59	64	75	78	80	85
Regular race crossing points have bridges or culverts Target set for 2007: 50 percent Target set for 2012: 90 percent	93	93	97	98	98	99
Farm dairy effluent is appropriately treated and discharged Nutrients are managed to minimise losses to ground and surface water Target set for 2007: 100 percent of farms have nutrient budget systems	67	67	68	64	60	65
	19	33	97	98	99	99

Source: The Dairying and Clean Streams Accord: Snapshot of progress 2009/10, MAF, March 2011.

The Accord, however, relies on self-reporting by farmers and may therefore not be an accurate reflection of true compliance levels. MAF is developing information support systems that would enable it to accurately monitor and report compliance in the future.

Intermediate Outcome: A reduction in New Zealand's agricultural greenhouse gas emissions compared with business as usual

What are we seeking to achieve?

The agriculture sector should be taking actions that reduce the emissions intensity of production, and the policy environment should encourage cost-effective greenhouse gas mitigation in the sector.

We expect that New Zealand will face continuing pressure to contribute to the global effort to stabilise the concentration of greenhouse gases in the atmosphere. Agriculture accounts for 47 percent of its greenhouse gas emissions and so has an important role to play in New Zealand's efforts to reduce its total greenhouse gas emissions.

How will we demonstrate our success?

Success will be evident if there is a workable and

equitable legislative framework for incorporating agriculture within an ETS.

Through the research and development we fund, we aim to increase the knowledge of agricultural emissions, mitigation, practices and technologies. This knowledge will inform policy and is expected to lead to practical ways of measuring and reducing agricultural greenhouse gas emissions.

MEASURE 15: THERE ARE IMPROVEMENTS IN THE ACCURACY OF THE NATIONAL INVENTORY OF AGRICULTURAL GREENHOUSE GAS EMISSIONS

In April 2011 MAF revised down its projections for New Zealand's agricultural greenhouse gas emissions.

In the past, a single emissions factor has been used for both dung and urine. This year, a separate, lower emissions factor was used for dung, reflecting the most up-to-date science available, which tells us that dung results in less nitrous oxide emissions than urine.

Due to the ongoing inventory science programme, absolute levels of greenhouse gas emissions for our 1990 baseline year are now 13 million tonnes or 30 percent lower than presented in New Zealand's early national inventories for agriculture in 2002. This reflects the inventory incorporating unique New Zealand

emissions factors and methodologies rather than default factors as specified by the Intergovernmental Panel on Climate Change (IPCC) inventory guidelines that reflect Northern hemisphere farming systems.

In 2009, the MAF commissioned a report on re-calculating the uncertainty of the enteric fermentation methane emissions for sheep and cattle (Kelliher et al, 2009). Since the original Monte Carlo analysis carried out in 2003 there has been extensive research in the area of measuring enteric methane emissions from sheep and cattle. The new overall uncertainty of the enteric methane emissions, expressed as a 95 percent confidence interval, was reduced from approximately 53 percent to approximately 16 percent.

MAF's work in the area of agricultural greenhouse gas science and reporting was recently commended by the United Nations Framework Convention on Climate Change (UNFCCC) expert review team (ERT), following their in-country review of New Zealand's national inventory report, completed last year.

The ERT specifically commended New Zealand on its formation and functioning of an independent Agriculture Inventory Advisory Panel, which strengthens the link between the latest research achievements and improvements of the inventory.

The ERT also commended New Zealand for incorporating the effect of the nitrification inhibitor, dicyandiamide (DCD), into its country-specific emissions factors.

Global Research Alliance

Part of New Zealand's efforts to address its greenhouse gas profile has been through the Global Research Alliance on Agricultural Greenhouse Gases of which currently MAF hosts the Secretariat. The Minister of Agriculture and the Minister Responsible for International Climate Change Negotiations hosted the inaugural Ministerial Summit of the Global Research Alliance at the end of June 2011 in Rome on the sidelines of an FAO Council

meeting. The meeting was attended by Ministers from more than 30 countries who signed the Alliance Charter and formally launched the Alliance's working phase. Research groups have developed and are implementing work programmes that will increase international research collaboration on mitigation research of vital importance for countries such as New Zealand with high greenhouse gas emissions from their agricultural sectors.

MAF administers the Government's \$45 million Alliance budget, the majority of which is for investment in research to reduce emissions from pastoral livestock systems. MAF has established an Allocation Framework for this budget, and 2010/11 saw initial research investments made, as well as new fellowships/awards programmes established. MAF also began the development of an international research fund – the New Zealand Fund for Global Partnerships in Livestock Emissions Research. This was launched at the Rome Summit and totals \$25 million. The first funding round is expected to open in September 2011.

PARTICIPATION IN INTERNATIONAL CLIMATE CHANGE NEGOTIATIONS

MAF is also participating in the international negotiations on climate change with a specific focus on agriculture and forestry matters. This work links back into the domestic climate change policy developments.

MEASURE 16: A DECREASE IN AGRICULTURAL EMISSIONS OF NITROUS OXIDE AND METHANE

New Zealand has an unusual greenhouse gas emissions profile for a developed nation where agricultural emissions are typically around 10 percent of national emissions.

In 2009/10, methane and nitrous oxide from the agricultural sector contributed 46.5 percent of New Zealand's total emissions.

Target for agricultural greenhouse gas emissions: 30.28 mega tonne carbon dioxide equivalent (Mt CO₂-e) or less (representing the 1990 level)

Most recent observation: 32.81 Mt CO₂-e (2009/10)

Agricultural emissions were 9.3 percent (2.53 Mt CO₂-e) higher in 2009 compared with the 1990 level of 30.28 Mt CO₂-e.

Between 2008 and 2009, emissions from the agricultural sector decreased 56.4 giga grams, i.e. 1000 tonnes (Gg CO₂-e) (0.2 percent). This decrease was largely from the reduction in nitrogen fertiliser applied to agricultural soils. The dairy industry is the main user of nitrogen fertiliser in New Zealand. With a low milk price in 2009 coupled with high prices for nitrogen fertiliser products, the sale and use of nitrogen fertiliser in 2009 decreased. Despite the lower price of milk, the relative returns in dairy continued to be higher than for sheep, non-dairy and beef. This, along with the persistent effects of the 2008 drought, continued to have an effect on livestock populations in 2009.

Intermediate outcome: An increase in carbon sinks and sequestration

What are we seeking to achieve?

MAF administers a range of programmes, such as the Afforestation Grants Scheme, the Permanent

Forest Sink Initiative and the ETS that contribute to promoting an increase in forestry cover.

The objective of these programmes is to increase the amount of carbon that is removed from the environment by trees.

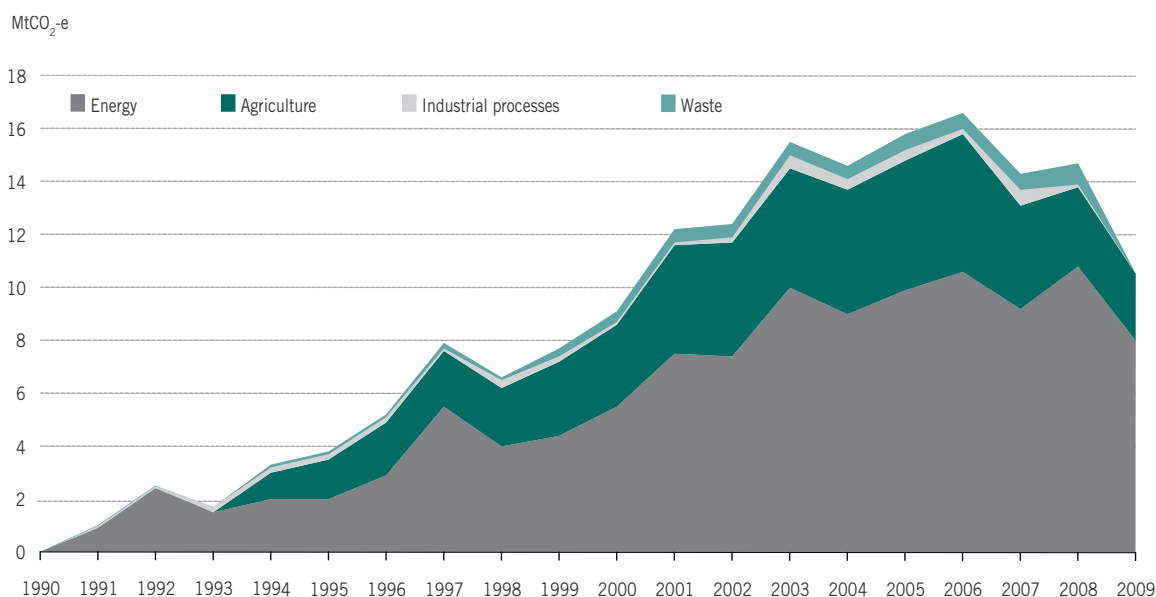
How do we measure our success?

Success will be evident if there is an increase in the area planted with trees. It is assumed that, with an increase in the amount of trees planted, there would be a commensurate increase in the amount of expected carbon removed from the environment.

MEASURE 12: AN INCREASE IN EXPECTED CARBON REMOVAL FROM THE ENVIRONMENT

Between 2008 and 2009 the amount of carbon removed from the environment by trees decreased by 2.7 MtCO₂-e or 9.1 percent. This decrease was largely due to an increase in planting activity but also an increase in harvesting of pre-1990 forests. Planting of new saplings temporarily disturb soil carbon which may be released back into the atmosphere. This, coupled with a reduction in pre-1990 forests, temporarily decreased the net amount of carbon usually removed from the atmosphere by trees.

PROPORTIONATE CONTRIBUTION TO THE INCREASE IN NEW ZEALAND'S TOTAL GHG EMISSIONS (BY SECTOR SINCE 1990)



Source: New Zealand's Greenhouse Gas Inventory, Ministry for the Environment, April 2011.

PERFORMANCE IMPROVEMENT

The Government has indicated that it wants state sector agencies to provide better services for the same or less cost by embedding a culture of continuous improvement and a focus on efficiency, effectiveness and innovation amongst agencies. We are responding to these imperatives in a number of ways.

PERFORMANCE IMPROVEMENT FRAMEWORK

During 2009/10 MAF was invited to pilot the new Performance Improvement Framework (PIF) run jointly by the State Services Commission, the Department of the Prime Minister and Cabinet, and the Treasury.

MAF then identified the following key areas for improvement.

- › **Management accountability** – To ensure MAF's managers are held accountable, with a particular emphasis on people and performance management.
- › **Management information** – To ensure that the right information is provided to the right manager at the right time.
- › **Planning, performance and accountability system** – To design and implement a single system of planning, performance and accountability for MAF.
- › **Risk management** – To ensure the main risks facing MAF are properly assessed and effectively managed.

POLICY PRIORITIES

In early 2010 the Prime Minister agreed a new set of policy priorities for 2010 with the Minister of Agriculture. These policy priorities were largely a continuation of 2009 priorities.

In early 2011, policy priorities for 2011 were agreed and these included a number of new food safety related priorities.

MAF'S 2011 POLICY PRIORITIES

Water Policy and Infrastructure – more active government involvement in water infrastructure, including options for increased government investment in water infrastructure.

Primary Industry Performance – Continuing the PGP, working with Fonterra to develop a regulatory regime around Fonterra's capital structure, reviewing the eligibility criteria for access to raw milk under DIRA, and supporting the meat, wool and forestry sectors' development and reform.

Departmental Reform – Focus on the ongoing structural reform driven by the merging of NZFSA into MAF, and appointment of a new senior leadership team. Consider the merit of bringing fisheries back into MAF.

Animal Welfare – increase the attention paid to animal welfare by the primary sector, supported by more resources going into education, compliance and enforcement activities.

Climate Change – hosting of the first Ministerial Summit of the Global Research Alliance, input into panel review of schemes during 2011, continued allocation of units under forest allocation plan and working with the newly appointed Agricultural ETS Advisory Committee.

Māori Agribusiness – launch a major report on Māori land productivity and consult on the findings before developing a clear strategy to support the development of Māori agribusiness.

Trade Access – furthering the negotiation and implementation of FTAs.

Border Operations – implement more streamlined processes to increase efficiencies at the border, and reduce intervention with compliant travellers and traders.

Incursion Response Management – Furthering the Government–Industry Agreements and passing

the Biosecurity Amendment Bill by mid-2011.

National Animal Identification and Tracing (NAIT)/ Farms OnLine – passage of NAIT legislation through Parliament, along with supporting regulations to mandate NAIT for cattle, and ensuring the successful implementation of FarmsOnLine by March 2011 and NAIT by March 2012.

Maintaining and Enhancing Market Access – Maintaining current access for New Zealand's food products in our top five export markets and ensuring implementation of the SPS chapters of FTAs.

Improving the Regulatory Regime – Enactment and implementation of the Food Bill.

Enhancing the Australia–New Zealand Relationship – maintain New Zealand's influence in the Food Regulation Ministerial, deliver food labelling and composition standards and simplify trade arrangements between our two countries.

Reducing Foodborne Illness – Continue trends in foodborne illness that will lead to the delivery of the five-year foodborne -related targets for salmonella, listeria and campylobacteriosis.

FOUR-YEAR BUDGET PLAN

As part of the Budget 2010 process, MAF was asked to develop a Four-year Budget Plan that would align its funding with the Government's priorities.

The amalgamation with NZFSA, and the development of an organisational , were identified in the plan as opportunities to realise gains in efficiencies and effectiveness. MAF committed to make savings of \$2 million per annum from the amalgamation in 2010/11 and outyears, whereas the organisational strategy would ensure the Ministry had a clear high-level goal, drive alignment with government priorities and guide cross-organisational reprioritisation.

Budget reprioritisations of \$2.35 million in 2010/11 and \$2.85 million in outyears were proposed to fund two areas of priority: the Border Change programme and the implementation of Government-Industry Agreements. The

development of the Joint Border Management System (JBMS) with the New Zealand Customs Service was the major capital project identified in the Plan.

COST EFFECTIVENESS

Under the Public Finance Act 1989 measures of the cost effectiveness of interventions must be included in accountability documents for departments. Like most departments, MAF has struggled to report on its cost effectiveness because of a lack of clarity on what cost effectiveness is in an agency context, and a lack of technical guidance on how to practically measure cost effectiveness.

To resolve these issues, in late 2008/09, MAF commissioned the Institute of Policy Studies at Victoria University to provide a definition of cost effectiveness and identify the attributes of successful cost-effectiveness measures. This research was used by MAF to develop material for two departmental workshops on cost effectiveness hosted by MAF in late 2010. The workshops were attended by around 70 people from a range of agencies. A process to develop cost-effectiveness measures for MAF's outcomes will be initiated after MAF's new outcome set has been activated.

BASS

The Better Administrative and Support Services (BASS) Programme is being led by the Treasury.

During 2009/10, MAF participated in Phase One of the BASS Programme, which collected data to establish a cost and quality baseline, benchmark performance and set targets. The results of the data collection process were reported back to agencies in early 2010/11. They included information on how MAF's results compared with the other 14 agencies that provided data and against a number of international comparator groups.

MAF was below the median of the pilot agencies for all management practice indicators, with Human Resources rated as the best performing MAF function.

The Ministry has incorporated the areas of opportunity into the change programme supporting the integration of MAF, NZFSA and the Ministry of Fisheries.

POLICY EXPENDITURE REVIEW

The Government commissioned the Review of Expenditure on Policy Advice in August 2010.

In response, MAF is working on:

- › opportunities to clarify policy priorities and focus resources on those areas that will have the biggest impact on the primary sector;
- › drawing from the different range of skills, talents and capabilities from within MAF and the Ministry of Fisheries;
- › building on the considerable work done within both agencies to improve the quality of advice tendered;
- › integrating this work with other work undertaken within the Ministry focused on lifting its regulatory capability and performance.

ORGANISATIONAL RISK

MAF's risk management framework brings together many components that, together, assist management in the overall delivery of MAF's outcomes and objectives.

MAF manages a range of operational risks on behalf of the Government. However, our ability to manage and mitigate the Government's risks can, in turn, be affected by our management of the organisational risks we face.

During the year, progress was made in connecting risk management with organisational business planning. The Assurance and Risk team is now working with a new group of business planning and support managers across the Ministry to ensure risks are identified and

reported within the branch business plans. This new business planning process has provided greater visibility of the risks MAF faces and the resourcing of key mitigations can now be included in prioritisation discussions.

In conjunction with the work on MAF's new organisational strategy, work is currently being undertaken to consider an approach to identifying, reporting and mitigating MAF's strategic risks. As the Ministry considers establishing new standard processes for the merged organisation, opportunities to further integrate risk management and reporting processes within other core management processes will be considered.

MĀORI RESPONSIVENESS

MAF's Māori Responsiveness Strategy focuses on:

- › developing effective and enduring relationships with Māori;
- › enhancing MAF's capability to understand Māori issues and how they can be incorporated into MAF's planning and policy processes; and
- › entering into working relationships with Māori and other government organisations working with Māori on sustainable development.

In pursuit of these objectives during 2010/11 MAF also delivered on a key ministerial priority: to produce and disseminate a report on Māori land productivity. The report, *Māori Agribusiness in New Zealand: A Study of the Māori Freehold Land Resource* was launched at a function at Parliament on 4 April 2011. Feedback and comment on the report indicated that it provided a sound analysis of the current situation of, and challenges to, the management and development of Māori land.

An important conclusion of the productivity report was that MAF has few direct, or front line, levers to influence the ongoing effort required. However, MAF can be most effective in providing specific sector knowledge and skills to support the wider governmental work programme on Māori land utilisation.

Another agency report, *Owners' Aspirations Regarding the Utilisation of Māori Land* developed by Te Puni Kōkiri, was launched at the same function as the MAF report by the Minister of Māori Affairs. Together, these two reports will provide a core input to the Māori Land Advisory Group and Sector Action Group to be established as a result of Cabinet direction.

In the biosecurity area, there was ongoing work with Māori on kauri dieback, and a proposal to establish a Māori land advisory group on biosecurity was agreed by Cabinet.

In the climate change area, MAF strengthened its relationship with the Federation of Māori Authorities during the year through a joint consultation round on carbon forestry. During the year, MAF also worked with the Māori Land Court on potential liability issues associated with the Forestry ETS for land holdings of less than 50 hectares.

There was also an engagement with the iwi leaders around water issues during 2010/11, which was a continuation of an engagement process that first began in 2005/06. The Land and Water Forum delivered its final report to ministers following a round of engagement meetings with the wider community, which included iwi leaders.

In the research and development area, MAF has been in discussion with Ngati Porou regarding the development of a science and innovation trust. This trust would build science-based information and knowledge for use in agriculture, forestry and fishery initiatives.

During the year, MAF was also involved in a number of Treaty-related issues. This included signing an accord with Waikato-Tainui in October 2010 and negotiating accords with Te Atiawa and Ngati Raukawa.

As part of the MAF-Ministry of Fisheries merger process, active consideration was given to the best position and objectives for the Ministry's Māori function.

Connecting with our STAKEHOLDERS

MAF interacts with a variety of stakeholders using four different approaches. These include:

1. Operational/Policy Development activities

As part of MAF's day-to-day operations or policy development, MAF staff regularly engage with stakeholders. This engagement includes issue-specific consultation with stakeholders on policy matters as well as stakeholder feedback on operational performance. These processes help MAF ensure relevant stakeholders are informed of any proposed changes in MAF policy settings and they get an opportunity to provide feedback on these changes. Stakeholder feedback on specific operational issues also helps us to assess the effectiveness of our operational programmes and improve our performance.

2. Strategic Activities

Every year, as part of MAF's annual performance review, MAF has directly asked several stakeholders for their views on MAF's performance. This includes questions about their awareness of MAF's outcomes, their view of MAF staff, and MAF's strengths and weaknesses. In 2010/11 this was undertaken as part of the organisational strategy development process.

3. General Public Tracking Survey⁹

MAF measures overall customer satisfaction with MAF's services in the End User Survey. The survey contains the core questions in the Common Measurement Tool¹⁰ – that helps measure customer satisfaction with public services. Since 2008, data from the End User Survey has been reported every six months.

4. Outside-In Reviews of MAF

Each year, MAF also carries out an Outside-In Review of a facet of MAF's performance. The

objective of these reviews is to gain an external or end-user perspective on our performance.

OPERATIONAL/POLICY DEVELOPMENT

Some of the key areas of stakeholder engagement around operational or policy issues in 2010–11 are discussed below. These activities include targeted engagement with stakeholders as well as approaching New Zealanders for feedback on discussion documents.

ESTABLISHMENT OF THE PRIMARY INDUSTRIES CHIEF EXECUTIVES' ANIMAL WELFARE FORUM

The inaugural meeting of the Animal Welfare Primary Sector Chief Executives' Forum was held in February.

The Forum is designed to provide sector oversight and direction for the animal welfare initiatives that MAF leads as well as support the commitment of the primary industries to maintain high animal welfare standards.

Work is well under way on the animal welfare compliance and enforcement plan, involving representatives from major industries and agencies.

ESTABLISHMENT OF THE AGRICULTURAL EMISSIONS TRADING SCHEME ADVISORY COMMITTEE

The Agricultural ETS Advisory Committee was established in September 2010. The eight-member committee chaired by Katherine Rich, Chief Executive of the New Zealand Food and Grocery Council, includes representatives from the pastoral sector, research groups and Māori. The committee advises the Government on technical and practical aspects of implementing agriculture into the ETS.

GLOBAL RESEARCH ALLIANCE

The Global Research Alliance, launched in December 2009 during the Copenhagen Climate Change Conference, is a partnership for research on the mitigation of agricultural greenhouse gases

⁹ Awareness, Attitudes and Behaviour of the New Zealand Public: January – June 2011

¹⁰ The Common Measurement Tool is a set of survey questions and scales that allows state service agencies to measure client/user satisfaction benchmark against other agencies and identify service delivery improvements for service users.

for which New Zealand is playing a leadership role.

A three-day international meeting was held in Wellington in 2010. It aimed at shaping the future work programme of the alliance nations. This meeting was a success. New Zealand and the Netherlands co-ordinated efforts on the livestock research group – one of three groups set up to drive the alliance. This established New Zealand, and particularly the domestic Centre for Agricultural Greenhouse Gas Research, as a leader in this area. During the meeting, alliance nations also agreed on a work plan for the next 12 months and a draft charter.

STRATEGIC

This year, as part of the organisational strategy development process, there were meetings with a range of MAF stakeholders to get their views and experiences of both MAF and the Ministry of Fisheries.

MAF senior managers met with a wide spectrum of stakeholders including DairyNZ, Meat and Wool NZ, Horticulture NZ, the New Zealand Food and Grocery Council and Massey University.

ROLE OF MAF – ENABLING AND PARTNERING

While stakeholders have different ideas around what MAF's role should be, there is a strong message that MAF should lead the sector that makes a significant contribution to the New Zealand economy. The key themes for 2010/11 were enabling and partnering, which were consistent with previous years' observations. Some respondents urged MAF to make timely decisions that will enable the sector to also make necessary decisions about future directions.

1. MAF as Leader of New Zealand Economic Development

- › MAF is one of the most crucial agencies in the public sector, over the medium to long term because of its contribution to New Zealand economic development.
- › MAF needs to be the absolute expert in the agriculture, food and forestry sectors, as the

country depends on this economically.

- › Food, agriculture and forestry are the V8 engine of the economy. MAF has to step up and lead.
- › MAF needs to be the leader of “New Zealand Inc” in the agriculture, food and forestry sectors, and to link people together in these sectors.
- › Once MAF defines its priorities it will have to stick to them – this will need strong leadership.

2. MAF as Sector Leader and Facilitator

- › MAF should steer the boat – we can row it.
- › MAF does not need all the answers in its strategy – it needs to facilitate the sector to get answers.

WORKING RELATIONSHIP WITH MAF

Overall, MAF staff and interaction with MAF were rated positively. There was no noticeable difference from previous years. Continuing from previous years, stakeholders seem to enjoy a good working relationship with MAF.

BUILDING CAPABILITY

The majority of the stakeholders identified building and developing staff capability as being one of the areas that MAF should focus on. Consistent with previous years, stakeholders noted MAF should continue to work to ensure staff are qualified, experienced, and experts in their area. Some stakeholders noted that while MAF staff have technical competencies, they lack understanding of practical aspects of agriculture.

IWI/MĀORI ENGAGEMENT – GOING FORWARD

Ongoing Treaty of Waitangi settlements will result in Māori being one of the most influential groups in the primary sector by 2030. In addition, after the merger with Ministry of Fisheries, MAF will need to interact and work with Iwi/Māori differently. MAF will also need to facilitate discussions between Government and Iwi/Māori and assist Iwi/Māori in incentivising growth.

EMERGING ISSUES AND OPPORTUNITIES FOR MAF

Following on from last year's feedback, there was a strong emphasis on future partnerships between MAF and the primary sector as well as some environmental issues. More specifically:

1. Opportunities

- › Sector proactively involved in co-management and other collaborative exercises with MAF.
- › MAF needs to adopt a more holistic approach to form a partnership with the sectors to achieve common goals.
- › MAF needs to recognise the emerging Māori economy, the value of the Māori brand and culture to maximise benefit for both Māori and New Zealand.

2. Continuous Innovation

- › New Zealand's competitiveness has to be safeguarded – there is too much reliance on our commodity base, we need to diversify more, and move into high-end products.
- › Lack of research and development funding will slow innovation – gold kiwifruit took 20 years to develop, with government research and development funding.
- › Competition for resources will intensify and increase – New Zealand will need to do more thinking about protecting /managing resources like marine or coastal environments.

3. Environmental Issues

- › Emissions Trading Scheme.
- › There needs to be a sharper definition of “sustainability” and a sustainability lens should be applied to everything happening in the various sectors.

4. Other Issues

- › There is a role for science-based advocacy in the agriculture, food and forestry sectors. In the national interest – more support is generally needed for science.
- › Food security and food prices will become increasingly linked – potential food wars will have huge implications, and avoiding food wastage will become essential.
- › New Zealand's location will drive more expensive fuel prices.

GENERAL PUBLIC TRACKING SURVEY – CUSTOMER SATISFACTION SURVEY

Each year, MAF conducts a client satisfaction survey by using the Common Measurement Tool.

For the 2011 survey, approximately 1325 respondents, who had arrived in New Zealand airports and encountered MAF staff/services, were randomly selected and asked to participate in the survey online, which contained the following eight questions:

- Q1. How satisfied were you with the overall quality of service delivery?
- Q2. Prior to this service, what quality of service did you expect?
- Q3. How did the service you receive at the border compare to what you expected?
- Q4. Staff were competent.
- Q5. Staff did what they said they would do
- Q6. I was treated fairly.
- Q7. I feel my individual circumstances were taken into account.
- Q8. It is an example of good value for tax dollars spent.

MAF performed evenly across the scores ranging between 3.7 and 4.4 – 5 is the best score and 1 is the worst score for each question. More than 50 percent of respondents scored either 4 or 5 for every question. Satisfaction with the overall quality of service delivery remains virtually the same since 2008.

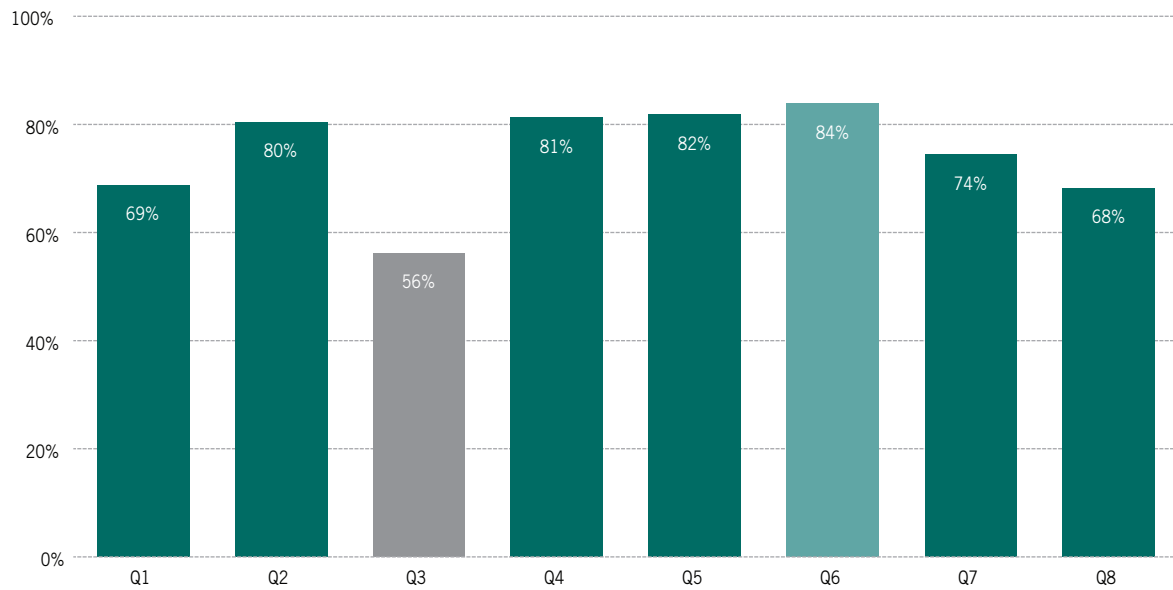
MAF staff are well regarded for being competent and acting with integrity – “I was treated fairly” has the highest average score of 4.4 out of 5 and 85 percent respondents rated MAF either 4 or 5.

There is a high expectation amongst members of the public that MAF provides quality service. For example, “Meeting your expectations” has the lowest average score of 3.7. This seems to be a reflection of the high expectation that MAF's clients have. However, the score is still above the mid-score of 3, and over 55 percent of respondents scored either 4 or 5.

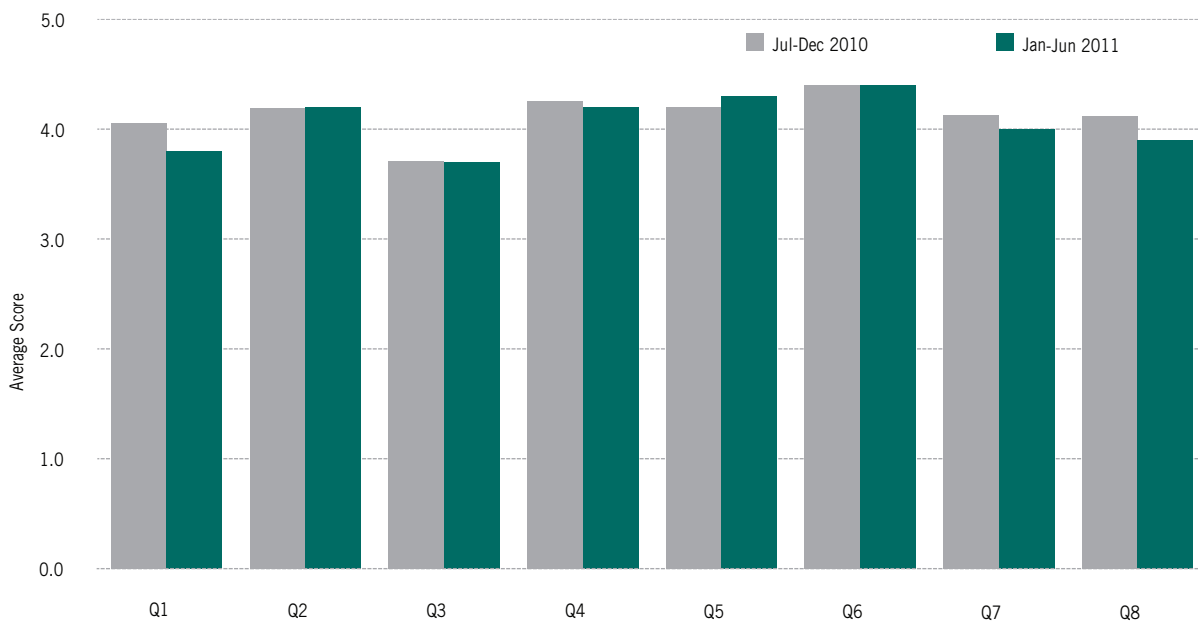
OUTSIDE-IN REVIEW – SUSTAINABLE FARMING FUND

The Outside-In Review for 2010/11 was for the Sustainable Farming Fund (SFF). The SFF is a grant-scheme that is administered by MAF. It is intended to promote sustainable development within rural communities and to support primary sector profitability and productivity.

GENERAL TRACKING SURVEY – PERCENTAGE OF 4 OR 5 RATING FOR EACH QUESTION FOR 2010/11



GENERAL TRACKING SURVEY – AVERAGE SCORE FOR EACH QUESTION



The purpose of the Outside-In Review 2010/11 was to understand whether the people and organisations who received funding are satisfied with the quality of MAF's services and to receive feedback on how MAF can improve service delivery.

For the latest survey, 234 SFF recipients were invited to participate in the survey online. The following 11 questions were asked:

1. Thinking about your most recent contact, how satisfied were you with the overall quality of service delivery?
2. Before your contact for this service, what quality of service did you expect?
3. Looking back how did the service you received compare to what you expected?
4. Staff were competent.
5. Staff did what they said they would do.
6. I was treated fairly.
7. I feel my individual circumstances were taken into account.
8. It's an example of good value for tax dollars spent.
9. Staff responded within an acceptable amount of time.
10. I was informed of everything I had to do to get the service.
11. I received the information that I needed.

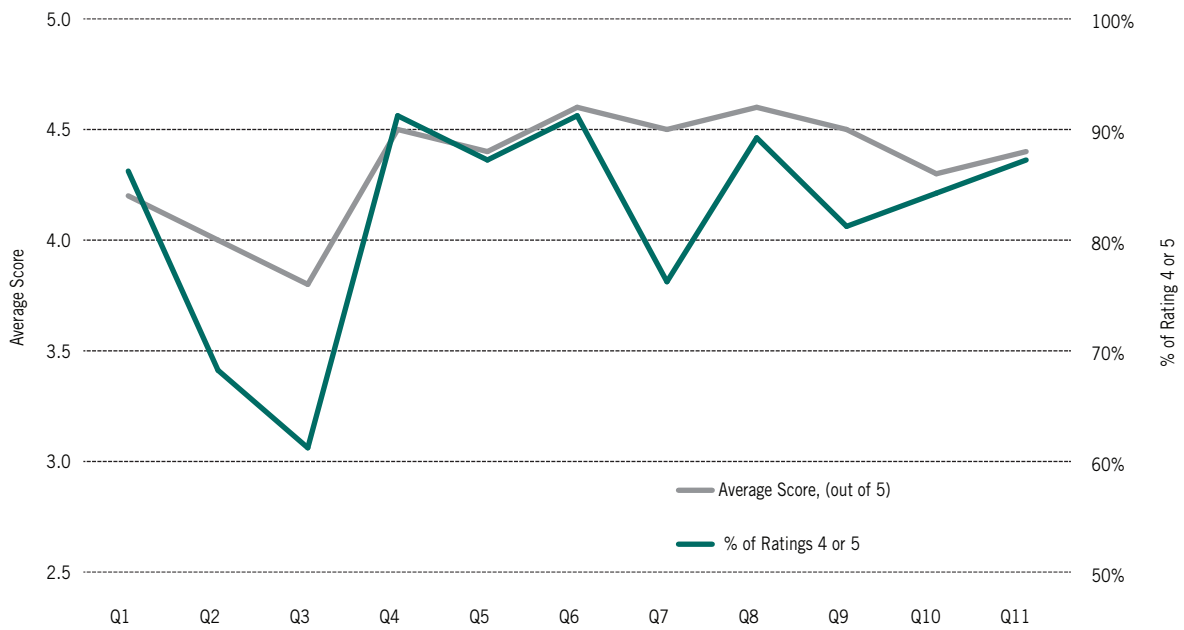
Overall, the majority of the SFF recipients were satisfied with their interaction with MAF. In fact, most comments, especially in relation to MAF staff, were very favourable. Recipients rated the SFF project managers as being professional, courteous, approachable, helpful and efficient. Despite this, question 3, "Meeting your expectations" has the lowest average score. This might be a reflection of the high expectations of the SFF recipient or their feelings that MAF should do more. Some comments from the SFF recipients were:

- › Staff were knowledgeable and helpful.
- › Staff's knowledge and assistance have been invaluable to the success of our projects.
- › When a problem occurred, staff acted swiftly to remedy the situation.
- › SFF unlocks innovative solutions for the future of rural New Zealand.
- › SFF provides an invaluable resource to ensure that New Zealand is able to get the best out of the agriculture sector.
- › Staff responded promptly and provided clear answers with flexible attitudes.

RECENT MAF OUTSIDE-IN REVIEWS

YEAR	REVIEW	BRIEF OUTLINE
2007/08	Perceptions of MAF's Regulatory Impact on the Grain and Seed Industry	This was to understand how MAF is experienced by service users in the grain and seed industry and to provide a qualitative understanding of the quality and impact of MAF's regulatory activities on the industry.
2008/09	General Public Tracking Survey of MAF Using the Common Measurements Tool (CMT)	The CMT provides a standardised and tested customer satisfaction question-bank. MAF adopted the CMT core questions in its end-user benchmark and continuous monitor surveys to help track customer satisfaction, public perceptions of its staff and equitable treatment.
2009/10	Review of Biosecurity Border Clearance Services	The Outside-In review involved a mail survey of importers and exporters who had received border clearance services from MAF in the past 12 months. For the first time we included in the Outside-In Review the same core questions found within the General Public Tracking Survey. This allows us to measure exporters/importers' levels of customer satisfaction with MAF, and then compare this with levels of satisfaction amongst those in the general public who have had recent contact with MAF.
2010/11	Sustainable Farming Fund (SFF) Satisfaction Survey	SFF recipients were asked to participate in the survey online. This was to understand whether the people and organisations who received the SFF are satisfied with the quality of MAF's services and to receive feedback on how MAF can improve service delivery.

SUSTAINABLE FARMING FUND – PERCENTAGE OF 4 OR 5 RATING FOR EACH SATISFACTION DRIVER FOR 2010/11





Statement of RESPONSIBILITY

In terms of the Public Finance Act 1989, I am responsible, as Director-General of the Ministry of Agriculture and Forestry, for the preparation of the Ministry's financial statements, statement of service performance and non-departmental statements and schedules, and for the judgements made in them.

I have the responsibility for establishing, and I have established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

It is my opinion that these financial statements and statement of service performance fairly reflect the financial position of the Ministry as at 30 June 2011 and its operations for the year ended on that date.



Wayne McNee
Director-General

30 September 2011



Tony Murray
Chief Financial Officer

30 September 2011

Matters relating to the electronic presentation of the audited financial statements and statement of service performance. This audit report relates to the financial statements and statement of service performance of Ministry of Agriculture and Forestry (the Ministry) for the year ended 30 June 2011 included on the Ministry's website. The Ministry is responsible for the maintenance and integrity of the Ministry's website. We have not been engaged to report on the integrity of the Ministry's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 30 September 2011 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Report of the AUDIT OFFICE

TO THE READERS OF THE MINISTRY OF AGRICULTURE AND FORESTRY'S FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION AND SCHEDULES OF NON-DEPARTMENTAL ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2011

The Auditor-General is the auditor of the Ministry of Agriculture and Forestry (the Ministry). The Auditor-General has appointed me, Clare Helm, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the non-financial performance information and the schedules of non-departmental activities of the Ministry on her behalf.

We have audited:

- › the financial statements of the Ministry on pages 96 to 134, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2011, the statement of comprehensive income, statement of changes in taxpayers' funds, statement of departmental expenses and capital expenditure against appropriations and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- › the non-financial performance information of the Ministry that comprises the service performance on pages 38 to 94 and the report about outcomes on pages 6 to 22; and
- › the schedules of non-departmental activities of the Ministry on pages 135 to 152 that comprise the schedule of assets, schedule of liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2011, the schedule of income, schedule of capital receipts, schedule of expenditure, statement of expenditure and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure, for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

OPINION

In our opinion:

- › the financial statements of the Ministry on page 96 to 134:
 - comply with generally accepted accounting practice

- in New Zealand; and
- fairly reflect the Ministry's:
 - financial position as at 30 June 2011;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2011; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2011.
- › the non-financial performance information of the Ministry on pages 6 to 22 and 38 to 94:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Ministry's service performance and outcomes for the year ended 30 June 2011, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.
- › the schedules of non-departmental activities of the Ministry on pages 135 to 152, fairly reflect:
 - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2011 managed by the Ministry on behalf of the Crown; and
 - the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the Ministry on behalf of the Crown.

Our audit was completed on 30 September 2011. This 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 Director-General and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing

(New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the non-financial performance information and the schedules of non-departmental activities are free from material misstatement.

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the non-financial performance information and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Ministry's preparation of the financial statements and the non-financial performance information and the schedules of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.

An audit also involves evaluating:

- › the appropriateness of accounting policies used and whether they have been consistently applied;
- › the reasonableness of the significant accounting estimates and judgements made by the Director-General;
- › the appropriateness of the reported non-financial performance information within the Ministry's framework for reporting performance;
- › the adequacy of all disclosures in the financial statements and the non-financial performance information and the schedules of non-departmental activities; and
- › the overall presentation of the financial statements and the non-financial performance information and the schedules of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the non-financial performance information and the schedules of non-departmental activities. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE DIRECTOR-GENERAL

The Director-General is responsible for preparing:

- › financial statements and non-financial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Ministry's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
 - fairly reflect its service performance and outcomes; and
- › schedules of non-departmental activities, in accordance with the Treasury Instructions 2010 that fairly reflect those activities managed by the Ministry on behalf of the Crown.

The Director-General is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements and non-financial performance information and the schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error.

The Director-General's responsibilities arise from the Public Finance Act 1989.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and the non-financial performance information and the schedules of non-departmental activities and reporting that opinion to you based on our audit. Our 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 New Zealand Institute of Chartered Accountants.

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



Clare Helm
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand



INTRODUCTION

Service Performance Measures enable the measurement and reporting of the quantity, quality and timeliness of an agency's outputs. They provide key information about an agency's role and performance.

MAF's Service Performance Measure results are grouped and presented within the three Vote appropriations in the following pages.

ENHANCEMENTS – 2010/11

MAF revised the Service Performance Measures for Vote Agriculture and Forestry and Vote Biosecurity during the 2010/11 financial year.

A significant number of Service Performance Measures have been replaced to ensure the most relevant performance information is presented publicly. The language of a large number of measures has also been revised so that performance information is more accessible to a general audience or to improve technical accuracy and reduce ambiguity.

Those measures that have been “retired” are reported in an Appendix to this Statement of Service Performance.

The NZFSA merged with MAF on 1 February 2011. As a result of the merger MAF took on responsibility for the Service Performance Measures the NZFSA developed for Vote Food Safety for 2010/11.

OVERVIEW

MAF achieved 150 of the 222 performance-driven targets it was required to report against for the 2010/11 year – yielding a 68 percent achievement rate. This percentage is slightly higher than that achieved in 2009/10 and 2008/09.

The amalgamation of MAF and the NZFSA made five communications-related measures difficult to assess. Also, for three measures within Vote Agriculture and Forestry and four within Vote Biosecurity, the bedding-in of new data management systems meant it was not possible to collect authoritative data for the 2010/11 year.

The performance targets for 10 of MAF's 13 departmental expense appropriations were assessed as being partially achieved and one was assessed as fully achieved (the remaining appropriation does not have any service performance measures). Only one appropriation was assessed as having not achieved its targets – Standards within Vote Food Safety. However, this was because a large number of the targets involved completion of projects that were contingent on successful passage of the Food Bill into law. While the Food Bill has not yet been passed, MAF is confident work in this area is being carried out satisfactorily.

Vote

AGRICULTURE AND FORESTRY

The objective of Vote Agriculture and Forestry is to make a significant contribution towards achieving the Government's priority of economic growth. It also aims to support the sustainability and environmental integrity of the primary production sectors. The output expenses within Vote Agriculture and Forestry contribute to MAF achieving the following intermediate outcomes:

- › market access for New Zealand's animal and plant products is maintained and enhanced;
- › a business environment for the agriculture,

food and forestry sectors supports innovation, enterprise and high performance;

- › enhanced prosperity for Māori engaged in the agriculture, food and forestry sectors;
- › effective stewardship of the Crown's forestry assets;
- › New Zealanders are informed and involved participants in MAF's regulatory systems;
- › more resilient rural communities;
- › primary sectors use natural resources and systems in an increasingly sustainable manner.

ADMINISTRATION AND MANAGEMENT OF CROWN FORESTRY ASSETS

ACHIEVED

Crown Forestry administers the Crown's interest in forestry leases on Māori land, residual Crown forest and other forestry assets. Crown Forestry's role is to prudently manage and administer this portfolio of forestry assets to achieve the best return for stakeholders whilst meeting contractual and other legal obligations. Consistent with government policy, Crown Forestry also seeks opportunities for the Crown to sell its interest in these assets, and works with the Office of Treaty Settlements to resolve Treaty of Waitangi claims over the Crown forestry assets it administers.

OUTPUT: MANAGEMENT OF CROWN FORESTS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Number of known breaches of statutes, lease agreements, forestry rights and other contractual arrangements brought or upheld against Crown Forestry since the last independent audit.	0	0	✓
Contracting, evaluation/auditing and payment of forest managers.	6	6	✓
Number of hectares of Crown forestry interests surrendered or sold.	1 300	7 946	✓
Number of forests under administration and management.	40	38	✓ (The mandate is to reduce this number)
Number of forestry leases (where the Crown owns the land) under administration and management.	13	11	✓ (The mandate is to reduce this number)

OUTPUT: MANAGEMENT OF FORESTRY ENCOURAGEMENT LOANS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Number of forestry encouragement loan grantees	5	4	✓ (The mandate is to reduce this number)
Number of forestry encouragement loans	15	10	✓ (The mandate is to reduce this number)
Total value of outstanding forestry encouragement loans	\$19m	\$13.5m	✓ (The mandate is to reduce this number)

COMMENT

Crown Forestry achieved its performance targets and, in line with its mandate, divested some of the government's interests in forestry assets through the sale or surrender of two forests (Parengarenga 3G Forest and Wairakei Forest) and two leases

(Kawhia and Mount Hutt).

The outstanding value of loans owed to Crown Forestry also decreased by a greater margin than was expected.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN ESTIMATES JUNE 2011 \$(000)	SUPP ESTIMATES JUNE 2011 \$(000)
–	Revenue Crown	1 594	1 782	1 694
–	Revenue Other	23	17	20
–	Total Revenue	1 617	1 799	1 714
–	Total Expenses	1 491	1 799	1 714
–	Surplus/(Deficit)	126	–	–

FINANCIAL COMMENT

This new appropriation was established from 2010/11 as a result of a restructure of Vote Agriculture and Forestry. Crown Forestry outputs were split out of the former Contract, Grant and Asset Management output expense appropriation and placed under the responsibility of the Minister of Forestry. This annual output expense appropriation was provided at a cost of \$1.491 million which is \$0.223 million (13 percent) less than Supplementary Estimates.

Approval has been obtained to carry forward \$0.100 million to 2011/12 to contribute towards one-off costs associated with the merger of MAF and the Ministry of Fisheries from 1 July 2011. The remaining \$0.123 million under-spend represents cost savings. These cost savings and \$3000 higher-than-expected third-party income resulted in a \$0.126 million operating surplus for this output class.

ADMINISTRATION OF GRANTS AND PROGRAMMES

PARTIALLY
ACHIEVED

This appropriation is limited to the administration of government-approved schemes, grants and assistance to the land-based sectors.

MAF employs a range of funding schemes to encourage and incentivise activity, alongside private sector investment, to ensure policy objectives around innovation and sustainable resource management are achieved. MAF also has funds that provide assistance and support after adverse climatic events.

OUTPUT: ADMINISTRATION OF ADVERSE CLIMATIC EVENTS RECOVERY ASSISTANCE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Rural support trusts are community organisations involved in co-ordinating response and recovery activities in rural communities during or after an adverse event. Number of regions with active rural support trusts or similar entities.	14	14	✓
An annual conference develops links between regional trusts and helps promote good management practises. New measure: Annual rural support trust conference held by 30 May 2011.	1	1	✓

OUTPUT: ADMINISTRATION OF THE AFFORESTATION GRANTS SCHEME (AGS)

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
To ensure successful applicants receive their grant(s) within a reasonable timeframe. New measure: Percentage of valid invoices paid within 30 working days of receipt.	100%	100%	✓
Established forest areas need to be audited before grant funding is paid. New measure: Percentage of AGS established forests audited before grant funding is paid.	95%	97%	✓
To ensure applications are processed in a timeframe that allows proper assessment to take place but also ensure a decision is made in a timely manner. New measure: Percentage of grant applicants are notified of their tender outcome within 30 working days of the Tender Round closing date.	100%	92%	✗
Contracts need to be provided in a timely manner to ensure successful applicants are able to progress to the planting stage. The timeframe allows the successful applicant and MAF to negotiate contract terms. New measure: Percentage of contracts sent to successful applicants within 30 working days of provisional approval.	95%	33%	✗

OUTPUT: ADMINISTRATION OF THE COMMUNITY IRRIGATION FUND AND SCHEMES

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
This measures whether projects can progress in a timely manner. Percentage of grant payments made on time per contractual agreement.	100%	100%	✓

OUTPUT: ADMINISTRATION OF EAST COAST FORESTRY GRANTS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
To allow applicants planning certainty and ensure prompt payment where the claim meets the required standard and is not subject to a covenant being approved. New measure: Percentage of East Coast Forestry Project (ECFP) claims for new forest establishment that are audited, processed and paid within 20 working days of meeting the minimum establishment standard and the registration of a non-use covenant where this is required.	100%	79%	✗
To be eligible to receive payments under the ECFP, participants are required to have certificates before the commencement of the grant period. New measure: Percentage of ECFP Grant Approval certificates issued before the commencement of the grant period (i.e. by 30 June for the year beginning 1 July).	90%	100%	✓
Demand Driven Measure			
This provides an indication of the scheme's coverage. This amount of land is likely to be added to the scheme over the financial year. New measure: Hectares of annual grant area added to the project.	1500 ha	1158 ha	

OUTPUT: ADMINISTRATION OF THE PRIMARY GROWTH PARTNERSHIP

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
New measure: Number of application rounds considered by the Investment Advisory Panel (IAP) each financial year.	2	2	✓
To help ensure PGP investments are most likely to achieve objectives an IAP is used. MAF provides IAP members with information necessary to prioritise research proposals in a timely manner. New measure: Percentage of written comments provided by MAF to IAP within four weeks of receipt of proposal.	95%	50%	✗
Applicants should be made aware of funding decisions as soon as possible. The four week timeframe allows the IAP to ask for and consider further information if necessary. New measure: Percentage of proposers informed of IAP decision within four weeks of IAP making its decision.	100%	100%	✓
MAF provides IAP members with information necessary to assess research proposals in a timely manner. New measure: Percentage of written comments on business plans provided to IAP at least one week prior IAP meeting.	95%	85%	✗
After IAP approves a project, MAF's Director-General then considers it for final approval. The six week timeframe allows the Director-General to ask for and consider further information if necessary. New measure: Percentage of proposers that are notified of the Director-General's final decision within six weeks of final IAP recommendation.	100%	85%	✗

OUTPUT: ADMINISTRATION OF THE SUSTAINABLE FARMING FUND

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
SFF grant applications are assessed and approved by an independent panel. MAF provides panel members with information and comment on grant applications. It is important this information is of sufficient quality to enable the panel to make well-informed funding decisions. New measure: Members of the independent assessment panel judge they have been provided with sufficient information by MAF to make well-informed funding decisions. A rating scale of 1 to 10 will be used (where 1 represents poor performance and 10 represents excellent performance).	8	8.1	✓
To ensure projects are of sufficient quality and are supported, the local community and private investors need to provide at least 50 percent of the total project budget. New measure: Proportion of industry contribution to project total value across all new project budgets.	50%	56%	✓
New measure: Percentage of grant payments made within 20 working days of MAF receiving all project report reporting.	100%	89%	✗
Demand Driven Measures			
Total number of funding contracts under management.	200	146	

COMMENT

The administration of MAF's afforestation schemes, the East Coast Forestry Project and the Afforestation Grants Scheme, was largely satisfactory with the majority of performance targets being either met or nearly met. The contract turnaround target for the Afforestation Grants Scheme was below expectations because the contract template was revised while a number of contracts were pending.

The 2010/11 year marked the tenth anniversary for SFF and the first full year of operation for PGP. In both cases the administration of the funds is being undertaken effectively, with most performance results being either within or close to targets. The delivery of written reports to Investment Advisory Panel (IAP) members did not meet expectations because the April funding

round was moved forward. Systems improvements have been made within the year to ensure service performance measure targets will be met in the future.

The Community Irrigation Fund met its contractual payments obligations. The fund provided assistance to 20 irrigation projects during the year. The Government is planning to integrate the fund into the proposed Irrigation Acceleration Fund during the 2011/12 year as part of its recently announced Water Strategy.

Work to support the development of a nation-wide network of regional support trusts has also continued over the past year and all regions now have functioning trusts in place ready to support rural communities in times of exceptional need.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN	SUPP
			ESTIMATES	ESTIMATES
			JUNE 2011 \$(000)	JUNE 2011 \$(000)
–	Revenue Crown	6 324	6 696	8 179
–	Revenue Other	103	70	85
–	Total Revenue	6 427	6 766	8 264
–	Total Expenses	6 259	6 766	8 264
–	Surplus/(Deficit)	168	–	–

FINANCIAL COMMENT

This new appropriation was established from 2010/11 as a result of a restructure of Vote Agriculture and Forestry. It was formed from the split of forestry-related outputs out of the former Contract, Grant and Asset Management output expense appropriation. This annual output expense appropriation, limited to the administration of government-approved schemes, grants and assistance to the land-based sectors, was provided at a cost of \$6.259 million, which is \$2.005 million (24 percent) less than

Supplementary Estimates. Approval has been obtained to carry forward \$1.855 million of the unspent appropriation to 2011/12 to contribute \$1.500 million towards one-off costs associated with the merger of MAF and the Ministry of Fisheries from 1 July 2011 and \$0.355 million for governance of PGP. The remaining \$0.150 million under-spend represents cost savings. These cost savings and \$18,000 higher than expected third party income resulted in a \$0.168 million operating surplus for this output class.

ANIMAL WELFARE EDUCATION AND ENFORCEMENT

PARTIALLY
ACHIEVED

MAF leads and facilitates the management of animal welfare policy and practice. It promotes policies for the humane treatment of animals and is a key participant in the ongoing animal welfare debate.

This appropriation is limited to standard setting and enforcement intended to improve animal welfare in New Zealand.

OUTPUT: ANIMAL WELFARE EDUCATION

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Number of issues of Welfare Pulse published.	3	3	✓
New measure: Number of planned farm visits to educate farmers on compliance requirement.	500	1020	✓

OUTPUT: REGULATION OF THE USE OF LIVE ANIMALS IN RESEARCH, TESTING AND TEACHING

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
New measure: Number of codes of ethical conduct recommended for approval by the Director-General under the Animal Welfare Act 1999.	1	3	✓

OUTPUT: ENFORCEMENT OF NEW ZEALAND'S ANIMAL WELFARE REGULATORY FRAMEWORK

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
New measure: Number of Memorandums of Understanding agreed under Compliance and Enforcement Programme.	3	0	✗

OUTPUT: INVESTIGATIONS OF ALLEGED BREACHES OF THE ANIMAL WELFARE ACT 1999

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
New measure: Percentage of complainants who have requested notification are notified of the outcome of their complaint.	95%	90%	✗
New measure: Percentage of complaints that are responded to as per the requirements of the Performance and Technical Standards.	95%	92%	✗
New measure: 100 percent of complainants who request to have their complaint acknowledged will receive this acknowledgement within five days of receipt.	100%	100%	✓
New measure: Percentage of Category II – “Lower Threshold Criminal Behaviour” investigations that are “Marked as Closed” or “Forwarded for Prosecution” within six months of complaint's receipt.	75%	Data not available	✗
New measure: Percentage of Category III – “Organised Illegal Activity” investigations that are “Marked as Closed” or “Forwarded for Prosecution” within 18 months of complaint's receipt.	75%	Data not available	✗
Demand Driven Measures			
New measure: Number of complaints received. Category I – Minor behaviour breach (warning or instant fine).	600–1000	567	

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
New measure: Number of complaints received. Category II – Lower threshold criminal behaviour.	250	88	✗
New measure: Number of complaints received. Category III – Organised illegal activity.	3	8	✓

OUTPUT: PROSECUTION OF CASES OF ALLEGED BREACHES OF THE ANIMAL WELFARE ACT

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
New measure: Percentage of Category II – “Lower Threshold Criminal Behaviours” files “Forwarded for Prosecution” are also assessed for “public good evaluation” within six months.	100%	98%	✗
Percentage of Category III – “Organised Illegal Activity” files “Forwarded for Prosecution” are also assessed for “public good evaluation” within 18 months.	100%	100%	✓
New measure: Percentage of cases submitted for “Public good assessment” that receive “Public Good Clearance”.	90%	100%	✓

COMMENT

Key performance measures within this appropriation were either achieved or nearly achieved. MAF is unable to report authoritative results for two turnaround measures relating to Category II and Category III investigation activities. MAF is confident it met these targets, however, the new data management system for investigation activities that was established during the year was not designed to capture this information. The system is recording turnaround times for the 2011/12 year and relevant data will be available for reporting in the future.

The progression of the compliance and enforcement Memorandums of Understanding (MoUs) for animal welfare activities has been impacted by the merger with the NZFSA. However, it is expected these MOUs will be

agreed during the first part of the 2011/12 year.

There is some variance for predicted workloads. This reflects the more proactive and successful approach MAF has taken to animal welfare investigation and enforcement activities over the past two years. While MAF received fewer Category I complaints than expected this is partly because it undertook a large number of additional proactive investigations (over 700) and worked with industry to reduce offending across all three categories. This has resulted in significantly fewer Category II offences and also allowed MAF to dedicate more resources to Category III investigations and further disincentivise serious offending.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN ESTIMATES JUNE 2011 \$(000)	SUPP ESTIMATES JUNE 2011 \$(000)
3 340	Revenue Crown	4 261	3 776	4 261
12	Revenue Other	30	20	27
3 352	Total Revenue	4 291	3 796	4 288
3 191	Total Expenses	4 170	3 796	4 288
161	Surplus/(Deficit)	121	–	–

FINANCIAL COMMENT

This appropriation was renamed in the 2010/11 restructure of Vote Agriculture and Forestry that split out animal welfare policy advice as an output class in the new Policy Advice multi-class expense appropriation. The baseline for this appropriation was increased by \$1.200 million in Budget 2010. This annual output expense appropriation, limited to standard setting, education and enforcement

intended to improve animal welfare in New Zealand, was provided at a cost of \$4.170 million which is \$0.118 , (3 percent) less than Supplementary Estimates. This cost saving along with a \$3000 higher than expected third party income resulted in a \$0.121 million operating surplus for this output class.

IMPLEMENTATION OF THE EMISSIONS TRADING SCHEME AND INDIGENOUS FORESTRY

PARTIALLY
ACHIEVED

This appropriation is limited to the implementation of the agriculture and forestry provisions of the Climate Change Response Act 2002 and the indigenous provisions of the Forests Act 1949.

Work under the Forests Act 1949 principally involves the administration of sustainable forest management plans and permits, controls on sawmills processing indigenous logs and the export of indigenous forest produce, and breaches of Part IIIA.

This appropriation also covers MAF's operational involvement in the Government's ETS. The scheme aims to reduce net greenhouse gas emissions below business-as-usual levels and comply with New Zealand's international obligations. MAF administers the scheme for the forestry and agriculture sectors, in conjunction with the Ministry for the Environment and Ministry of Economic Development.

OUTPUT: IMPLEMENTATION OF THE NEW ZEALAND EMISSIONS TRADING SCHEME

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
This ensures the prompt transfer of the New Zealand Units (NZUs) to account holders. New measure: Percentage of directions (to transfer NZUs to holding accounts) given to the NZ Emissions Unit Registrar within 20 working days of a Forestry Allocation Plan Final Determination being issued or Emissions Return processing being completed other than those that have been referred for audit.	95%	100%	✓
This ensures applications are processed in a timeframe that allows proper assessment to take place. It also ensures a decision is made in a timely manner. one-in-four applications are likely to take longer than 3 months because of the complexities involved in verifying applicant claims. New measure: Percentage of "Post-1989" applications to become ETS participants are processed by MAF within 90 days of lodgement.	75%	73%	✗

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>This ensures applications are processed in a timeframe that allows proper assessment to take place. It also ensures a decision is made in a timely manner. one-in-four applications are likely to take longer than three months because of the complexities involved in verifying applicant claims.</p> <p>New measure: Percentage of “Pre-1990” allocation plan applications are processed to Preliminary Determination within 90 days of lodgement.</p>	75%	90%	✓
<p>This ensures prompt registration of ETS Participants.</p> <p>New measure: Percentage of recommendations (to register a forestry participant) sent to the Chief Executive of Ministry of Economic Development within five working days of an application or deforestation notification approved.</p>	95%	100%	✓
<p>New measure: Percentage of applicants that participate in the customer satisfaction survey give the quality of MAF's ETS service delivery a rating of at least 3 out of 5 (where 1 represents poor performance and 5 represents excellent performance).</p>	75%	85%	✓

OUTPUT: ADMINISTRATION OF THE PERMANENT FOREST SINK INITIATIVE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>To ensure all applicants are kept up-to-date with the progress of their application and ensure any information gaps are identified as soon as possible.</p> <p>New measure: Percentage of applications that are formally acknowledged to applicants in writing, within five working days of receipt and, if necessary, advised of all additional information of documents needed to process applications.</p>	100%	100%	✓
<p>To ensure applications are processed in a timely manner and to give applicants a timeframe that will allow more certainty when planning. The measure allows that 1 in 4 applications may be complex and require a longer assessment period.</p> <p>New measure: Percentage of draft covenants sent to eligible applicants within 90 days of receipt of all information needed to process the draft covenant.</p>	75%	75%	✓

OUTPUT: PROMOTION OF THE SUSTAINABLE MANAGEMENT OF INDIGENOUS FORESTRY

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>Ensures applicants are told in a timely manner whether they have been successful and provides them with timeframe certainty.</p> <p>New measure: Percentage of all applications for Milling Statements approved or declined within one month of receipt of all information and supporting documents from applicants necessary to process the application.</p>	90%	96%	✓
<p>Ensures applicants are told in a timely manner whether they have been successful and provides them with timeframe certainty.</p> <p>New measure: Percentage of all applications for Annual Logging Plans approved or declined within two months of receipt of all information and supporting documents from applicants necessary to process applications.</p>	90%	88%	✗
<p>Tests compliance with government regulations.</p> <p>Percentage of Annual Logging Plans inspected that comply with Forests Act 1949 government regulations.</p>	80%	87%	✓

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Tests compliance with government regulations. Percentage of sawmills inspected that comply with government regulations.	80%	95%	✓

OUTPUT: ENFORCEMENT OF NEW ZEALAND'S INDIGENOUS FORESTRY REGULATIONS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Percentage of complaints received and investigated in priority order and in accordance with the MAF Compliance and Enforcement priority grading framework.	90%	Data unavailable	✗

OUTPUT: INVESTIGATIONS OF ALLEGED BREACHES OF NEW ZEALAND'S INDIGENOUS FORESTRY LEGISLATIVE FRAMEWORK

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Percentage of complainants that request to have their complaint acknowledged that receive this acknowledgement within five working days.	100%	100%	✓
New measure: Percentage of Category II – “Lower Threshold Criminal Behaviour” investigations are “Marked as Closed” or “Forwarded for Prosecution” within six months of complaint’s receipt.	75%	100%	✓
New measures: Percentage of Category III – “Organised Illegal Activity” investigations are “Marked as Closed” or “Forwarded for Prosecution” within 18 months of complaint’s receipt.	75%	100%	✓
Demand Driven Measures			
New measure: Number of complaints received. Category I – Minor behaviour breach (warning or instant fine)	8	7	
New measure: Number of complaints received. Category II – Lower threshold criminal behaviour	8	3	
New measure: Number of complaints received. Category III – Organised illegal activity	4	2	

OUTPUT: PROSECUTION OF ALLEGED BREACHES OF NEW ZEALAND'S INDIGENOUS FORESTRY LEGISLATIVE FRAMEWORK

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
New measure: Percentage of Category II – “Lower Threshold Criminal Behaviours” files “Forwarded for Prosecution” are also assessed for “public good evaluation” within six months.	100%	100%	✓
New measure: Percentage of Category III – “Organised Illegal Activity” files “Forwarded for Prosecution” are also assessed for “public good evaluation” within 18 months.	100%	N/A (no forestry-related cases were progressed to this stage)	
New measure: Percentage of cases submitted for “public good assessment” that receive “public good clearance”.	90%	100%	✓
Percentage of cases lodged with the court that incurred adverse judicial comment.	5%	0	✓

COMMENT

All targets relating to indigenous forests and the ETS were met or nearly met. MAF continued to audit for compliance to ensure breaches of the regulations are kept to a minimum. Of the currently approved and registered 49 sustainable forest management (SFM) plans, five are on Māori land along with 25 of the current 437 SFM permits.

MAF achieved all of its forestry-related investigation and prosecution-related performance targets. The turnaround time for Category III investigations was marked as “Not Applicable” because MAF did not take any forestry-related Category III cases to court during 2010/11.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN	SUPP
			ESTIMATES JUNE 2011 \$(000)	ESTIMATES JUNE 2011 \$(000)
–	Revenue Crown	11 452	15 837	11 472
–	Revenue Other	201	83	157
–	Total Revenue	11 653	15 920	11 629
–	Total Expenses	10 988	15 920	11 629
–	Surplus/(Deficit)	665	–	–

FINANCIAL COMMENT

This new appropriation was established from 2010/11 as a result of a restructure of Vote Agriculture and Forestry. It was formed from the split of the former Climate Change output expense appropriation into three and combining the administration and compliance components of the ETS and the Permanent Forest Sink initiative elements with the former appropriation Administration of Indigenous Forestry Provisions. This annual output expense appropriation, was provided at a cost of \$10.988

million which is \$0.641 million, (6 percent) less than Supplementary Estimates. Approval has been obtained to carry forward \$20 000 of the unspent appropriation to 2011/12 to complete work on software required to support the Field Measurement Approach regulations. The remaining \$0.621 million under-spend represents cost savings. These cost savings and \$44 000 higher than expected third party income resulted in a \$0.665 million operating surplus for this output class.

POLICY ADVICE

PARTIALLY
ACHIEVED

This appropriation covers analysis and decision-making support underpinning policy advice to ministers and the Government in relation to the land-based sectors. It includes analysis and advice on legislation, institutional arrangements, and on policy and operational initiatives in relation to the sector, rural communities and other stakeholders.

OUTPUT: DEVELOPMENT AND PROVISION OF AGRICULTURE, HORTICULTURE AND FORESTRY-RELATED ADVICE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>A significant component of MAF's activities is focused on supporting its minister(s) in dealing with issues raised by the public in correspondence and in developing solutions for policy issues facing New Zealand.</p> <p>The Minister rates the quality of policy advice provided as 4 or better on a scale of 1 to 5 (where 1 represents poor and 5 represents excellent) via discussion with MAF officials every six months.</p>	4	4.5	✓
<p>It is important to receive an independent assessment of the quality of MAF's policy advice, and MAF will submit a sample of work for review once a year.</p> <p>New measure: Mean rating of MAF policy advice is 7 out of 10 or higher.</p>	7	7	✓
<p>The <i>Cabinet Office Manual</i> stipulates that "an executive summary must be provided if a paper is more than four pages long, or the paper is particularly complex". In 2009/10 the Cabinet Office judged that 17 percent of MAF papers did not include a summary when one was required.</p> <p>New measure: Percentage of MAF cabinet papers that include summaries when required.</p>	100%	89%	✗
<p>The Government requires that regulatory proposals are subject to impact analysis to ensure any proposed regulation is in the public interest. MAF therefore needs to ensure its regulatory advice meets standards of best practice and demonstrates this in the development of regulatory impact statements. Only significant Regulatory Impact Statements are assessed by Treasury.</p> <p>New measure: Percentage of MAF Regulatory Impact Statements assessed by Treasury that meet the regulatory assessment requirements.</p>	100%	100%	✓
<p>Complaints about the quality of MAF's regulations can be made to the Parliamentary Regulations Review Committee, which can, if substantiated, make recommendations to the House under Standing Orders for changes to MAF's regulations.</p> <p>New measure: Percentage of MAF regulations that the Review Committee considers follow good practice and that are not brought to the attention of the House in accordance with Standing Orders.</p>	100%	100%	✓
<p>The Cabinet Office measures the timeliness and "structural quality" (length and presence of summaries) of all papers that are submitted to Cabinet or Cabinet committees. They provide agencies with analysis of how their performance compares to overall averages.</p> <p>New measure: Percentage of MAF cabinet papers deemed to meet Cabinet Office report back deadlines.</p>	95%	95%	✓
Demand Driven Measures			
Provides an indication of the volume of work completed by MAF. Number of ministerial briefing papers or reports provided.	500	432	
Number of policy papers provided to Cabinet.	60–70	48	

OUTPUT: DEVELOPMENT AND PROVISION OF AGRICULTURE, HORTICULTURE AND FORESTRY-RELATED ADVICE: MINISTERIAL SERVICES

SERVICE PERFORMANCE MEASURE	STANDARD	ACTUAL	TARGET MET
A significant component of MAF's activities is focused on supporting its Minister(s) in dealing with issues raised by the public in correspondence and in developing solutions for policy issues facing New Zealand. The Minister rates the quality of ministerial services provided as 4 or better on a scale of 1 to 5 (where 1 represents poor and 5 represents excellent) via discussion with MAF officials every six months.	4	5	✓
Measures whether MAF is providing quality correspondence that meets the Ministers' needs. New measure: Percentage of ministerial correspondence accepted without amendment for dispatch.	95%	92%	✗
This measures whether MAF is providing information to Members of Parliament within the timeframes set out in Standing Orders. Percentage of Parliamentary Questions completed within specified timeframes.	95%	99%	✓
Measures whether MAF is providing information to correspondence within the timeframes set by the Minister. Percentage of ministerial correspondence completed within 15 days.	95%	88%	✗
Percentage of ministerial correspondence completed within 20 days.	100%	98%	✗
Measures whether MAF meets the timeframes required under the Official Information Act (OIA) for dealing with OIA requests. Percentage of OIA requests actioned within 20 working days.	100%	78%	✗
Demand Driven Measures			
Provides an indication of the volume of work completed by MAF. Number of ministerial letters prepared.	300	208	
Number of parliamentary question responses provided.	210	191	

OUTPUT: CLIMATE CHANGE POLICY ADVICE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
A significant component of MAF's activities is focused on supporting its minister(s) in dealing with issues raised by the public in correspondence and in developing solutions for policy issues facing New Zealand. The Minister rates the quality of policy advice provided as 4 or better on a scale of 1 to 5 (where 1 represents poor and 5 represents excellent) via discussion with MAF officials every six months.	4	4.5	✓
Demand Driven Measures			
Provides an indication of the volume of work completed by MAF. Number of ministerial briefing papers or reports provided.	45	14	

OUTPUT: CLIMATE CHANGE POLICY ADVICE: PROVISION OF MINISTERIAL SERVICES

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
This measures whether MAF is providing information to Members of Parliament within the timeframes set out in the Standing Orders. Percentage of Parliamentary Questions completed within specified timeframes.	95%	100%	✓
This measures whether MAF is responding to correspondence within the timeframes set by the Minister. Percentage of ministerial correspondence completed within 15 working days.	95%	63%	✗
This measures whether MAF is responding to correspondence within the timeframes set by the Minister. Percentage of ministerial correspondence completed within 20 working days.	100%	100%	✓
This measures whether MAF meets the timeframes required under the OIA for dealing with OIA requests. Percentage of OIA requests actioned within 20 working days.	100%	85%	✗
This measures whether MAF is providing quality correspondence to the Minister's Office that meets the Minister's needs. Percentage of ministerial correspondence accepted without amendments.	95%	100%	✓
A significant component of MAF's activities is focused on supporting its Minister(s) in dealing with issues raised by the public in correspondence and in developing solutions for policy issues facing New Zealand. The Minister rates the quality of ministerial servicing provided as 4 or better on a scale of 1 to 5 (where 1 represents poor and 5 represents excellent) via discussion with MAF officials every six months.	4	5	✓
Demand Driven Measures			
This measures the volume of work completed by MAF. Number of ministerial letters prepared.	70	19	
Number of OIA responses provided.	15	13	
Number of parliamentary question responses provided.	10	5	

OUTPUT: ANIMAL WELFARE POLICY: RESEARCH TO SUPPORT THE DEVELOPMENT OF ANIMAL WELFARE STANDARDS

SERVICE PERFORMANCE MEASURE	STANDARD	ACTUAL	TARGET MET
The Animal Welfare Group identifies a number of important research projects each year that inform government standards, policy development and industry conduct. New measure: Number of animal welfare projects completed.	4	3	✗

OUTPUT: ANIMAL WELFARE POLICY: DEVELOPMENT OF CODES OF WELFARE UNDER THE ANIMAL WELFARE ACT 1999

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
This reflects the quantity of code work completed by MAF in conjunction with The National Animal Welfare Advisory Committee (NAWAC). The Minister receives advice on the need for, and quality of, standards from NAWAC. Number of codes recommended to the Minister for issue under the Act.	4	2	✗
NAWAC receives administrative and scientific, policy and legal support from MAF. New measure: NAWAC members rate the quality of administrative support and scientific policy and legal advice provided by MAF as 3 or better on a scale of 1 to 5 (where 1 represents poor performance and 5 represents excellent).	3	3	✓

OUTPUT: DEVELOPMENT AND PROVISION OF ANIMAL WELFARE-RELATED POLICY ADVICE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
A significant component of MAF's animal welfare activities focus on supporting its Minister in dealing with issues raised by the public in correspondence and in developing solutions for policy issues facing New Zealand. The Minister rates the quality of policy advice provided as 4 or better on a scale of 1 to 5 (where 1 represents poor and 5 represents excellent) via discussions with MAF officials every six months.	4	4	✓
Provides an indication of the volume of policy work completed by MAF. Number of ministerial briefing papers or reports provided.	30	30	✓

OUTPUT: DEVELOPMENT AND PROVISION OF ANIMAL WELFARE-RELATED POLICY ADVICE: MINISTERIAL SERVICES

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
A significant component of MAF's animal welfare activities focus on supporting its Minister in dealing with issues raised by the public in correspondence and in developing solutions for policy issues facing New Zealand. The Minister rates the quality of ministerial servicing as 4 or better on a scale of 1 to 5 (where 1 represents poor and 5 represents excellent) via discussion with MAF officials every six months.	4	5	✓
Measures whether MAF is providing quality correspondence to the Minister's Office that meets the Minister's needs. Percentage of correspondence accepted without amendment.	95%	93%	✗
Measures whether MAF is providing information to Members of Parliament within the timeframes set out in the Standing Orders. Percentage of parliamentary questions completed within specified timeframes.	95%	99%	✓
Measures whether MAF is responding to correspondence within the timeframes set by the Minister. Percentage of ministerial correspondence completed within 15 working days.	95%	94%	✗

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Measures whether MAF is responding to correspondence within the timeframes set by the Minister. Percentage of ministerial correspondence completed within 20 working days.	100%	100%	✓
Measures whether MAF meets the timeframes required under the OIA for dealing with OIA requests. Percentage of OIA requests actioned within 20 working days.	100%	76%	✗
Demand Driven Measures			
Provides an indication of the volume of the work completed by MAF. Number of ministerial letters prepared.	1000	464	
Number of OIA request responses provided.	15	59	
Number of parliamentary question responses provided.	25	21	

OUTPUT: CO-ORDINATION OF THE SANITARY AND PHYTOSANITARY CHAPTER COMPONENTS OF FREE TRADE AGREEMENT NEGOTIATIONS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
In order to ensure timely completion of an FTA, the development of the SPS components of the FTA should meet planned timeframes. New measure: Percentage of papers and advice relating to the coordination of the SPS components of the FTA negotiations that are provided within agreed timeframes.	100%	100%	✓
Demand Driven Measures			
FTA negotiations are currently under way with Korea, India, Russia, the Trans-Pacific Partnership and PACER countries. Number of FTAs under negotiation.	3	5	

OUTPUT: PROVISION OF INPUT INTO BRIEFINGS AND PARTICIPATION IN THE NEGOTIATION OF NON-SANITARY AND PHYTOSANITARY COMPONENTS OF FREE TRADE AGREEMENTS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
New measure: Percentage of papers and advice relating to the co-ordination of the non-SPS components of the FTA negotiations that are provided within agreed timeframes.	100%	100%	✓
Demand Driven Measure			
Number of FTAs under negotiation.	3	5	

OUTPUT: INPUT INTO BRIEFING, AND PARTICIPATION IN THE NEGOTIATION AND REGULAR SESSIONS OF THE WORLD TRADE ORGANIZATION

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
To ensure momentum is maintained in the WTO towards trade liberalisation it is important to provide timely papers and advice to inform discussions. New measure: Percentage of papers and advice relating to the WTO negotiations/committees that are provided within agreed timeframes.	100%	100%	✓
There are four WTO regular sessions planned for 2010/11 and MAF is also seeking to attend all key meetings in the Doha Round associated with agriculture trade liberalisation (currently three are planned for 2010/11). Number of forums covered.	7	7	✓

OUTPUT: INPUT INTO BRIEFINGS OF THE TRANS-TASMAN ANIMAL WELFARE COMMITTEE, PRIMARY INDUSTRY STANDING COMMITTEE, PRIMARY INDUSTRIES MINISTERIAL COMMITTEE AND QUADS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Number of briefings provided.	10	AWPIT – 8 PISC/PIMC – 13	✓

OUTPUT: WORLD ORGANISATION FOR ANIMAL HEALTH (OIE)

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Number of OIE draft standards reviewed by New Zealand.	2	2	✓
Presentation of annual report to OIE General Session as Chair of the OIE's Animal Welfare Working Group	1	1	✓

COMMENT

All key quality targets for policy development activities within Vote Agriculture and Forestry were met. The quality of MAF's agriculture and forestry policy advice is independently reviewed on a regular basis to gauge its effectiveness and to seek advice on opportunities for improvement. The New Zealand Institute of Economic Research did a review in July 2011.

It judged the quality of MAF's policy advice to be 7.0 out of 10 and noted that MAF's advice "remains adequate". While this is the same result as achieved in 2009/10, the institute judged a higher percentage of the reviewed papers as "better than adequate", and MAF will look to improve this further in 2011/12.

Feedback was also sought from the Minister of Agriculture and Forestry on the quality of policy advice received from MAF during the 2010/11 year. On a five-point scale (where 1 is poor and 5

is excellent) the Minister's rating for agriculture and forestry policy advice was 4.5, indicating a high level of satisfaction with advice.

MAF's provision of Ministerial Services was generally satisfactory, with most performance being either within or just marginally outside of timeliness and quality targets. The timeliness of Official Information Act requests was below expectations and MAF will consider options to address this.

FTA negotiations are currently under way with Korea, India, Russia, the Trans-Pacific Partnership and Pacific Agreement on Closer Economic Relations (PACER) countries. The international work carried out by MAF across all its policy areas was satisfactory, with all timeframe targets for key international negotiations and forums met.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN ESTIMATES JUNE 2011 \$(000)	SUPP ESTIMATES JUNE 2011 \$(000)
	Revenue Crown			
	– Agriculture and Forestry Policy Advice	21 232	19 857	24 777
	– Animal Welfare Policy Advice	842	750	842
	– Climate Change Policy Advice	9 922	15 587	10 384
	– Total Revenue Crown	31 996	36 194	36 003
	Revenue Other			
	– Agriculture and Forestry Policy Advice	378	330	321
	– Animal Welfare Policy Advice	3	–	2
	– Climate Change Policy Advice	83	270	75
	– Total Revenue Other	464	600	398
	– Total Revenue	32 460	36 794	36 401
	Expenses			
	– Agriculture and Forestry Policy Advice	21 538	20 187	25 098
	– Animal Welfare Policy Advice	823	750	844
	– Climate Change Policy Advice	10 005	15 857	10 459
	– Total Expenses	32 366	36 794	36 401
	Surplus/(Deficit)			
	– Agriculture and Forestry Policy Advice	72	–	–
	– Animal Welfare Policy Advice	22	–	–
	– Climate Change Policy Advice	–	–	–
	– Total Surplus/(Deficit)	94	–	–

FINANCIAL COMMENT

This new MCOA was established from 2010/11 as a result of a restructure of Vote Agriculture and Forestry. To provide greater flexibility in resource allocation decisions, the status of policy advice on agriculture and forestry, animal welfare and climate change, has been changed to output classes under this MCOA. This annual appropriation, containing output classes that contribute to the sustainable development of New Zealand's biological resources, was provided at a cost of \$32.366 million, which is \$4.035 million (11 percent) less than Supplementary Estimates. Approval has been obtained to carry forward \$4.007 million of the unspent appropriation to 2011/12 to contribute \$2.800 million towards one-off costs associated with the merger of MAF and the Ministry of Fisheries from 1 July 2011; \$0.198 million for

governance of the Global Research Alliance; \$0.305 million to progress FTAs; \$0.185 million for ongoing work on water infrastructure policy; \$0.180 million for the dairy clean streams accord survey; \$0.100 million to assess the implications for New Zealand of international rules governing the international deforestation fund; \$0.164 million for the development and implementation of a technology transfer programme under the Climate Change Plan of Action; and \$75 000 for a scoping study to assess the size and scope of erosion issues in the Waiapu catchment for the Ngati Porou treaty settlement. The remaining \$28 000 - represents cost savings. These cost savings and \$66 000 higher than expected third-party income resulted in a \$94 000 operating surplus for this MCOA.

Vote

BIOSECURITY

The objective of Vote Biosecurity is to protect the primary sectors and natural environment from the threat of new pests and diseases, and to reduce the damage caused by harmful organisms that have already become established in New Zealand. It also contributes to increased trade and market access for New Zealand exports. The output expenses within Vote Biosecurity contribute to MAF achieving the following intermediate outcomes:

- › enhanced trade through principled application of international obligations;

- › a more informed public increasingly involved in our regulatory activities;
- › prevention and reduction of harm to economic activity from pests and diseases;
- › prevention and reduction of harm to the natural environment from pests and diseases;
- › prevention and reduction of harm to human health from pests and diseases;
- › prevention and reduction of harm to resources of economic and cultural values to Māori from pests and diseases.

BIOSECURITY POLICY ADVICE

PARTIALLY
ACHIEVED

This covers the provision of analysis and advice on, and development of, policies, legislation and organisational arrangements to be applied to: implementing the Biosecurity Strategy; developing the biosecurity system and managing operational responses; the provision of biosecurity advice to ministers and participation in biosecurity and consultative forums; Māori responsiveness; and ongoing business support.

OUTPUT: DEVELOPMENT AND PROVISION OF BIOSECURITY-RELATED POLICY ADVICE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Provides an indication of the volume of work completed by MAF. Number of ministerial briefing papers or reports provided.	160–200	128	✗
A significant component of MAF activities focus on supporting its Minister(s) in dealing with issues raised by the public in correspondence and in developing solutions for policy issues facing New Zealand. The Minister rates the quality of policy advice provided as 4 or better on a scale of 1 to 5, where 1 represents poor and 5 represents excellent (poor, sub-standard, adequate, good, excellent) via discussion with MAF officials every six months.	4–5	4	✓
It is important to receive an independent assessment of the quality of MAF policy advice and MAF will submit a sample of work for review at least once a year. New measure: Mean rating of MAF policy advice is 7 out of 10 or higher.	7	7	✓

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>The Cabinet Office measures the timeliness and “structural quality” (length and presence of summaries) of all papers that are submitted to Cabinet or Cabinet committees. They provide agencies with analysis of how their performance compares with overall averages.</p> <p>New measure: Percentage of MAF cabinet papers deemed to meet Cabinet Office report back deadlines.</p>	95%	95%	✓
<p>The <i>Cabinet Office Manual</i> stipulates that “an executive summary must be provided if a paper is more than four pages long, or the paper is particularly complex”.</p> <p>New measure: Percentage of MAF cabinet papers that include summaries when required.</p>	100%	87%	✗
<p>The Government requires that regulatory proposals are subject to impact analysis to ensure any proposed regulation is in the public interest. MAF therefore needs to ensure its regulatory advice meets standards of best practice and demonstrates this in the development of Regulatory Impact Statements. Only significant Regulatory Impact Statements are assessed by Treasury.</p> <p>New measure: Percentage of MAF Regulatory Impact Statements assessed by Treasury that meet the regulatory assessment requirements.</p>	100%	N/A	N/A No Regulatory Impact Statements from Vote Biosecurity were assessed by Treasury during 2010/11
<p>Complaints about the quality of MAF regulations can be made to the Parliamentary Regulations Review Committee, which can, if substantiated, make recommendations to the house under Standing Orders for changes to MAF's regulations.</p> <p>New measure: Percentage of MAF regulations that the Review Committee considers follows good practice and that are not brought to the attention of the House in accordance with Standing Orders.</p>	100%	100%	✓

OUTPUT: PROVISION OF MINISTERIAL SERVICES

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>A significant component of MAF activities focus on supporting its Minister(s) in dealing with issues raised by the public in correspondence and in developing solutions for policy issues facing New Zealand.</p> <p>The Minister rates the quality of ministerial servicing provided as 4 or better on a scale of 1 to 5, where 1 represents poor and 5 represents excellent (poor, sub-standard, adequate, good, excellent) via discussion with MAF officials every six months.</p>	4–5	5	✓
<p>Measures whether MAF is providing quality correspondence to the Minister's Office that meets the Minister's needs.</p> <p>Percentage of ministerial correspondence accepted without amendments.</p>	95%	77%	✗
<p>Measures whether MAF is providing information to Members of Parliament within the timeframes set out in Standing Orders.</p> <p>Percentage of parliamentary questions completed within specified timeframes.</p>	95%	91%	✗
<p>Measures whether MAF is responding to correspondence within the timeframes set by the Minister.</p> <p>Percentage of ministerial correspondence completed within 15 working days.</p>	95%	46%	✗
<p>Measures whether MAF is responding to correspondence within the timeframes agreed with the Minister.</p> <p>Percentage of ministerial correspondence completed within 20 working days.</p>	100%	81%	✗

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Measures whether MAF meets the timeframes required under the OIA for dealing with OIA requests. Percentage of OIA requests actioned within 20 working days.	100%	82%	X
Demand Driven Measures			
Provides an indication of the volume of work completed by MAF. Number of ministerial letters prepared.	180–220	155	
Number of OIA request responses provided.	90–110	94	
Number of parliamentary question responses provided.	150–200	66	

COMMENT

The quality of MAF's biosecurity policy advice is independently reviewed on a regular basis to gauge its effectiveness and to seek advice on opportunities for improvement. Policy advice provided by MAF during the 2010/11 year was reviewed by the New Zealand Institute of Economic Research in July 2011.

It is judged the quality of MAF's policy advice "remains adequate". While this is the same result achieved in 2009/10, the Institute judged a higher percentage of the reviewed papers as "better than adequate", and MAF will look to improve this further in 2011/12.

Feedback was also sought from the Minister for Biosecurity on the quality of policy advice received from MAF during the 2010/11 year. On a five point scale (where 1 is poor and 5 is excellent) the Minister's rating for biosecurity policy advice was 4, indicating a high level of satisfaction with advice.

MAF's provision of Ministerial Services was less satisfactory than anticipated. Most timeliness and quality targets were not met and MAF will work to address this during the 2011/12 year. It is important to note the 15-day turnaround target for ministerial correspondence is no longer worked to.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN ESTIMATES JUNE 2011 \$(000)	SUPP ESTIMATES JUNE 2011 \$(000)
12 928	Revenue Crown	10 476	11 074	10 976
128	Revenue Other	124	337	121
13 056	Total Revenue	10 600	11 411	11 097
13 112	Total Expenses	9 964	11 411	11 097
(56)	Surplus/(Deficit)	636	–	–

FINANCIAL COMMENT

This appropriation was changed in the 2010/11 restructure of Vote Biosecurity. Some expenditure formerly incurred against this appropriation was reclassified. Social marketing activities were moved to output class Border Biosecurity Monitoring and Clearance and output class Biosecurity Incursion Response and Long Term Pest Management to more accurately represent the nature of these activities. The Vote review also identified that membership of the Office

Internationale des Epizooties should be accounted for against the non-departmental other expense Subscriptions to International Organisations. This annual output expense appropriation, limited to policy advice and analysis on biosecurity, and ministerial servicing, was provided at a cost of \$9.964 million, which is \$1.133 million (10 percent) less than Supplementary Estimates. Approval has been obtained to carry forward \$0.500 million of the unspent appropriation to

2011/12 to contribute towards one-off costs associated with the merger of the MAF and the Ministry of Fisheries from 1 July 2011. The remaining \$0.633 million under-spend represents

cost savings. These cost savings and \$3000 higher than expected third party income resulted in a \$0.636 million operating surplus for this output class.

**PARTIALLY
ACHIEVED**

BORDER BIOSECURITY RISK MANAGEMENT

This multi-class output appropriation contains output classes that contribute to the outcome of preventing harmful organisms from crossing New Zealand's borders, with the assurance that trade and tourism are maintained.

OUTPUT: BORDER BIOSECURITY SYSTEMS DEVELOPMENT AND MAINTENANCE

This covers the development and maintenance of standards and systems that manage biosecurity risk associated with imports and exports.

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>A standard is developed by government in consultation with stakeholders. It articulates a list of requirements that must be met and procedures that must be carried out for particular types of goods to enter New Zealand.</p> <p>Certain standards can be classified as "high importance" if the risks addressed pose a greater threat than others to New Zealand's biosecurity.</p> <p>New measure: The number of incursions of notifiable pests that occurred because of an inaccurate or unclear standard.</p>	0	0	✓
<p>A new standard format has been introduced to ensure standards are more easily understood by importers and other stakeholders.</p> <p>New measure: 15 percent of the current 350 standards are completed in the new format and in accordance with the Border Systems Manual by July 2011.</p>	15%	16%	✓
<p>MAF is responsible for ensuring exported New Zealand goods do not contain potential biosecurity risks. If a biosecurity risk found in another country is proved to have come from goods imported from New Zealand then all future goods of that type from New Zealand could be blocked or "closed".</p> <p>New measure: Number of market closures due to assurance systems failures.</p>	0	0	✓
<p>Ensuring all New Zealand Export Certificates meet the importing country's requirements is vital to ensuring New Zealand exporters maintain or extend their market access.</p> <p>New measure: Percentage of Export Certificates meeting importing country requirements.</p>	95–100%	99.9%	✓
Demand Driven Measures			
<p>Export Certificates provide a New Zealand Government assurance that particular types of New Zealand goods being exported do not contain biosecurity threats. This requires ongoing monitoring for the presence of organisms or other risks that concern the countries to which New Zealand exports.</p> <p>Number of Export Certificates processed, approved and issued.</p>	50 000 – 60 000	59 251 Plant Export Certificates 2797 Animal Export Certificates 62 048 Total	

OUTPUT: BORDER BIOSECURITY MONITORING AND CLEARANCE

This covers biosecurity monitoring and clearance programmes that manage the biosecurity risk associated with international trade and travel.

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
MAF will maintain an effective Biosecurity system that prevents the introduction and establishment of serious notifiable organisms through pathways that can be managed. New measure: Number of incursions of notifiable organisms through pathways that can be managed.	0	0	✓
Indicates whether air passengers are satisfied with their interactions with biosecurity systems and personnel. New measure: Percentage of MAF end-user survey respondents rating satisfaction with MAF's quality of service when crossing border as 4 or better on a scale of 1 to 5 (where 1 represent poor and 5 represents excellent).	85%	77%	✗
Indicates the level of air passenger compliance and the effectiveness of the agency's communication activities. New measure: Percentage of passengers that comply with biosecurity requirements across New Zealand airports.	98.5–100%	98.58%	✓
Percentage of Biosecurity Authority clearance certificate applications (air and sea cargo) screened and responded to within the agreed service time standard.	85%	75%	✗
To ensure consignments do not contain biosecurity risks and can continue delivery to their final destination, importers need to arrange an inspection time with Biosecurity Inspection Officers. Percentage of inspections booked within two days of the importer requested date (Auckland Metro only).	75%	88%	✓
Import companies are surveyed annually to determine if they are satisfied with the level of service being provided by MAF. New measure: Percentage rating satisfaction with overall service as 4 or better on a scale where 1 represents poor performance and 5 represents excellent performance.	70–75%	82%*	✓
Indicates the level of compliance with biosecurity requirements in the international mail pathway for AO and parcel mail classes. New measure: Percentage of AO and parcel class mail items through the Auckland International Mail Centre that comply with biosecurity requirements.	96–98%	Parcels = 99.1% AOs = 99.5%	✓
Mail and courier companies are surveyed annually to determine if they are satisfied with the level of service being provided by MAF. New measure: Mail company satisfaction with MAF service.	75–85%	100% of respondents rated MAF performance rated satisfaction as 4 or better out of 5.	✓
Provides an indication of work targets. New measure: Percentage of scheduled facility assessments against required standard completed.	90–100%	75%	✗

* Survey conducted in August 2010.

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Shows the level of performance of facility operators meeting the necessary standard. New measure: Number of facility inspections resulting in a “pass”.	70–80%	97%	✓
Facility operators will be surveyed annually to judge whether their interactions with MAF have been satisfactory. New measure: Percentage rating satisfaction with overall service as 4 or better, where 1 represents poor performance and 5 represents excellent performance.	70–75%	82%*	✓
Ensures MAF assesses applications in a timely manner. New measure: Percentage of accurate and complete stakeholder-submitted applications processed within six weeks of receipt.	95–100%	68%	✗
Demand Driven Measures			
This provides an indication of the MAF's workload. Number of air passengers cleared (includes crew numbers)	4 700 000– 5 300 000	4 910 290	
Shows the number of sea vessels that dock in New Zealand ports. New measure: Number of sea vessels arriving in New Zealand.	6500–7000	Data not available	
Shows the sample of sea vessels that are inspected by MAF. New measure: Number of sea vessels inspected by MAF.	2 700–2 900	Data not available	
Shows the number of containers that arrive in New Zealand each year. New measure: Number of containers (loaded and empty) entering New Zealand.	550 000– 600 000	663 937	
Sea vessels can carry containers of goods to be sold in New Zealand and MAF screens and inspects a sample of the containers to reduce their biosecurity risk. This measure indicates the level of compliance and therefore the effectiveness of the agencies' information distribution activities. It also indicates the effectiveness of inspection activities. New measure: Number of containers (loaded and empty) found with biosecurity risk.	10 000– 20 000	7 901	
A consignment is a package of goods bound for one receiver. There can be multiple consignments within a container. This shows the number of consignments that are estimated to enter New Zealand on sea vessels that are of interest to MAF. New measure: Number of cargo consignments (via air and sea) imported in to New Zealand that are of interest to MAF.	80 000– 120 000	190 447	
Shows the sample of consignments that are inspected by MAF. New measure: Number of cargo consignments inspected by MAF.	50 000– 60 000	77 218	
Goods entering New Zealand require a Biosecurity Authority Clearance Certificate (BACC) to obtain biosecurity clearance. BACCs are also used to direct goods for additional inspection, treatment or other measures required of the importer. New measure: Number of BACC applications received by MAF.	180 000– 200 000	190 000	
Shows the volume of mail correspondence that is expected to arrive in New Zealand each year. New measure: Number of mail items processed.	38 000 000– 41 000 000	35 591 011	
Shows the number of mail items that MAF intends to inspect each year. New measure: Number of mail items inspected.	80 000– 90 000	59 401	
Shows the number of mail items that are found with biosecurity risks. Number of mail items found with biosecurity risk material.	15 000– 20 000	11 475	

* Survey conducted in August 2010.

OUTPUT: BIOSECURITY ENFORCEMENT

This covers investigation and (where appropriate) prosecution of individuals and organisations that breach biosecurity legislation.

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
New measure: Percentage of complaints received that are correctly evaluated and categorised within the provided timeframe.	90%	100%	✓
New measure: Percentage of Category II – “Lower Threshold Criminal Behaviour” investigations are “Marked as Closed” or “Forwarded for Prosecution” within six months of complaint’s receipt.	75%	97%	✓
New measure: Percentage of Category III – “Organised Illegal Activity” investigations are “Marked as Closed” or “Forwarded for Prosecution” within 18 months of complaint’s receipt.	75%	100%	✓
New measure: Percentage of Category II – “Lower Threshold Criminal Behaviours” files “Forwarded for Prosecution” are also assessed for “public good evaluation” within six months.	100%	90%	✗
New measure: Percentage of Category III – “Organised Illegal Activity” files “Forwarded for Prosecution” are also assessed for “public good evaluation” within 18 months.	100%	N/A (no biosecurity-related cases were progressed to this stage)	N/A
New measure: Percentage of cases submitted for “public good assessment” that receive “public good clearance”.	90%	100%	✓
Percentage of cases lodged with the court that incur adverse judicial comment.	0–5%	1%	✓
Demand Driven Measures			
Category I – Minor behaviour breach (warning or instant fine).	3600–4000	4600	
Category II – Lower threshold criminal behaviour.	80–100	182	
Category III – Organised illegal activity.	4 to 8	17	

COMMENT

All targets for Border Biosecurity Systems Development and Maintenance activities were met. The number of export certificates processed was double the number expected because the original estimate was based on a six-month period.

All service performance measures for air passenger clearance were met. Passenger arrivals increased 2 percent (113 764) on the previous year, and MAF continued to meet compliance and customer satisfaction standards.

A number of cargo and mail clearance targets were not met. However, this reflects an overestimation of workload. Estimates of this year’s volumes were based on predictions derived

from manual counting. A new data system introduced this year has produced a more accurate record of activities in this area.

MAF was unable to ensure the targeted percentage of facility assessments were carried out, due in large part to resourcing issues caused by the Canterbury earthquakes.

Assessment of facility applications within the targeted six-week timeframe was hindered by external factors as another key agency involved in producing information for assessing applications changed its process and also in part due to applicant-specific situations that lengthened the amount of time required to complete the process.

Data is not available for the measures concerning sea vessel arrivals and inspections. This is because a new data management system was introduced in the middle of the financial year and is still bedding in. Results for these measures will be

available for the 2011/12 year.

Nearly all investigation and prosecution-related performance targets were met. In a number of instances targets were only narrowly missed.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN ESTIMATES JUNE 2011 \$(000)	SUPP ESTIMATES JUNE 2011 \$(000)
	Revenue Crown			
–	Border Biosecurity Monitoring and Clearance	40 316	46 589	41 840
–	Border Biosecurity Systems Development and Maintenance	10 385	11 271	10 485
–	Total Revenue Crown	50 701	57 860	52 325
	Revenue Other			
–	Border Biosecurity Monitoring and Clearance	22 199	28 506	23 313
–	Border Biosecurity Systems Development and Maintenance	7 695	3 476	7 845
–	Total Revenue Other	29 894	31 982	31 158
–	Total Revenue	80 595	89 842	83 483
	Expenses			
–	Border Biosecurity Monitoring and Clearance	64 978	75 095	66 077
–	Border Biosecurity Systems Development and Maintenance	15 677	14 747	16 538
–	Total Expenses	80 655	89 842	82 615
	Surplus/(Deficit)			
–	Border Biosecurity Monitoring and Clearance	(2 463)	–	(924)
–	Border Biosecurity Systems Development and Maintenance	2 403	–	1 792
–	Total Surplus/(Deficit)	(60)	–	868

FINANCIAL COMMENT

This new MCOA was established from 2010/11 as a result of a restructure of Vote Biosecurity. To provide greater flexibility in resource allocation decisions, border activities under the former output class structure were reclassified under two new output classes in this MCOA. This annual appropriation, containing output classes that contribute to preventing harmful organisms from crossing New Zealand's borders, with the assurance that trade and tourism are maintained, was provided at a cost of \$80.655 million, which is \$1.960 million (2 percent) less than Supplementary Estimates. Approval has been obtained to carry forward \$1.624 million of the unspent appropriation for revenue of Crown

funded activities to 2011/12. This comprised \$0.100 million contribution towards one-off costs associated with the merger of MAF and Ministry of Fisheries from 1 July 2011; the \$0.500 million for implementation of x-ray imaging delayed due to legal issues in Australia; and \$1.024 million for on going work on the development of a JBMS in conjunction with the New Zealand Customs Service. The remaining \$0.336 under-spend represents cost savings. These cost savings were insufficient to fully offset the \$396 000 lower than expected third party income resulting in a \$60 000 operating deficit for this MCOA.

DOMESTIC BIOSECURITY RISK MANAGEMENT

PARTIALLY
ACHIEVED

This output class is limited to the assessment and possible eradication of suspected risk organisms within New Zealand.

OUTPUT: DOMESTIC BIOSECURITY SURVEILLANCE

This output expense is limited to domestic biosecurity surveillance activities.

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
New measure: Percentage of Incursion Investigation Group decisions “Not to Open an Investigation” that are challenged and have the decision reversed.	Less than 1%	0%	✓
New measure: All processing, testing and reporting is carried out in accordance with Laboratory standard operating procedures.	100%	100%	✓
New measure: NZS/ISO/IEC 17025 accreditation maintained. International Accreditation New Zealand (IANZ) ensures scientific laboratories – and the staff that work within them – meet appropriate competence levels.	Maintained	Maintained	✓
New measure: Key industry customers are satisfied with the process and timeframes for receiving a response from laboratory services. Overall satisfaction is 70 percent or greater. Key industry customers who send samples to MAF laboratories will be surveyed annually to judge whether their interactions with MAF were satisfactory.	70%	80%	✓
New measure: Percentage of cases where the initial assessment of risk and decision to “Open an Investigation” is completed within 24 hours of receipt of notification.	100%	Data not available	
New measure: Percentage of Animal Health Laboratory (AHL) exotic disease investigation and response submissions that are closed within 20 working days of receiving samples.	50%	49%	✗
New measure: Percentage of Plant Health and Environment Laboratory (PHEL) testing reports that are issued within timeframes agreed in MAF’s standard operating procedures.	80%	60%	✗
New measure: Percentage of investigations that reach an investigation outcome decision within 30 working days. Cases taking longer than 30 days will generally relate to either priority decisions or to biological or diagnostic factors.	95%	Data not available	
New measure: All services delivered under the Surveillance Procurement Panel meet consistent requirements including clear, agreed and monitored: objectives, deliverable/milestones, key service indicators. Percentage of new surveillance programmes or surveillance diagnostics services meet the requirements of the Surveillance Procurement Panel.	100%	100%	✓
New measure: All surveillance programmes are based on best practice and/or meet relevant international standards or requirements (i.e. OIE, IPPC standards). All targeted surveillance programmes are credible and robustly designed.	100%	100%	✓
Targeted surveillance programmes will indicate the effectiveness of MAF’s operations. New measure: Number of surveillance programs that detect the presence of a threatening organism.	0	4	✗

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Demand Driven Measures			
New measure: Number of notifications of suspected risk organisms diverted by the 0800 hotlines for further expert screening and assessment by MAF staff. A number of 0800 hotline calls are passed on to MAF expert staff within the Investigation and Diagnostic Centres (IDC) for further risk screening. In addition, IDC receives enquires via other channels such as emails, walk in off the street etc.	2500	4277	
New measure: Number of submissions/samples received by the laboratory for suspect exotic pests and disease investigations. Where an organism is suspected of carrying or being infected with a potential biosecurity risk, MAF will collect a sample or have the individual that reported it send it to a MAF approved laboratory for testing.	AHL: 250 submissions PHEL; 800–1200 samples;	AHL: 322 submissions PHEL:1190 samples	
New measure: Number of incursion investigations where a positive result for a “New to New Zealand” or “Risk Organism” is determined – including those associated with risk goods. This indicates the effectiveness of MAF’s identification and diagnostic services and surveillance programmes. It also indicates the effectiveness of MAF’s detection activities at the border.	200	232	

OUTPUT: BIOSECURITY INCURSION RESPONSE AND LONG TERM PEST MANAGEMENT

This output class is limited to the assessment, containment and possible eradication of suspected risk organisms within New Zealand.

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL/11	TARGET MET
New measure: Percentage of responses that have achieved their primary objective. Shows the number of response programmes that have achieved their primary objective. The primary objective can vary. Although eradication is always the preferred objective, in some instances this is not possible and containment and impact minimisation become the objective. The primary objectives for all responses are clearly stated, and all responses that are closed out are assessed to determine whether the primary objective has been met.	80%	50%	✗
New measure: Urgent measures in either the investigation or early response phase will eliminate the biosecurity risk in at least 55 percent of new incursions. It is MAF’s responsibility to limit (as much as is practical) the damage caused by a biosecurity risk that has breached New Zealand’s borders.	55%	58%	✓
New measure: Number of long-term management programmes in place. Where response activities have failed to eradicate a pest of national significance, MAF may implement and lead a Long-term Management (LTM) Programme. MAF may also implement a LTM programme for a pest that has been established in New Zealand for some time, where pest behaviour or spread has resulted in increased and emerging risks at a national scale. LTM programmes generally aim to slow the spread of pests and minimise their impacts.	2	2	✓
New measure: All critical LTM programmes milestones are achieved. The on-ground delivery of LTM programmes is largely undertaken by partner agencies and organisations, therefore it is important to have a shared understanding of programme outcomes, and clearly identified critical milestones and deliverables so that MAF and partners achieve those outcomes.	100%	Kauri = 56% (5/9) Didymo = 83% (5/6)	✗

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL/11	TARGET MET
<p>New measure: Programme partners are satisfied with the programme, MAF's leadership of the programme, and the relationships between partners.</p> <p>The involvement and ongoing support of other pest management agencies and organisations is critical to the successful delivery of LTM programmes within a collective model. Annual measurement of the didymo and kauri dieback programmes will identify the level of public confidence with the programme.</p>	75%	50%	✗
<p>New measure: Percentage of target audiences that are aware of pest risks, report uptake of desired behaviours and that have changed their behaviour (i.e. taken at least one action) to prevent spread.</p> <p>LTM programmes are underpinned by behaviour change messaging to target audiences, e.g. river or forest users. Annual didymo programme surveys show a high degree of awareness and compliance with the Check, Clean, Dry message. The kauri dieback programme is currently being established, and an initial benchmarking survey has indicated a relatively low level, e.g. 20–30 percent, of awareness and compliance with hygiene messages.</p>	30%–40% Kauri 80% other	100% awareness of didymo, 85% awareness of Check, Clean, Dry.	✓
Demand Driven Measures			
<p>New measure: Number of response programmes. This is an indicator or workload.</p>	18–23	23	

COMMENT

The majority of domestic surveillance targets were met and MAF laboratories maintained their NZS/ISO/IEC 17025 accreditation. Investigation and report turnaround times were slightly below expectations and in two instances were not reportable. This largely reflects difficulties in implementing new data collection systems rather than under-performance.

The target for testing reports was significantly below expectations because the new system did not record interim report submissions (which would have produced a result very near 80 percent). Two targets for investigation-related turnaround timeframes could not authoritatively be reported against, but MAF is confident these targets were met. MAF will address these data collection issues during the 2011/12 year and ensure complete results can be reported in future years.

A number of incursion response and pest management targets were not met, but these are

new and it was difficult to assess reasonable achievement levels in advance. Only one primary objective for MAF's response programmes was not achieved as the joint leadership approach to long-term management programmes has resulted in longer-than-expected decision-making timeframes.

While the programme partners' satisfaction target was not met this is also a new approach, which, to date, has only been applied to one partnership (with the Anglers Association). MAF expects performance against this target to improve when it can be applied to a wider set of partnership programmes in future years.

MAF has achieved its public information target with 85 percent of survey respondents aware of MAF's Check, Clean, Dry campaign that aims to prevent the spread of didymo.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN ESTIMATES JUNE 2011 \$(000)	SUPP ESTIMATES JUNE 2011 \$(000)
	Revenue Crown			
–	Biosecurity Incursion Response and Long-Term Pest Management	15 284	12 271	16 274
–	Domestic Biosecurity Surveillance	41 246	38 735	41 246
–	Total Revenue Crown	56 530	51 006	57 520
	Revenue Other			
–	Biosecurity Incursion Response and Long-Term Pest Management	243	224	65
–	Domestic Biosecurity Surveillance	2 425	3 132	1 774
–	Total Revenue Other	2 668	3 356	1 839
–	Total Revenue	59 198	54 362	59 359
	Expenses			
–	Biosecurity Incursion Response and Long-Term Pest Management	14 991	12 495	16 339
–	Domestic Biosecurity Surveillance	43 860	41 867	43 020
–	Total Expenses	58 851	54 362	59 359
	Surplus/(Deficit)			
–	Biosecurity Incursion Response and Long-Term Pest Management	536	–	–
–	Domestic Biosecurity Surveillance	(189)	–	–
–	Total Surplus/(Deficit)	347	–	–

FINANCIAL COMMENT

This new MCOA was established from 2010/11 as a result of a restructure of Vote Biosecurity. To provide greater flexibility in resource allocation decisions, post-border activities under the former output class structure were reclassified under two new output classes in this MCOA. This annual appropriation, containing output classes that contribute to reducing the unwanted harm caused by organisms already established in New Zealand, was provided at a cost of \$58.851 million, which is \$0.508 million (1 percent) less than Supplementary Estimates. Approval has been

obtained to carry forward \$0.990 million of the unspent appropriation for revenue Crown funded activities under the Biosecurity Incursion Response and Long -Term Pest Management output class to 2011/12 to contribute towards one-off costs associated with the merger of MAF and the Ministry of Fisheries from 1 July 2011. A higher level of third party funded activity than anticipated resulted in a \$347 000 operating surplus for this MCOA.

Vote

FOOD SAFETY

The objective of Vote Food Safety is to create an environment where food is both safe and suitable, while supporting the necessary regulatory platform for improving New Zealand's economic prosperity. The output expenses within Vote Food Safety contribute to MAF achieving the following intermediate outcomes:

- › Improved safety and suitability of food.
- › Healthier and safer food decisions made by informed consumers.
- › Reduced overall compliance burden.
- › Minimised impact of food safety related events and emergencies.
- › Sustained and enhanced market access.
- › Enhanced relationship with Australia in food and food-related matters.

ASSURANCE

PARTIALLY
ACHIEVED

This appropriation is limited to justifying and delivering assurances to consumers, members of the public, overseas authorities and other stakeholders that food, food-related products and inputs into the production of food (whether undertaken or produced in New Zealand or imported) are managed, audited, approved, registered and/or monitored in accordance with New Zealand legislation and, for exports, relevant importing countries' market access requirements.

OUTPUT: CERTIFICATION SERVICES

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Issue eligibility documents and export certificates: The provision of certification of food produced according to domestic and overseas market access requirements is essential for providing assurances and demonstrating to the consumer and overseas authorities that the food is safe and suitable and meets all relevant regulatory requirements. Top performance levels for certifiers indicate that the certifier is consistently approving accurate certificates (including eligibility documents) as assessed by certification audits. The certification audits measure the number of errors missed by the certifier prior to approving. NZFSA Verification Agency (NZFSAVA) certifiers operating at the top performance levels.	94% by 2011, Maintain >95% by 2013	96%	✓
Timely certification ensures that product is able to be released for export as soon as possible to minimise any unnecessary financial pressures on the exporter. Eligibility documents or export certificates, submitted by registered exporters, that are processed within 24 hours.	2010/11 93%, 2011/12 94%, 2012/13 95%, 2013+ maintain 95% or greater	96%	✓
Staff not actively involved in signing certificates undergo familiarisation training prior to resuming certification duties. This ensures staff are up to date with any changes to OAP, market requirements, business rules or e-cert system. Percentage of certifiers identified and subjected to e-cert audit and re-familiarisation that have not signed certificates within a six-month period.	100%	Achieved	✓

OUTPUT: VERIFICATION SERVICES

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
NZFSAVA is audited annually by International Accreditation New Zealand (IANZ) against AS/NZS ISO/IEC 17020 requirements. IANZ assesses NZFSAVA's ability and capability to provide its services while meeting all relevant legislative requirements. Annual IANZ accreditation to AS/NZS ISO/IEC 17020 standard.	Maintain	Maintained	✓
A Corrective Action Request (CAR) is a significant non-compliance found by the IANZ auditors. IANZ CARs per audit.	Maximum one	There were no corrective action requests initiated by overseas reviewers	✓
CARs closed out: Overseas authorities audit NZFSAVA verification and certification programmes to ensure that domestic and overseas market access requirements are being complied with. CARs indicate significant non-compliances found during the audit regarding a NZFSAVA non-compliance. Corrective Action Requests initiated by overseas authorities per audit.	One or less	None have been requested, however, 4 final reports are yet to be received.	N/A
CARs, initiated by overseas reviewers, closed out within a year of issue.	All	None have been requested	N/A
Pass rate for USDA and EU FVO audits: The US and EU are two of our largest animal product export markets. The US (USDA) and EU FVO audits measure New Zealand export premises ability to produce export products while maintaining overseas market access requirements. A small proportion of premises are audited per visit, and premises are delisted where there are significant non-compliances found that may impact on food safety/suitability. Although this is not strictly a NZFSAVA output measure, it does provide an indication of the quality of verification services provided by NZFSAVA. Pass rate for USDA audits in 2010 and 2012 with nil premises being delisted due to NZFSAVA shortcomings.	Maintain 100%	100% (However, final report is yet to be received. Mark is based on knowledge and expectation)	✓
Pass rate for EU FVO audits with nil premises being delisted due to NZFSAVA shortcomings.	Maintain 100%	100% (However, final report is yet to be received. Mark is based on knowledge and expectation)	✓
Where NZFSAVA and compliance auditors find significant - during an audit of an export food premises, it is essential that the non-compliance is minimised through the timely and effective correction of issues. This works to ensure that food safety issues are minimised in nature through the containment and corrective actions that are carried out. Percentage of issues, identified at verification and internal audits, closed out within agreed timeframes.	>90%	85%	✗

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>A cost-effectiveness review of NZFSAVA was completed in 2009. As NZFSAVA employs approximately 55 percent of all NZFSA staff, it was targeted as the department most obviously needing to prove its cost-effectiveness regarding its service delivery. The audit identified a number of measures and standards that NZFSAVA could use to continue to monitor its delivery of frontline services. These measures have also been included in the Statement of Intent to demonstrate its cost-effectiveness. Another important measurement regarding cost-efficiency and effectiveness is that of real red-meat expenditure per export red-meat plant. Although NZFSAVA cannot control red-meat and/or seafood volume, and therefore not control expenditure per volume of meat exported, it can ensure that real costs remain relatively stable when measured against the plant itself. This, however, may alter depending on the number of shifts and therefore number of vets needed to service the plant. As the real 2009/10 figures were already approximately 5.5 percent below that of 08/09 and 17.4 percent below that of 2004/05, NZFSAVA are not envisaging a decrease in per plant costs, but maintaining the real costs within +/- 5 percent of 20/10 levels. NZFSAVA was also considered (by external audit) to be cost-effective regarding its expenditure per seafood plant and was also praised for significantly decreasing its real costs per store. NZFSAVA will aim to maintain these efficiencies.</p> <p>Expenditure growth of NZFSAVA to match that of Gross Domestic Product (GDP). Although this is not a completely accurate output measure, as GDP is dependent on many variables, this has been included here as a rough guide to measure NZFSAVA's real expenditure against that of real activity in the economy in general.</p>			
NZFSAVA real expenditure measured against GDP real growth.	Cost remaining within +/- 5% of baseline annually	-6.6%	✓
Total real costs per export red-meat premises per shift as measured against 2009/10 baseline.	Cost remaining within +/- 5% of baseline annually	-7.6%	✓
Total real costs/seafood premises as measured against 2009/10 baseline.	Cost remaining within +/-5% of baseline annually	-6.7%	✓
Total real costs/store as measured against 2009/10 baseline.	Cost remaining within +/-5% of baseline annually	-5.8%	✓ (Result was outside the range but still represented a controlling of costs)

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>The NZFSAVA will initiate new cost-efficiency output measures, including baseline and future performance targets, in 2010. Trends in these variables will be combined with other cost-effectiveness measurements to provide a longer time series for analysis. Although these measurements may not be directly attributable to our outputs, due to external circumstances outside of our control (such as rising/decreasing IT platform costs), the joint sum of all variables will allow NZFSAVA to effectively trend and control cost, and so have been included here. These standards include: real remuneration/full time employee (FTE); real other directly controllable expenditure/FTE; real overheads and IT expenditure/FTE; and, total real expenditure/FTE.</p> <p>Completion of additional cost efficiency measures trial.</p>	By 2010/11	Completed	✓

OUTPUT: IMPORTS CLEARANCE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Percentage of non-electronic permits processed within 48-hour clearance turnaround time (for electronic permits, the turnaround time shall be 24 hours).	98% by 2011, 99% by 2012 Maintain >99% by 2013	100%	✓
Percentage of prescribed foods sampled within three days, once confirmation received.	90%	99.7%	✓

OUTPUT: MONITOR COMPLIANCE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>Conduct Audits (Compliance Monitoring Capacity): NZFSA can measure the capacity to carry out and complete monitoring requirements through the ability to complete a certain indicative proportion of audits each year. Actual demands vary each year, which has led to a change in standard for the 2010/11 timeframe to better measure our capacity for completing audits of food sectors and food businesses based on priority, rather than size and/or complexity. Priority is assessed in terms of the potential level of food safety and suitability effects on human health or the level of risk to our trade.</p> <p>Percentage of all high priority external audits completed within the prescribed schedule timeframes.</p>	100%	91%	✗
Percentage of all medium priority external audits completed within the prescribed schedule timeframes.	80%	91%	✓

OUTPUT: ISSUE APPROVALS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>Process approvals, registrations, accreditations, appointments and applications under all NZFSA administered legislation: Applications received need to be processed accurately and in accordance with legislative and internal policy timeframes. Accuracy and timeliness of approvals are important measures, since both have an impact on facilitation of operators in their food businesses.</p> <p>Percentage of correctly completed applications for routine administrative approvals that are processed within the appropriate legislative or internal policy timeframes. This is measured by the internal monthly self-assessment procedures, timeliness monitoring and dashboard reporting.</p> <p>A system for tracking applications was set up in the second quarter 2009/10 to improve timeliness of application approval.</p>	<p>99.5% for ACVM for all years. 90% for all others by 2011; 95% for all others by 2012; 97% for all others by 2013</p>	<p>93.9% ACVM 78% APA 75% Wine Act 54% Organic applications</p>	✗
<p>Availability of public registers for approvals/registrations/ accreditations/appointments under NZFSA administered legislation: The ability for the public to access up-to-date information on approvals is a requirement under some NZFSA-administered legislation. NZFSA makes this available via the public website and is sourced directly from our approvals management databases.</p> <p>Availability of publicly available registers and lists as measured by monthly monitoring and reporting.</p>	<p>97% by 2011. 98% by 2012. 99% by 2013.</p>	<p>94.6%</p>	✗
<p>Accuracy of approvals minimises both the causes of foodborne illnesses and denial of overseas market access of products being directly attributable to an inadequate approval tool or process. Accuracy includes the correct: approval type, fee amount, period of approval, legislative empowerment, decision-making criteria, delegated authority and peer review procedures.</p> <p>Applications for registrations and approvals that are processed accurately as measured by the internal monthly self-assessment procedures.</p>	<p>99% by 2011. 100% by 2012.</p>	<p>100%</p>	✓
<p>Monitor events associated with the use of Agricultural Compounds and Veterinary Medicines (ACVMs): From time to time adverse events are recorded by registrants of ACVMs and they are required to report these to NZFSA as a condition of registration (they are also required to report on those events arising from exempt ACVMs).</p> <p>Percentage of adverse events associated with ACVMs, reported to NZFSA, that are recorded in a register and investigated, with follow-up action taken being appropriate to the scale of the event. This is measured by internal self assessment and Good Manufacturing Practice audits for New Zealand manufacturers.</p>	<p>100% by 2011. Maintain 100% 2012+</p>	<p>100%</p>	✓

COMMENT

MAF achieved most of the performance targets within this appropriation. Importantly, MAF expects it has met the key performance measures relating to passing external audits. While a large number of final reports from external agencies are still pending (and therefore require a “Not Applicable” result), MAF is confident these reports will not request significant corrective actions. Six reviews by overseas government competent authorities occurred (US FDA and USDA, FSANZ, EU FVO, China CNCA, and Malaysia DVS).

Also, MAF met all its certification services targets. During 2010/11, it processed 366 633 animal material and product official assurances (electronic) to facilitate market access. MAF achieved 96 percent for responding to certification requests within 24 hours. The accuracy of certification service delivery was confirmed by 96 percent of all certifiers dealt with as being at the expected top level of performance for the period.

The effort to measure cost-effectiveness of activities within this appropriation against GDP growth produced positive results.

MAF achieved its goal of cost control in all the measured areas. Any targets that were not achieved within the Assurance appropriation were only narrowly missed. Targets within this

appropriation were ambitious and some reprioritisation during the year made them even more difficult to achieve.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN ESTIMATES JUNE 2011 \$(000)	SUPP ESTIMATES JUNE 2011 \$(000)
–	Revenue Crown	3 858	3 843	3 858
–	Revenue Other	51 556	57 430	52 098
–	Total Revenue	55 414	61 273	55 956
–	Total Expenses	53 731	59 121	58 022
–	Surplus/(Deficit)	1 683	2 152	(2 066)

FINANCIAL COMMENT

This predominately third party-funded output expense appropriation, operating on a cost-recovery basis was provided at a cost of \$53.731 million, which is \$4.291 million (7 percent) less than Supplementary Estimates.

Although income was lower than forecast, an operating surplus of \$1.683 million was achieved for this output class. Memorandum accounts are used to keep track of the accumulated surpluses and deficits to enable the MAF to take a long-run perspective to fee setting and cost recovery.

INFORMATION

PARTIALLY
ACHIEVED

This appropriation is limited to engagement of, and information for, stakeholders about food safety and suitability, to encourage participation in, and compliance with, the food regulatory programme, and to enable consumers to make appropriate food choices.

OUTPUT: RESPOND TO ENQUIRIES

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Phone calls responded to within one working day.	93%	Data not recorded	N/A
Emails responded to within five working days.	97%	Data not recorded	N/A
Media queries responded to with accurate information.	100%	Not possible to measure (but no complaints received from media)	N/A
Percentage of target audience that surveys indicate information is relevant and useful.	75%	Data not collected	N/A
Media enquiries responded to within 24 hours.	>99%	Data not collected	N/A
Demand Driven Measures			
Number of emails that we have the capacity to respond to annually.	3 500–4 500	2 825	
Number of phone calls that we have the capacity to respond to annually.	3 500–5 000	3 395	

COMMENT

MAF is unable to report against a number of performance measures for this appropriation. These measures were developed in early 2010. Some have proved difficult to measure in practice, and for others the necessary measurement systems were not put in place at the beginning of the financial year.

MAF has an enquiries database – Information Leader – but it does not record whether telephone calls are responded to within 24 hours (partly because a small percentage of enquiries will require research that cannot be concluded within 24 hours). MAF estimates, however, the majority of calls requiring a response are turned around within this targeted timeframe. A small percentage of enquiries cannot be concluded within 24 hours. MAF also responds to food safety related email enquiries within five days of receipt (as the measure requires), however, the system only records the log entry date and not turnaround time.

The measure regarding response accuracy is also not possible to measure properly. However, MAF has responded to 350 media enquiries during the 2010/11 year and received no complaints from media representatives about the accuracy of the information provided.

Data relating to media enquiry turnaround times has also not been collected. MAF aims to address or action all media enquiries within the targeted 24 hours but providing a full response may take longer depending on the complexity of the enquiry.

MAF will address the gap between the information sought by these measures and the information collected during the 2011/12 year. This will mean the revision of measures in this area to ensure they are more relevant and recordable.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN	SUPP
			ESTIMATES JUNE 2011 \$(000)	ESTIMATES JUNE 2011 \$(000)
–	Revenue Crown	3 079	3 427	3 279
–	Revenue Other	583	690	705
–	Total Revenue	3 662	4 117	3 984
–	Total Expenses	2 587	4 110	3 984
–	Surplus/(Deficit)	1 075	7	–

FINANCIAL COMMENT

This output class was provided at a cost of \$2.587 million, which is \$1.397 million (35 percent) less than Supplementary Estimates. Approval has been obtained to carry forward \$0.200 million of the unspent appropriation to 2011/12 to contribute towards one-off costs associated with the merger of the MAF and the

Ministry of Fisheries from 1 July 2011. The remaining \$1.197 million underspend represents cost savings. These cost savings partially offset by \$0.122 million lower than expected third-party income resulted in a \$1.075 million operating surplus for this output class.

POLICY ADVICE

PARTIALLY
ACHIEVED

This appropriation is limited to analysis, policy and legal advice and decision-making support relating to domestic and international arrangements concerning food safety, food suitability, enforcement, inputs related to food production and ministerial services.

OUTPUT: POLICY AND LEGAL ADVICE TO SUPPORT CHANGES TO THE REGULATORY FRAMEWORK

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Percentage of cabinet papers submitted to Cabinet Committee by due date.	95% by 2011; 96% by 2012; 97% by 2013	93%	✗
Number of reviews that indicate good quality policy when compared with best practice, as indicated by feedback from Treasury Regulatory Impact Analysis Group, feedback from Officials' Committees on quality of cabinet papers, and internal peer reviews.	All	All	✓
New Zealand Institute of Economic Research (NZIER) takes a sample of policy and measures the quality of the policy advice. The rating for 2009/10 was "adequate" in terms of NZIER scoring. The Policy Group will be aiming for an improved rating in 2010/11. The Policy Group will be aiming for an improved rating in 2010/11. NZIER external reviews of Regulatory Impact Analysis adequacy.	7 by 2011. 7.2 by 2012. 7.5 by 2013	No food safety regulatory assessments were undertaken	N/A
NZIER policy advice quality review score.	7.5 by 2011. 7.8 by 2012.	7.0	✗
Percentage of regulations that the Review Committee considers follow good practice and that are not brought to the attention of the House in accordance with Standing Orders.	100%	100%	✓
Percentage of OIA requests answered within 20 working days of receipt.	95% by 2011. 97% by 2012. 99% by 2013	90%	✗
Demand Driven Measures			
Provide replies to OIA requests: NZFSA is tasked with providing replies to OIA requests. Responding to OIA requests is demand driven, and therefore the standard measures our capacity to reply to the estimated number of OIA requests. These requests are also expected to be timely and meet legislative requirements. Number of OIA requests that we have the capacity to reply to.	65–75	42	

OUTPUT: REVIEW COST-RECOVERED FEES, LEVIES AND CHARGES

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Review fees, levies and charges: The Policy Group annually reviews the current level of fees, charges and levies applied by NZFSA to industry. The standards measure the robustness of the methodologies used to determine our final outputs of effective, efficient and justifiable fees, levies and charges. Charging methodology that is consistent with legislative, Treasury and Audit Office guidelines.	100%	No fee or levy reviews were undertaken and no charge recovery regulations were created or amended	N/A
Percentage of fees, charges and levies set for 2010/11 that have the correct charging methodology applied.	100%	100%	✓

OUTPUT: MINISTERIAL SERVICES

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
Percentage of OIA request responses that meet legislative requirements.	100%	90%	✗
Percentage of OIA requests answered within 20 working days of receipt.	95% by 2011; 97% by 2012; 99% by 2013	90%	✗

COMMENT

All key quality targets for policy development activities within Vote Food Safety were met.

Food safety related advice is independently reviewed on a regular basis to gauge its effectiveness and to seek advice on opportunities for improvement. Although it was not included as a performance measure, the Minister of Food Safety rated the quality of the food safety related policy advice provided by MAF as 4.5 (on a scale where 1 represents poor performance and 5 represents excellent performance).

MAF is undertaking a review of cost recovery across all votes due to the merger of MAF, NZFSA and subsequently the Ministry of Fisheries.

The percentage of OIA responses submitted within required timeframes was lower than anticipated (therefore, so was the number of OIA responses that met legislative requirements). As mentioned in earlier comments, MAF will seek to address this in the 2011/12 year.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN ESTIMATES JUNE 2011 \$(000)	SUPP ESTIMATES JUNE 2011 \$(000)
–	Revenue Crown	6 192	6 687	6 592
–	Revenue Other	42	115	44
–	Total Revenue	6 234	6 802	6 636
–	Total Expenses	5 825	6 708	6 636
–	Surplus/(Deficit)	409	94	–

FINANCIAL COMMENT

This output class was provided at a cost of \$5.825 million, which is \$0.811 million (12 percent) less than Supplementary Estimates. Approval has been obtained to carry forward \$0.400 million of the unspent appropriation to 2011/12 to contribute towards one-off costs associated with the merger of MAF and the

Ministry of Fisheries from 1 July 2011. The remaining \$0.411 million under-spend represents cost savings. These cost savings partially offset by \$2000 lower than expected third party income resulted in a \$0.409 million operating surplus for this output class.

RESPONSE

PARTIALLY
ACHIEVED

This appropriation is limited to the investigation of, preparedness for, and response to, food-related events, incidents, emergencies, complaints and suspected breaches of legislation and taking appropriate sanctions and enforcement action.


OUTPUT: RESPOND TO CONSUMER COMPLAINTS

SERVICE PERFORMANCE MEASURE	STANDARD	ACTUAL	TARGET MET
NZFSA responds to complaints from a variety of sources including public health units, our 0800 and email help-lines. Agreed procedures include the relevant sections of the Food Administration Manual, the Operational Response Manual and Information Leader process documentation. When responding to complaints, NZFSA is required to meet agreed procedures, policies and work within agreed legal powers. NZFSA prioritises the level of response, and ensures that the priority system is applied in accordance with Operational Response and Enforcement policies. The priority system allocates a high, medium or low priority on incoming complaints that dictates the subsequent direction and timeframes within which the complaint is responded to. Percentage of incidents responded to in accordance with agreed procedures and legal powers, recorded on Information Leader and prioritised.	98% by 2011; 99% by 2012; 100% by 2013	100%	✓
Percentage of complaints that correctly go through the priority system. Having all complaints go through the priority system correctly is pivotal to ensuring that the correct response is made, by the right people, and within appropriate timeframes.	98% by 2011; 99% by 2012; 100% by 2013	100%	✓


OUTPUT: INVESTIGATE ALLEGED BREACHES

SERVICE PERFORMANCE MEASURE	STANDARD	ACTUAL	TARGET MET
Lawfulness and timeliness of responses and sanctions: Responses to investigations and sanction application must be carried out according to legal requirements and must be accurate and timely in order to be considered just and fair. These measures are specific to the Compliance and Investigation Group within NZFSA. Percentage of investigations conducted in accordance with internal standards (best practice) for investigation.	100%	100%	✓
Percentage of sanctions and enforcement actions that are placed according to timeframes set down in relevant policies, and that have been conducted within the powers and delegations allowed for under the Acts NZFSA administers.	100%	100%	✓

OUTPUT: PREPARE FOR EMERGENCIES AND EVENTS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>Review of systems and post-event response: Accurate and sound systems are essential for limiting the impact of events that pose a threat to human health, trade or to the integrity of the New Zealand food safety programmes. This standard in 2009/10 measured the quality of the system to ensure that it continued to represent best practice and was consistent with the Government's Emergency Management programme. This standard will compare the system against the New Zealand Interagency Emergency Response Co-ordination system by 2011 to identify any discrepancies, and update as needed.</p> <p>System compared and reviewed.</p>	by end of 2011 with subsequent reviews each year	<p>System reviewed and updated following four debriefs this year.</p> <p>Simulation was postponed post because of the Christchurch quake.</p>	

OUTPUT: MANAGE EMERGENCIES AND EVENTS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>Respond to food safety incidents: Where a food or food -related incident has the potential to impact on human health, it is imperative that NZFSA handles the incident in a systematic and timely manner to reduce the impact. A food safety incident refers to the contamination or inherent risk associated with a food or food-related substance. It also can refer to the presence of an exotic disease within New Zealand that may impact on food safety and trade.</p> <p>Percentage of responses that are initiated within six hours of notification.</p>	99% by 2011; 100% by 2012	100%	

COMMENT

All Food Safety Response 2010/11 performance targets were met except one. The review of systems for post-event response was under way, however, it could not be completed because of the Canterbury earthquakes. The earthquakes caused the simulation required as part of this initiative to be postponed. MAF expects to have completed this work by August 2011.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN ESTIMATES JUNE 2011 \$(000)	SUPP ESTIMATES JUNE 2011 \$(000)
–	Revenue Crown	2 222	2 302	2 322
–	Revenue Other	28	31	29
–	Total Revenue	2 250	2 333	2 351
–	Total Expenses	1 865	2 333	2 351
–	Surplus/(Deficit)	385	–	–

FINANCIAL COMMENT

This output class was provided at a cost of \$1.865 million, which is \$0.486 million (21 percent) less than Supplementary Estimates. Approval has been obtained to carry forward \$0.100 million of the unspent appropriation to 2011/12 to contribute towards one-off costs associated with the merger of MAF and the

Ministry of Fisheries from 1 July 2011. The remaining \$0.386 million under-spend represents cost savings. These cost savings partially offset by \$1000 lower than expected third-party income resulted in a \$0.385 million operating surplus for this output class.

STANDARDS

PARTIALLY
ACHIEVED

This appropriation is limited to the scientific inputs and development and implementation of food-related standards (including, as appropriate, international and joint Australia–New Zealand standards) and standards related to inputs into food production, imports, exports, new and emerging issues and the domestic market.


OUTPUT: SCIENCE-BASED STANDARDS AND NON-REGULATORY TOOLS TO SUPPORT AND DRIVE INDUSTRY COMPLIANCE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>Labelling standards and guidance: Baseline data will be collected to allow measures and standards to be developed regarding how well due diligence is applied during the development of food labels. Improving the way labels are developed will improve the level of consumer access to information on labels by ensuring they are consistent with regulation and in line with sound and accurate scientific and safety elements.</p> <p>Industry compliance of scientific and risk-based labelling requirements, and consumer awareness and use of labelling advice, allowing decisions to be made for personal food safety, suitability and health decisions.</p>	Baseline data to be established by 2011	Not implemented	✗
<p>MAF facilitates clearance of low and high regulatory interest imported food. MAF is moving towards recognising systems and programmes operating in exporting countries as one means of being confident that the food has been produced under controlled conditions, assuring food safety is achieved at import. Part of this work includes appropriately categorising imported foods into low and high regulatory interest. Foods with high regulatory interest are considered to contain “food safety and suitability risks” that need regulatory control.</p> <p>High-risk foods categorised and work programmes initiated for high-risk foods for system and programme recognition.</p>	4	10	✓
Development and application of an import risk assessment (science and risk-based) for each high regulatory interest food, with subsequent recommendations for import risk management.	By 2011	10 risk assessments under way	✓
Existing imported food requirements, to be revoked that are not supported by high regulatory interest categorisation, removing routine clearance intervention requirements.	Within two months of completion of a valid import risk assessment	0	N/A (this work has not been undertaken – it is dependant on completion of the work programme in the measure immediately above)
<p>Voluntary Implementation Programme (VIP): The VIP was developed by MAF due to unexpected delays with the passage of the Food Bill and commenced on 1 August 2008. The programme implements the proposed regulatory regime among food service (restaurants, cafes, bars, take-aways) as far as possible under the Food Act 1981. This has been made possible through the support of staff from territorial authorities. VIP is an implementation test of Food Bill proposals and concepts in a small business context.</p> <p>We aim to implement VIP in all territorial authorities and increase the number of businesses voluntarily undertaking the VIP.</p> <p>Number of businesses voluntarily implementing the proposed regulatory regime.</p>	Increase of 750 per annum	630	✗

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>The audit standard gives guidance on whether or not the templates are understandable, tailored for the correct food sector and whether critical food safety issues remain unresolved. The audit findings will then input into the annual review of the templates.</p> <p>Percentage of registered VIP businesses that have a satisfactory audit within six months.</p>	95%	92%	✗
<p>National programme development under the new Food Act: One of the main risk measures to be established is the national programme. It is proposed that a “national programme” will be the predominant risk management measure under the new Food Act. The national programme(s) will be expected to manage compliance costs within the domestic sector, while concurrently addressing the risk aspects of food processing. The standards address the need for adequate food safety and suitability hazards and hazard control identification, and measure the timeframe for this identification.</p> <p>National programme pilot developed and implemented.</p>	One sector national programme by 2010/11. Two sector national programmes by 2011/12	0	✗ (Achievement dependant on passage of the Food Bill)
<p>Percentage of national programme development timeframes met.</p> <p>All target timeframes to be finalised once the new Food Act has been passed.</p>	95% by 2011. 97% by 2012; 99% by 2013.	0	✗ (Achievement dependent on passage of the Food Bill)
<p>Completion of survey on user awareness, understanding and industry acceptance.</p>	By 2012	Not completed	✗ (Achievement dependent on passage of the Food Bill)
<p>Monitor food safety through National Monitoring Programmes: MAF annually monitors food safety elements of food and food products. Each day, samples are collected and analyses are performed in laboratories across the country. This monitoring then tests our ability to provide accurate and timely information for notification and investigation where aberrant results are found, leading to minimisation of potential harm to consumers and overseas trade. Monitoring information includes residue monitoring reports, National Microbiological Database (NMD) quarterly profiles and the results from contracted laboratories.</p> <p>Percentage of reports prepared ontime with nil numerical errors post-release per report.</p>	98% by 2011; 99% by 2012; 100% by 2013.	98%	✓

OUTPUT: DEVELOP AND IMPLEMENT STANDARDS FOR EMERGING ISSUES

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>Free Trade Agreement and Closer Economic Partnership negotiations and implementation:</p> <p>FTAs and Closer Economic Partnerships (CEPs) allow New Zealand's voice to be heard by its trading partners and provide a framework for ongoing trade co-operation. They identify who we need to talk to on the rules affecting trade in food. They allow both parties to describe exactly what they understand or mean by “equivalence” and record mutually agreed rules relating to food safety and animal or plant health. The aim is to provide transparency and commercial certainty.</p> <p>Number of FTAs/CEPs negotiated and implemented.</p>	Negotiate, finalise and/or implement FTAs/CEPs with 23 countries by 2010/11, including; China, Thailand, ASEAN, Malaysia, Gulf Cooperation Council, Chile, Singapore and Brunei.	23	✓

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET
<p>Response to market access/certification requirements: As overseas markets require new or amended market access requirements for our food exports, NZFSA is tasked with disseminating this information to industry. This standard is proposed around the ability of the NZFSA's market access group to disseminate information that is timely, accurate and understandable, as measured through industry survey. The survey will then be used to improve the quality of information that is disseminated to industry.</p> <p>Development and implementation of survey for market access information.</p>	By 2011 Repeated 2012	Not implemented	

COMMENT

A number of the targets within this appropriation have not been met because they were contingent on the successful passage of the Food Bill through Parliament, which has not occurred.

Despite the delay of the Food Bill, the Voluntary Implementation Programme (VIP), which allows businesses to trial a template food control plan, has been implemented by 630 businesses. In early 2011 a decision was made to withdraw the VIP programme and focus resources on the Food Bill. Also, the targeted (and Food Bill-contingent) national pilot programme has been delayed.

In most areas the standard for the issuing of approvals was met. Work continues on improving the system for tracking and reporting against the measures, and procedures have been updated to

improve efficiency, to ensure higher quality applications, and to improve timeliness via online payments and processes.

Annual chemical and microbiological food assurance programmes that track food safety elements of food and food products and provide a robust part of the export assurance have been delivered to time and quality specifications.

MAF also achieved the target measuring the progress made towards the goal of rationalising imported food requirements. This aims to ensure intervention is directed at categorised high-risk foods, as well as recognising systems and programmes operating in exporting countries.

FINANCIAL PERFORMANCE

ACTUAL JUNE 2010 \$(000)		ACTUAL JUNE 2011 \$(000)	MAIN	SUPP
			ESTIMATES JUNE 2011 \$(000)	ESTIMATES JUNE 2011 \$(000)
–	Revenue Crown	15 233	16 358	16 293
–	Revenue Other	6 027	8 356	5 917
–	Total Revenue	21 260	24 714	22 210
–	Total Expenses	19 438	23 841	22 243
–	Surplus/(Deficit)	1 822	873	(33)

FINANCIAL COMMENT

This output class was provided at a cost of \$19.438 million, which is \$2.805 million (13 percent) less than Supplementary Estimates. Approval has been obtained to carry forward \$1.060 million of the unspent appropriation for revenue Crown funded activities to 2011/12. This comprises \$0.560 million contribution towards one-off costs associated with the merger of MAF and the Ministry of Fisheries from 1 July 2011; \$0.300 million to complete work on the Domestic Food Review due to delays in the passage of the Food Bill; and \$0.200 million to implement initiatives to promote an enhanced level of food

safety assurance around the Rugby World Cup.

There are activities under this output class that are operated on a cost-recovery basis from third parties. A memorandum account is used to keep track of the accumulated surpluses and deficits to enable MAF to take a long-run perspective to fee setting and cost recovery. Cost savings and higher than expected third party income resulted in a \$1.822 million operating surplus for this output class.

Appendix 1: Results for Retired Service

PERFORMANCE MEASURES

PURPOSE

This appendix presents results against service performance measures that MAF decided to retire at the end of the 2010/11 year. It also articulates why MAF decided to retire each of these measures.

INTRODUCTION

MAF revised its suite of Service Performance Measures during the 2010/11 year. The revision was undertaken to make certain MAF's non-financial performance management and reporting systems met the revised Audit Standard – AG-4.

MAF has introduced 112 new Service Performance Measures and withdrawn or retired 87 existing measures as part of this revision. However, under Accounting Standard NZ IAS 1 any measure that is retired during a financial year must still be reported against at the conclusion of that year.

In a large number of instances, MAF decided to retire performance measures because it had developed better wording to describe the same outputs or because they were difficult for external audiences to understand.

STRUCTURE

The structure of this appendix is consistent with that applied to the Statement of Service Performance. Results are grouped by vote and appropriation. The reason each measure was retired is listed next to each measure.

The four potential reasons that MAF may have retired a performance measure are:

- › **Replacement** – These Service Performance Measures will no longer be used because new wording that is either more accurate and/or accessible to an external audience has been introduced. The outputs described by these measures are therefore also reported in the Statement of Service Performance against different or new wording.
- › **Insufficient Relevance** – MAF decided the information collected by these measures had declined in relevance since their introduction or presented information that, while relevant for MAF business groups, was not appropriate for the Information Supporting the Estimates.
- › **Excessive Technicality** – These measures will no longer be used because they present specialised technical elements of performance that are difficult for external audiences to assess.
- › **Targets are Unclear or Subjective** – These measures will no longer be used because it was felt the systems used to record or judge results were inadequately defined or relied too heavily on subjective viewpoints.

Vote

AGRICULTURE AND FORESTRY

APPROPRIATION: ADMINISTRATION OF GRANTS AND PROGRAMMES

ADMINISTRATION OF THE AFFORESTATION GRANTS SCHEME

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Demand Driven Measures				
The Afforestation Grant Scheme (AGS) encourages the planting of Kyoto compliant forests as a way of absorbing greenhouse gases. Administration of the scheme includes the promotion of the scheme, processing of public funding pool applications by MAF and the management of AGS funds paid to grantees in both the public and regional council funding pools. High sequestration rate category – Old measure: Number of applications approved.	23	19		Insufficient relevance
High sequestration rate category – Old measure: Grant area approved.	1 754 ha	1017 ha		Insufficient relevance
High sequestration rate category – Old measure: Average grant rate per hectare.	\$2 041	\$2 135		Insufficient relevance
Low sequestration rate category – Old measure: Number of applications approved	1	1		Insufficient relevance
Low sequestration rate category – Old measure: Grant area approved.	20 ha	17.6 ha		Insufficient relevance
Low sequestration rate category – Old measure: Average grant rate per hectare.	\$685	\$675		Insufficient relevance
Regional Council Tender Rounds – High sequestration rate category – Old measure: Number of applications approved.	47	47		Insufficient relevance
Regional Council Tender Rounds – High sequestration rate category – Old measure: Grant area approved	1447 ha	1435 ha		Insufficient relevance
Regional Council Tender Rounds – High sequestration rate category – Old measure: Average grant rate per hectare.	\$2 000	\$2 150		Insufficient relevance
Regional Council Tender Rounds – Low sequestration rate category – Old measure: Number of applications approved.	10	10		Insufficient relevance
Regional Council Tender Rounds – Low sequestration rate category – Old measure: Grant area approved.	178 ha	178 ha		Insufficient relevance
Regional Council Tender Rounds – Low sequestration rate category – Old measure: Average grant rate per hectare.	\$900	\$900		Insufficient relevance

ADMINISTRATION OF THE COMMUNITY IRRIGATION FUND AND SCHEMES

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Percentage of projects meeting reporting requirements.	100%	76%	✗	Insufficient relevance

ADMINISTRATION OF EAST COAST FORESTRY GRANTS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Demand Driven Measures				
This activity provides for the administration of grants for erosion control in the Gisborne district. This includes promotion of the Project, processing of funding applications for new afforestation on erosion prone target land in the East Coast region, management of the ECFP funds allocated to grantees and compliance monitoring. Old measure: Grant funding (\$'000) approved for the year.	\$4 500	\$2 792		Insufficient relevance
Old measure: Total area (ha) in the scheme	42 100 ha	47 499 ha		Insufficient relevance
Old measure: Hectares of annual grant area treated.	1 500 ha	1 158 ha		Insufficient relevance

ADMINISTRATION OF THE PRIMARY GROWTH PARTNERSHIP

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Monthly reports (excluding December) delivered to the IAP and DGs.	11	11	✓	Insufficient relevance
Old measure: Percentage of IAP meetings that are resourced appropriately to the Chairs satisfaction.	100%	100%	✓	Insufficient relevance

ADMINISTRATION OF THE SUSTAINABLE FARMING FUND

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
To ensure grant funded projects receive their payments in a timely manner. The period is long enough to ensure MAF has sufficient time to assess project progress against planned milestones and ensure projects are on track and well managed. Old measure: Percentage of written progress reports received and actioned within two months of period end.	80%	57.5% (below expectations because of late submissions from funded projects. MAF processing times were satisfactory)	✗	Replaced

ANIMAL WELFARE EDUCATION AND ENFORCEMENT

Animal Welfare Education

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Number of papers presented at conferences.	8	11	✓	Insufficient relevance
Demand Driven Measure				
Old measure: Number of codes of welfare distributed to key stakeholders.	10 500	8 613		Insufficient relevance

REGULATION OF THE USE OF LIVE ANIMALS IN RESEARCH, TESTING AND TEACHING

SERVICE PERFORMANCE MEASURE	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Number of independent reviews of animal ethics committees and code holders carried out.	2	2	✓	Insufficient relevance

ENFORCEMENT OF NEW ZEALAND'S ANIMAL WELFARE REGULATORY FRAMEWORK

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Percentage of complaints received an investigated in priority order and in accordance with the MAF Compliance and Enforcement Priority Grading Framework.	90%	91.60%	✓	Replaced

INVESTIGATIONS OF ALLEGED BREACHES OF THE ANIMAL WELFARE ACT 1999

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Demand Driven Measures				
Old measure: Category III – Enforcement intervention involving large-scale mitigation of animal suffering and investigation, establishing criminal liability requiring strong deterrent action (usually completion in a 12–18 month period). Provides an indication of workload and severity a complexity of MAF response.	3	8		Replaced
Old measure: Category I – Enforcement intervention requiring statutory action regulatory response.	600-1000	1327		Replaced
Old measure: Category II – Enforcement intervention requiring investigation response for lower threshold criminal behaviours (including section 130 instructions, warnings and education, search warrants, court enforcement orders, (usually completion in a six-month period). Offset by proactive matters as above (no.54). Provides an indication of workload and severity a complexity of MAF response.	250	88		Replaced

PROSECUTION OF CASES OF ALLEGED BREACHES OF THE ANIMAL WELFARE ACT

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Demand Driven Measures				
Old measure: Prosecution response required from statutory enforcement intervention.	10	14		Replaced
Old measure: Prosecution intervention requiring preparation for lower threshold criminal behaviour (usually completion in a six-month time period).	10	5		Replaced
Old measure: Prosecution strategy and preparedness for proactive criminal investigation involving organised illegal activity requiring strong deterrent outcomes (usually completion in a 12–18 month time period).	5	0		Replaced

APPROPRIATION: IMPLEMENTATION OF THE EMISSIONS TRADING SCHEME AND INDIGENOUS FORESTRY

IMPLEMENTATION OF THE NEW ZEALAND EMISSIONS TRADING SCHEME

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
This covers both post-89 and pre-90 forests; the communication of the two schemes to interested parties and stakeholders, the processing of applications, verification and audit checks. Old measure: Number of new/amended sets of implementation regulations on which operational advice is provided.	4	4	✓	Insufficient relevance
Old measure: Number of workshops and hui held to publicise and promote forestry sector obligations and entitlements.	10	26	✓	Insufficient relevance

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Number of compliance officers undertaking inspections and audits	4	5	✓	Insufficient relevance
Old measure: Percentage of recommendations (to register a forestry participant) sent to the Chief Executive of the Ministry of Economic Development within five working days of an application approved or deforestation notification approved.	95%	100%	✓	Replaced
Old measure: Percentage of directions (to transfer New Zealand Units to holding accounts) given to the New Zealand Emissions Unit Registrar within five working days of a Forestry Allocation Plan Final Determination being issued or Emissions Return processing completed.	95%	100%	✓	Replaced

ADMINISTRATION OF THE PERMANENT FOREST SINK INITIATIVE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
The Permanent Forest Sink Initiative (PFSI) provides land owners and investors with an opportunity to earn carbon credits from the storage of carbon in forests. Administration includes promotion of the initiative, processing of applications, entering into covenants on behalf of the Crown, assessment and issuing of carbon credits and compliance monitoring. Old measure: Number of new covenants signed.	30	32	✓	Insufficient relevance
Demand Driven Measure				
Old measure: Hectares covered by covenants.	9 000 ha	7 158 ha		Insufficient relevance

PROMOTION OF THE SUSTAINABLE MANAGEMENT OF INDIGENOUS FORESTRY

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Demand Driven Measures				
This activity provides the administration of Part 3A of the Forests Act 1949 for the management of indigenous forest on private land. This includes promotion of sustainable forest management plans and permits, processing and auditing of applications for harvesting of timber in privately owned indigenous forests and auditing of sawmilling and exports of indigenous timber. Old measure: Approval of draft sustainable forest management plans and review of registered sustainable forest management plans.	5	1		Unclear or subjective
Old measure: Approval of sustainable forest management permit applications.	25	16		Unclear or subjective
Old measure: Approval and monitoring of indigenous timber export consignments.	50	68		Insufficient relevance
Old measure: Issuing of other milling statements.	200	188		Insufficient relevance
Old measure: Registration of sawmills.	175	166		Insufficient relevance
Old measure: Approval of annual logging plans.	45	25		Insufficient relevance
Old measure: Hectares of land covered by sustainable management plans and permits.	125 000 ha	111 193ha		Excessively technical
Old measure: Cubic metres of indigenous timber approved for milling in sustainable forest management plans and permits.	81 000m ³	81 000m ³		Excessively technical

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Cubic meters of indigenous timber approved for export.	600m ³	1726m ³		Insufficient Relevance

INVESTIGATIONS OF ALLEGED BREACHES OF NEW ZEALAND'S INDIGENOUS FORESTRY LEGISLATIVE FRAMEWORK

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Category I – Enforcement intervention requiring statutory action for lower threshold criminal behaviours (usually acknowledgement of culpability or no offence identified). There were 16 forestry investigations during the period 1 July 2010 to 30 June 2011. Four cases have not been categorised yet because the investigations are still on-going.	8	7		Replaced
Old measure: Category II – Enforcement intervention requiring criminal investigation response resulting in formal warning (completion in an eight-month period).	8	2		Replaced
Old measure: Category III – Enforcement intervention addressing organised illegal activity enforcement responses requiring proactive criminal investigation (i.e. intelligence gathering, surveillance and pursuit of deterrent outcomes, (usually completion in a 12-month period).	4	3		Replaced

PROSECUTION OF ALLEGED BREACHES OF NEW ZEALAND'S INDIGENOUS FORESTRY LEGISLATIVE FRAMEWORK

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Demand Driven Measures				
Old measure: Category I – Prosecution response required from enforcement intervention requiring statutory action (including warnings).	5	3		Replaced
Old measure: Category II – Prosecution intervention requiring preparation for lower threshold criminal behaviours (usually completed in an eight-month period where offender behaviour recognises culpability).	4	2		Replaced
Old measure: Category III – Prosecution strategy and preparedness for proactive criminal involving organised illegal activity requiring deterrent outcomes (usually completion in an 12-month period).	2	0		Replaced

APPROPRIATION: POLICY ADVICE

ANIMAL WELFARE POLICY ADVICE – RESEARCH TO SUPPORT THE DEVELOPMENT OF ANIMAL WELFARE STANDARDS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Proportion of total available discretionary research funding approved for animal welfare research from MAF's operational research funding.	15%	8.4%	✗	Insufficient relevance

ANIMAL WELFARE POLICY – DEVELOPMENT OF CODES OF WELFARE UNDER THE ANIMAL WELFARE ACT 1999

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: The Minister rates the quality of policy advice provided by NAWAC and National Animal Ethics Committee as 4 or better on a scale of 1 to 5 (where 1 represents poor and 5 represents excellent) via discussion with officials every six months.	4	4.5	✓	Replaced

CO-ORDINATION OF THE SANITARY AND PHYTOSANITARY CHAPTER COMPONENTS OF FREE TRADE AGREEMENT NEGOTIATIONS

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Number of free trade agreements where MAF co-ordinates the negotiation of the sanitary and phytosanitary chapter (note this measure was misspecified in the original 2010/11 Estimates for Vote Agriculture and Forestry as “phytosanitary charter”).	3	5	✓	Replaced

Vote

BIOSECURITY

APPROPRIATION: BORDER BIOSECURITY RISK MANAGEMENT

BORDER BIOSECURITY SYSTEMS DEVELOPMENT AND MAINTENANCE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Percentage of risk analysis projects completed within estimated timelines.	80–100%	77%	✗	Unclear or subjective
Old measure: Percentage of agreed and prioritised import standards developed or reviewed according to timelines and compliance with quality control checklist.	80–100%	68%	✗	Excessively technical
Old measure: Percentage of active Importing Country Phytosanitary Requirements (ICPR) met for plants/forestry.	90–100%	99.9%	✓	Replaced
Old measure: Percentage of active Importing Country Zoosanitary Requirements (ICZR) met for animals.	90–100%	99.9%	✓	Replaced

BORDER BIOSECURITY MONITORING AND CLEARANCE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Air passenger Output Compliance Standard	98.50%	98.58%	✓	Replaced
Old measure: Number of episodes of Border Patrol and new television series, Dog Squad, co-ordinated and reviewed.	20	0 (Border Patrol), 10 (Dog Squad)	✗	Insufficient relevance
Old measure: Percentage of sea containers inspected (externally).	5–10%	2.3%	✓	Replaced
Old measure: Percentage of annual assessments completed in accordance with prioritised work plan.	90–100%	75%	✗	Replaced
Old measure: Percentage of prioritised pathway monitoring work-plans completed.	80–100%	89%	✓	Excessively technical
Old measure: Percentage of passengers processed through MAF area in 15 minutes or less	80%	3.74 Minutes Average (Auckland International Airport.)	✓	Unclear or subjective
Old measure: Number of cruise vessel passengers cleared (including day-trippers).	390 000–430 000	541 352	✓	Insufficient relevance
Demand Driven Measures				
Old measure: Number of detector dog awareness communications material and collateral distributed. (Demand driven measure).	90 000	6 575		Insufficient relevance

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Number of aircraft arrivals	28 000–32 000	31 797		Insufficient relevance
Old measure: Number of Passenger Compliance Programme (Declare or Dispose) general communications material and collateral (signs, postcards etc) distributed.	70 000–100 000	137 000		Insufficient relevance
Old measure: Number of international vessels cleared.	2700–2900	Data not yet Available		Replaced
Old measure: Number of cruise vessel port calls.	320–350	397		Insufficient relevance
Old measure: Number of sea containers arriving (loaded).	550 000–600 000	433 053		Replaced
Old measure: Number of sea containers found with actionable biosecurity material	10 000–15 000	7 901		Replaced
Old measure: Number of sea cargo consignment lines arriving in New Zealand.	80 000–120 000	117 134		Replaced
Old measure: Number of sea cargo consignments found with actionable biosecurity risk material.	10 000–20 000	8 015		Replaced
Old measure: International mail item clearance.	38 000 000–41 000 000	35 591 011		Replaced

BIOSECURITY ENFORCEMENT

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Percentage of complaints received and investigated in priority order and in accordance with the MAF compliance and enforcement priority grading framework.	90–100%	100%	✓	Replaced
Demand Driven Measures				
Old measure: Category I – Enforcement intervention requiring statutory action (including warnings and infringement notices). Category I: Enforcement intervention requiring statutory intervention for lower threshold criminal behaviour. Examples include a response to a complaint where the result may be that no offence has occurred or liability inferred or the matter is of a minor nature and a lower level of regulatory intervention is appropriate – e.g. warning	3 600–4 000	Infringement notices: 4600 Compliance and Enforcement Category 1: 109		Replaced
Old measure: Category II – Enforcement Intervention requiring investigation response for lower threshold criminal behaviours (completion in a six month time period), Category II: Enforcement intervention requiring a reasonable degree of criminal investigation with an outcome of establishing the facts and truth surrounding the event identified or complained of. Decisions will then be made as to what punitive action (if any) will follow. (Prepare for prosecution – warning or other regulatory approach.)	80–100	157		Replaced

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Category III – Enforcement intervention addressing organised illegal activity enforcement responses requiring proactive criminal investigation (i.e. Intelligence gathering, surveillance) and pursuit of deterrent outcomes (usually completion in a 12 month period), Category III: Enforcement intervention of a more serious nature addressing organised illegal activity or providing a proactive response (intelligence gathering – surveillance) in order to prevent illegal activity taking place down the track. (Usually relates to criminal investigations requiring input of more than 12 months' investigation/preparation.)	4 to 8	17		Replaced
Old measure: Category I – Prosecution response required from enforcement intervention requiring statutory action (including infringement notices).	20–25	16		Replaced
Old measure: Category II – Enforcement intervention requiring preparation for lower threshold criminal behaviours (usually completion in a six-month period where offender behaviour recognises culpability).	15-25	13		Replaced
Old measure: Category III – Prosecution strategy and preparedness for proactive criminal investigation involving organised illegal activity requiring deterrent outcomes (usually completion in a 12–18 month period).	4 to 8	2		Replaced

APPROPRIATION: DOMESTIC BIOSECURITY RISK MANAGEMENT

DOMESTIC BIOSECURITY RISK MANAGEMENT

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Percentage of Surveillance core work programmes with overall status “on track” to deliver agreed outcomes.	85–100%	95%	✓	Unclear or subjective
Demand Driven Measures				
Old measure: Number of Long-Term Pest Management Programmes originally transitioned from the Response programme.	3–5	2		Insufficient relevance
Old measure: Number of cases investigated from targeted surveillance programmes.	8 to 15	19 (plus an additional 14 investigations resulting from other MAF border and food and Industry run programmes)		Unclear or subjective
Old measure: Number of issues of <i>Surveillance</i> Magazine.	4	4		Insufficient relevance
Old measure: Number of identified high risk vectors.	2–4	3		Excessively technical

DOMESTIC BIOSECURITY SURVEILLANCE

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Demand Driven Measures				
Old measure: Number of potential incursions investigated.	580–640	736		Replaced
Number of plant health and environment tests completed from passive surveillance.	1300–1900	1190		Replaced
Number of animal tests completed from passive surveillance.	1500–2000	322		Replaced
Number of targeted surveillance programmes.	27–32	24		Replaced
Number of established internal pathway and border programmes.	2–4	2		

BIOSECURITY INCURSION RESPONSE AND LONG-TERM PEST MANAGEMENT

SERVICE PERFORMANCE MEASURES	STANDARD	ACTUAL	TARGET MET	REASON FOR REMOVAL
Old measure: Number of Long-Term Pest Management Programmes originally transitioned from the Response programme.	3–5	2	✗	Insufficient relevance
Percentage of response programmes with overall status “on track” to deliver agreed outcomes.	80–100%	95%	✓	Replaced
Number of Check, Clean, Dry programme communications material and collateral (brochures, river signs and posters, spray bottles, pocket cleaning guides, fact sheets etc) distributed.	100 000–200 000	100 000	✓	Insufficient relevance
Number of events and public presentations to support biosecurity communication programmes (Check, Clean, Dry; Declare or dispose; Clean and Antifoul; Report unusual Finds.)	10–15	13	✓	Insufficient relevance



Overview of Departmental

FINANCIAL RESULTS

For the year ended 30 June 2011

The following significant movements in actual results between the 2010/11 and 2009/10 years, and actual results against the 2010/11 Supplementary Estimates budget, are explained below:

ACTUAL 2010 \$000		ACTUAL 2011 \$000	SUPP ESTIMATES 2011 \$000
227 372	Income (in total)	297 127	303 654
184 316	Revenue Crown	203 918	209 556
42 920	Revenue Other	92 911	93 948
219 423	Expenditure (in total)	289 608	295 754
102 333	Personnel costs	153 639	154 562
7 949	Operating surplus	7 519	7 900
2 137	Working capital	(461)	(1 476)
34 001	Non-current Assets	45 682	48 586
	Current Liabilities		
1 394	Finance Leases	530	501
10 612	Employee entitlements	15 987	13 575
	Non-Current Liabilities		
289	Finance Leases	406	369
4 144	Employee entitlements	7 391	9 400
31 705	Taxpayers' funds	37 424	37 341

SIGNIFICANT MOVEMENTS BETWEEN 2009/10 AND 2010/11

The most significant variance from MAF's departmental actual results from 2010 to 2011 is due to the integration of the NZFSA operations under Vote Food Safety and net assets (note 16) upon its amalgamation with MAF from 1 July 2010. During 2011, operating income and expenditure under Vote Food Safety are \$88.820 million and \$83.446 million respectively; contributing \$5.374 million to the overall net surplus in the Statement of Comprehensive Income.

SIGNIFICANT VARIANCES BETWEEN 2010/11 ACTUAL RESULTS AND SUPPLEMENTARY ESTIMATES

Departmental outputs were provided at a cost of \$289.608 million, which is \$6.146 million less than forecast in the Supplementary Estimates. A decision was made to find cost savings in revenue Crown funded activities over the last few months of the financial year to contribute towards the cost of

amalgamating MAF with the Ministry of Fisheries in 2011/12. These cost savings in revenue Crown funded activities are additional to the \$5 million reflected in the operating surplus to resource proposal development and fund administration for the Irrigation Acceleration Fund initiative approved in Budget 2011.

The operating surplus includes \$2.240 million for the provision of outputs operating on a full cost-recovery basis from third parties. Memorandum accounts are used to keep track of the accumulated surpluses and deficits to enable the Ministry to take a long-run perspective to fee setting and cost recovery (note 22).

Capital expenditure in the later part of the financial year was lower than anticipated due to the decision to review the capital expenditure programme with regard to the amalgamation of MAF and the Ministry of Fisheries.

Statement of

COMPREHENSIVE INCOME

For the year ended 30 June 2011

ACTUAL 2010 \$000		NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPP ESTIMATES 2011 \$000
	Income				
184 316	Revenue Crown		203 918	216 842	209 556
42 920	Revenue other	2	92 911	110 417	93 948
136	Gains	3	298	–	150
227 372	Total income		297 127	327 259	303 654
	Expenditure				
102 333	Personnel costs	4	153 639	159 371	154 562
11 367	Depreciation and amortisation expense	9, 10	10 777	13 601	11 393
2 399	Capital charge	5	2 594	3 206	2 591
223	Finance lease interest		117	79	185
174	Restructuring costs	13a	950	–	1 100
102 927	Other operating expenses	6	121 531	147 876	125 923
219 423	Total expenditure		289 608	324 133	295 754
7 949	Net surplus/(deficit)		7 519	3 126	7 900
	Other comprehensive income				
103	Revaluation gains – Artwork	16	–	–	–
8 052	Total Comprehensive Income		7 519	3 126	7 900

Explanations of significant variances against budget are detailed in note 23.

The accompanying notes form part of these financial statements.

Statement of

FINANCIAL POSITION

As at 30 June 2011

ACTUAL 2010 \$000		NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPP ESTIMATES 2011 \$000
	Assets				
	Current assets				
17 201	Cash and cash equivalents		20 917	20 721	23 320
15 409	Debtors and other receivables	7	24 517	12 803	22 000
1 135	Prepayments		922	1 460	2 000
3 682	Inventory	8	4 587	4 092	3 825
37 427	Total current assets		50 943	39 076	51 145
	Non-current assets				
26 701	Property, plant and equipment	9	30 634	32 937	31 657
7 300	Intangible assets	10	15 048	33 792	16 929
34 001	Total non-current assets		45 682	66 729	48 586
71 428	Total assets		96 625	105 805	99 731
	Liabilities				
	Current liabilities				
14 667	Creditors and other payables	11	25 985	22 213	29 000
7 949	Repayment of surplus	12	7 436	3 126	7 900
668	Provisions	13	1 466	2 230	1 645
10 612	Employee entitlements	14	15 987	12 972	13 575
1 394	Finance leases	15	530	894	501
35 290	Total current liabilities		51 404	41 435	52 621
	Non-current liabilities				
4 144	Employee entitlements	14	7 391	11 794	9 400
289	Finance leases	15	406	891	369
4 433	Total non-current liabilities		7 797	12 685	9 769
39 723	Total liabilities		59 201	54 120	62 390
31 705	Net assets		37 424	51 685	37 341
	Taxpayers' funds				
31 502	General funds		37 221	51 585	37 138
203	Property, plant and equipment revaluation reserve		203	100	203
31 705	Total taxpayers' funds	16	37 424	51 685	37 341

The accompanying notes form part of these financial statements.

Statement of changes

IN TAXPAYERS' FUNDS

For the year ended 30 June 2011

ACTUAL 2010 \$000		NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPP ESTIMATES 2011 \$000
32 368	Balance at 1 July		31 705	31 602	31 705
8 052	Total comprehensive income		7 519	3 126	7 900
(7 949)	Repayment of surplus to the Crown	12	(7 436)	(3 126)	(7 900)
–	Capital contributions		6 231	20 678	6 231
(766)	Repayment of capital		(595)	(595)	(595)
31 705	Balance at 30 June	16	37 424	51 685	37 341

The accompanying notes form part of these financial statements.

Statement of

CASH FLOWS

For the year ended 30 June 2011

ACTUAL 2010 \$000		NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPP ESTIMATES 2011 \$000
	Cash flows from operating activities				
180 263	Receipts from Crown		199 425	221 842	208 580
42 676	Receipts from revenue other		93 490	110 653	94 149
(102 889)	Payments to employees		(154 095)	(159 005)	(153 976)
(100 031)	Payments to suppliers		(122 556)	(151 523)	(126 934)
(2 399)	Payments for capital charge		(2 594)	(3 206)	(2 591)
(382)	Goods and services tax (net)		(459)	25	392
17 238	Net cash from operating activities	17	13 211	18 786	19 620
	Cash flows from investing activities				
174	Receipts from sale of property, plant and equipment		317	300	150
(3 315)	Purchase of property, plant and equipment		(7 752)	(8 307)	(9 963)
(1 594)	Purchase of intangible assets		(7 613)	(25 685)	(10 000)
(4 735)	Net cash from investing activities		(15 048)	(33 692)	(19 813)
	Cash flows from financing activities				
–	Capital injections from the Crown		19 803	30 329	19 803
(2 702)	Repayment of surplus to the Crown		(11 861)	(3 858)	(11 861)
(766)	Repayment of capital to the Crown		(595)	(595)	(595)
(3 053)	Payments of finance leases		(1 794)	(2 234)	(1 035)
(6 521)	Net cash from financing activities		5 553	23 642	6 312
5 982	Net increase (decrease) in cash		3 716	8 736	6 119
11 219	Cash at the beginning of the year		17 201	11 985	17 201
17 201	Cash at the end of the year		20 917	20 721	23 320

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

During the period, the Ministry acquired property, plant and equipment totalling \$930 000 (2010 \$433 000) by means of finance leases.

The accompanying notes form part of these financial statements.

Statement of

COMMITMENTS

As at 30 June 2011

CAPITAL COMMITMENTS

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and computer software that have not been recognised as a liability at balance date.

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Ministry leases property, plant equipment in the normal course of its business. The majority of

these leases are for premises, which have a non-cancellable leasing period ranging from 1 year to 13 years.

OTHER NON-CANCELLABLE OPERATING COMMITMENTS

The Ministry has entered into non-cancellable contracts for telecommunication services, software licences and computer maintenance and support.

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Capital commitments	
1 609	Not later than one year	–
770	Later than one year and not later than five years	–
2 379	Total capital commitments	–
	Non-cancellable operating lease commitments	
7 443	Not later than one year	6 526
25 105	Later than one year and not later than five years	21 088
14 062	Later than five years	8 146
46 610	Total non-cancellable operating lease commitments	35 760
	Other non-cancellable operating commitments	
6 917	Not later than one year	4 284
4 495	Later than one year and not later than five years	1 636
11 412	Total other non-cancellable lease commitments	5 920
60 401	Total commitments	41 680

All capital commitments relate to property, plant and equipment.

The total minimum future sublease payments expected to be received under non-cancellable subleases at the balance date is \$2 399 000 (2010 \$3 773 000).

The Ministry's non-cancellable operating leases have varying terms, escalation clauses and renewal rights. There are no restrictions placed on the Ministry by any of its leasing arrangements.

The accompanying notes form part of these financial statements.

Statement of contingent

LIABILITIES AND ASSETS

As at 30 June 2011

The Ministry has no departmental contingent liabilities (2010 \$nil) and contingent assets (2010 \$1 500 000) as at 30 June 2011.

Statement of departmental unappropriated expenditure and

CAPITAL EXPENDITURE

For the year ended 30 June 2011

No unappropriated departmental expenditure was incurred in the year ended 30 June 2011 (2010 Breach of net assets \$2 259 000).

Statement of

TRUST MONIES

For the year ended 30 June 2011

MEAT LEVIES TRUST ACCOUNT

The Meat Levies Trust Account holds levy funds received from meat works for the killing of animals that are payable to the Animal Health Board, Meat and Wool New Zealand Ltd and the Pork Industry Board.

2010 \$000	CONTRIBUTION \$000	DISTRIBUTION \$000	REVENUE \$000	EXPENSES \$000	2011 \$000
–	59 402	(59 398)	4	–	8

FOREST TRUST ACCOUNT

The Forest Trust Account holds the proceeds from the sale of timber seized under the provisions of Part IIIA of the Forests Act 1949.

2010 \$000	CONTRIBUTION \$000	DISTRIBUTION \$000	REVENUE \$000	EXPENSES \$000	2011 \$000
1	–	–	–	–	1

The accompanying notes form part of these financial statements.

Statement of departmental expenses and capital expenditure

AGAINST APPROPRIATIONS

For the year ended 30 June 2011

EXPENDITURE AFTER REMEASUREMENTS 2010 \$000		EXPENDITURE BEFORE REMEASUREMENTS 2011 \$000	REMEASUREMENTS 2011 \$000	EXPENDITURE AFTER REMEASUREMENTS 2011 \$000	APPROPRIATION VOTED 2011* \$000
	VOTE AGRICULTURE AND FORESTRY				
	Appropriations for output expenses				
–	Administration and Management of Crown Forestry Assets	1 491	–	1 491	1 714
–	Administration of Grants and Programmes	6 262	(3)	6 259	8 264
3 191	Animal Welfare Education and Enforcement	4 171	(1)	4 170	4 288
–	Implementation of the Emissions Trading Scheme and Indigenous Forestry	10 993	(5)	10 988	11 629
–	Policy Advice MCOA	32 377	(11)	32 366	36 401
–	Agriculture and Forestry Policy Advice	21 545	(7)	21 538	25 098
–	Animal Welfare Policy Advice	823	–	823	844
–	Climate Change Policy Advice	10 009	(4)	10 005	10 459
23 216	Agriculture and Forestry Policy Advice	–	–	–	–
1 894	Administration of Indigenous Forestry Provisions	–	–	–	–
36 873	Climate Change	–	–	–	–
4 165	Contract, Grant and Asset Management	–	–	–	–
11 542	Support Services and Infrastructure to Other Agencies RDA	1 326	–	1 326	1 350
80 881	Total Vote Agriculture and Forestry	56 620	(20)	56 600	63 646
	VOTE BIOSECURITY				
	Appropriations for output expenses				
13 112	Biosecurity Policy Advice	9 967	(3)	9 964	11 097
–	Border Biosecurity Risk Management (MCOA)	80 679	(24)	80 655	82 615
–	Border Biosecurity Monitoring and Clearance	64 998	(20)	64 978	66 077
–	Border Biosecurity Systems Development and Maintenance	15 681	(4)	15 677	16 538
–	Domestic Biosecurity Risk Management (MCOA)	58 868	(17)	58 851	59 359
–	Biosecurity Incursion Response and Long Term Pest Management	14 995	(4)	14 991	16 339
–	Domestic Biosecurity Surveillance	43 873	(13)	43 860	43 020
2 370	Biosecurity Approvals and Assurance	–	–	–	–
3 029	Biosecurity Enforcement	–	–	–	–
20 899	Biosecurity Standards	–	–	–	–
39 887	Biosecurity Surveillance and Incursion Response	–	–	–	–
59 297	Border Clearance Services	–	–	–	–
138 594	Total Vote Biosecurity	149 514	(44)	149 470	153 071
	VOTE FOOD SAFETY				
	Appropriations for output expenses				
–	Assurance	53 748	(17)	53 731	58 022
–	Information	2 588	(1)	2 587	3 984
–	Policy Advice	5 827	(2)	5 825	6 636
–	Response	1 866	(1)	1 865	2 351
–	Standards	19 445	(7)	19 438	22 243
–	Total Vote Food Safety	83 474	(28)	83 446	93 236
219 475	Total All Votes	289 608	(92)	289 516	309 953
5 714	Permanent Legislative Authority				
	Capital Expenditure	16 784	–	16 784	20 000

* This includes adjustments made in the Supplementary Estimates.

**RESTRICTED BY REVENUE APPROPRIATION – SUPPORT
SERVICES AND INFRASTRUCTURE TO OTHER AGENCIES**

The Ministry earned \$1 326 000 revenue from the provision of services and infrastructure to other agencies. The Ministry is permitted to incur

expenditure up to the amount of revenue earned for this appropriation.

The accompanying notes form part of these financial statements.

Notes to the

FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2011

REPORTING ENTITY

The Ministry of Agriculture and Forestry (the Ministry) is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

Vote Food Safety was administered by the New Zealand Food Safety Authority until 30 June 2010 and has now been incorporated in the Ministry's financial statements. Prior year comparisons exclude Vote Food Safety.

In addition, the Ministry has reported on Crown activities and trust monies which it administers.

The primary objective of the Ministry is to provide services to the public rather than making a financial return. Accordingly, the Ministry has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Ministry are for the year ended 30 June 2011. The financial statements were authorised for issue by the Director-General of the Ministry on 30 September 2011.

BASIS OF PREPARATION**Statement of compliance**

The financial statements of the Ministry have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP) and Treasury Instructions. These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, buildings, artwork and derivative financial instruments.

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 the Ministry is New Zealand dollars (NZ\$).

Changes in accounting policies

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

Standards, amendments, and interpretations issued that are not yet effective and have been early adopted:

- › NZ IAS 24 Related Party Disclosures (Revised 2009) – The effect of early adopting the revised NZ IAS 24 is:
 - more information is required to be disclosed about transactions between the Ministry and entities controlled, jointly controlled, or significantly influenced by the Crown;
 - commitments with related parties require disclosure; and
 - information is required to be disclosed about any related party transactions with Ministers of the Crown.

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and that are relevant to the Ministry are:

- › NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting.

Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The Ministry has not yet assessed the impact of the new standard and expects it will not be early adopted.

- › FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – These were issued in May 2011 with the purpose of harmonising Australia and New Zealand's accounting standards with source IFRS and to eliminate many differences between accounting standards in each jurisdiction. The amendments must first be adopted in the year ended 30 June 2012. The Ministry has not yet assessed the effects of FRS-44 and the Harmonisation Amendments.

As the External Reporting Board is to decide on a new accounting standards framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2012 will not be applicable to public benefit entities. This means that the financial reporting requirements for public benefit entities are expected to be effectively frozen in the short term. Accordingly, no disclosure has been made about

new or amended NZ IFRS that exclude public benefit entities from their scope.

REVENUE

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

Revenue Crown

Revenue earned from the supply of outputs to the Crown is recognised as revenue when earned.

Statutory levies

Revenue from levies is recognised when the obligation to pay the levy is incurred.

Application fees

Revenue from application fees is recognised to the extent that the application has been processed by the Ministry.

Rental income

Rental income under an operating sub-lease is recognised as income on a straight-line basis over the lease term.

Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested in the Ministry are recognised as income when control over the asset is obtained.

CAPITAL CHARGE

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

BORROWING COSTS

The Ministry has deferred the adoption of NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

LEASES

Finance leases

A finance lease is a lease that transfers to the Ministry substantially all of the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, finance leases are recognised as assets and liabilities in the

statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Ministry will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in surplus or deficit.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and funds on deposit with banks and is measured at its face value.

DEBTORS AND OTHER RECEIVABLES

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment is established as follow:

- › For individual debtors outstanding up to 365 days and in excess of \$20 000 – when there is objective evidence that the Ministry will not be able to collect all or part of the amount due.
- › For all other debtors (including amounts in excess of \$20 000 not included above), 20 percent of debts outstanding between 91 days and 365 days and 100 percent of debts outstanding over 365 days.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in 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 a provision for impairment account, and the amount of the loss is recognised in the surplus or deficit. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

INVENTORIES

Inventories held for distribution, or consumption in the provision of services, that are not supplied on a commercial basis are measured at cost, adjusted when applicable, for any loss of service potential. The loss of service potential of inventories held for distribution is determined on the basis of obsolescence.

The amount of any write-down for the loss of service potential is recognised in surplus or deficit in the period of the write-down.

FORWARD FOREIGN EXCHANGE CONTRACTS

The Ministry uses forward foreign exchange contracts to manage exposure to foreign exchange movements. The Ministry does not hold these contracts for trading purposes. The Ministry has not adopted hedge accounting. Forward foreign exchange contracts are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss

recognised in the surplus or deficit. The full fair value of a foreign exchange contract is classified as current if the contract is due for settlement within 12 months of balance date, otherwise foreign exchange contracts are classified as non-current.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment losses for write-downs of non-current assets held for sale are recognised in surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following asset classes:

- › Land;
- › Buildings;
- › Leasehold improvements;
- › Office furniture and equipment;
- › Artwork; and
- › Motor vehicles.

Land and artwork are measured at fair value and buildings are measured at fair value less accumulated depreciation and impairment losses. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

Individual assets, or group of assets, are capitalised if their cost is greater than \$5000. The value of an individual asset that is less than \$5000 and is part of a group of similar assets is capitalised.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if,

it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Work in progress is recognised at cost, less impairment, and is not depreciated.

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 reported in the surplus or deficit. When revalued assets are sold, the amounts included in 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 the Ministry and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

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

Buildings (including components)	8 to 40 years (2.5–12.5%)
Leasehold improvements	2 to 20 years (5–50%)
Office furniture and equipment	1.5 to 12 years (8–67%)
Motor vehicles	5 years (20%)

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 each financial year end.

Revaluation

Land, buildings and artwork are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every 5 years in the case of land and building and at least every 3 years for artwork. Fair value is determined from market-based evidence by an independent valuer. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. Additions between revaluations are recorded at cost.

Accounting for revaluations

The Ministry accounts for revaluations of property, plant and equipment on a class of asset basis. The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in taxpayers' funds (equity) for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

INTANGIBLE ASSETS

Software acquisition and development

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

Costs that are directly associated with the development of software for internal use by the Ministry are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Expenditure incurred on

research of internally generated software is expensed when it is incurred.

Staff training costs are recognised as an expense when incurred.

Individual assets, or group of assets are capitalised if their cost is greater than \$50 000. The value of an individual asset that is less than \$50 000 and is part of a group of similar assets is capitalised.

Website costs are only recognised as an intangible asset if they will provide future service potential.

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 that the asset is derecognised. The amortisation charge for each period is recognised in surplus or deficit. The useful life and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired computer software	1.4 to 6.25 years (16–71%)
Developed computer software	2.75 to 6 years (17–36%)

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the Ministry would, if deprived of the asset, replace its remaining 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 in other comprehensive income to the extent the impairment loss does not exceed the amount in the revaluation reserve in taxpayers' funds (equity) for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive income and increases the revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

CREDITORS AND OTHER PAYABLES

Creditors and other payables are generally settled within 30 days so are recorded at their face value.

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements

Employee benefits expected 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, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months of balance date in which the employee renders the related service, such as long service leave and retiring leave, are calculated on an actuarial basis. The calculations are based on:

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

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as close as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Salaries and wages accrued, sick leave, annual leave, vested long service leave, non-vested long service leave and retiring leave expected to be settled within 12 months of the balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

SUPERANNUATION SCHEMES

Defined contribution schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.

PROVISIONS

The Ministry recognises a provision for future expenditure of 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 an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Restructurings

A provision for restructuring is recognised when the Ministry has approved a detailed formal plan for restructuring that has either been announced publicly to those affected, or for which implementation has already commenced.

ACC Partnership Programme

The Ministry belongs to the ACC Partnership Programme whereby the Ministry accepts the management and financial responsibility of work-related illnesses and accidents of employees. Under the programme, the Ministry is liable for all its claims costs for a period of two years up to a specified maximum amount. At the end of the two-year period, the Ministry pays a premium to ACC for the value of residual claims, and the liability for ongoing claims from that point passes to ACC.

The liability for the ACC Partnership Programme is measured at the present value of expected future payments to be made in respect of the employee injuries and claims up to balance date.

TAXPAYERS' FUNDS

Taxpayers' funds is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities.

Taxpayers' funds is disaggregated and classified as general funds and property, plant and equipment revaluation reserves.

COMMITMENTS

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the value of that penalty or exit cost.

GOODS AND SERVICES TAX

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for trade debtors and creditors, 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

Government departments are exempt from income tax as public authorities. Accordingly, no provision has been made for income tax.

BUDGET FIGURES

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2011, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

STATEMENT OF COST ACCOUNTING POLICIES

The Ministry has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner, with a specific output.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity and usage information. Depreciation and capital charge are charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time

incurred. Other indirect costs are assigned to outputs based on assessed usage, staff numbers, direct expenditure and estimated allocation of time.

There have been no changes in cost accounting policies since the date of the last audited financial statements.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements the Ministry 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 of 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 below:

Retirement and long service leave

An analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities is disclosed in note 14.

CRITICAL JUDGEMENTS IN APPLYING THE MINISTRY'S ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying the Ministry's accounting policies for the period ended 30 June 2011:

Finance leases

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Ministry. 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 with an operating lease no such asset is recognised.

The Ministry has exercised its judgement on the appropriate classification of equipment leases, and has determined the leasing of computer hardware from Alleasing New Zealand Ltd are finance leases.

Amalgamation of New Zealand Food Safety Authority

The initial cost of property, plant and equipment assets as well as intangible assets, transferred from the New Zealand Food Safety Authority, is the net book value of those assets at the time of the amalgamation of the Authority's functions with the Ministry. This is deemed to equate to the fair value of those assets to the Ministry.

NOTE 2: REVENUE OTHER

ACTUAL 2010 \$000		ACTUAL 2011 \$000
25 362	Statutory fees and levies	82 954
2 230	State Sector Retirement Savings Scheme and KiwiSaver recovery	3 531
1 712	Rental income from sub-leased accommodation	1 321
9 416	Support services to the NZFSA	–
4 200	Other goods and services	5 105
42 920	Total revenue other	92 911

NOTE 3: GAINS

ACTUAL 2010 \$000		ACTUAL 2011 \$000
136	Net gain on disposal of property, plant and equipment	215
–	Net gain on foreign exchange contracts	83
136	Total gains	298

During the period, the Ministry disposed of motor vehicles as part of the normal vehicle replacement programme. The net gain on motor vehicle disposals was \$215 000 (2010 \$141 000 offset by \$5000 loss on disposal of Office Equipment).

NOTE 4: PERSONNEL COSTS

ACTUAL 2010 \$000		ACTUAL 2011 \$000
97 294	Salaries and wages	136 886
2 557	Employer superannuation contributions to defined contribution plans	4 349
(586)	Increase/(decrease) in employee entitlements	8 622
3 068	Other personnel costs	3 782
102 333	Total personnel costs	153 639

Employer superannuation contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund.

NOTE 5: CAPITAL CHARGE

The Ministry pays a capital charge to the Crown on its Taxpayers' Funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2011 was 7.5 percent (2010 7.5 percent).

NOTE 6: OTHER OPERATING EXPENSES

ACTUAL 2010 \$000		ACTUAL 2011 \$000
177	Fees to auditor for financial statement audit	253
6 889	Operating lease payments	9 247
805	Advertising and publicity	1 117
67 977	Contracts	71 019
5 541	Travel	10 034
3 336	Property costs	3 862
5 199	Information technology	5 974
–	Inventory consumed (note 8)	93
–	Inventory written-off (note 8)	2 106
(18)	Debt impairment (note 7)	91
1 177	Property, plant and equipment impairment losses	202
2 276	Consultancy	3 626
9 568	Other operating expenses	13 907
102 927	Total other operating expenses	121 531

NOTE 7: DEBTORS AND OTHER RECEIVABLES

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Current debtors and other receivables	
3 977	Debtors	5 825
(10)	Less provision for impairment	(58)
3 967	Net debtors	5 767
9 001	Crown debtor	13 517
2 441	Accrued revenue	5 233
15 409	Total debtors and other receivables	24 517

The carrying value of debtors and other receivables approximates their fair value.

The aging profile of debtors at year end is detailed below:

	2010			2011		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Current	3 436	–	3 436	5 015	–	5 015
Greater than 30 days	463	–	463	437	–	437
Greater than 60 days	42	–	42	141	–	141
Greater than 90 days	36	(10)	26	232	(58)	174
Total	3 977	(10)	3 967	5 825	(58)	5 767

The provision for impairment has been calculated based on a review of specific overdue debtors and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write offs.

ACTUAL 2010 \$000		ACTUAL 2011 \$000
1	Individual impairment	10
9	Collective impairment	48
10	Total provision for impairment	58

Those specific debtors that are insolvent are fully provided for. As at 30 June 2011 the Ministry has identified 11 debtors (2010 one) totalling \$10 000 (2010 \$1000) that are insolvent.

Movements in the provision for impairment of debts are as follows:

ACTUAL 2010 \$000		ACTUAL 2011 \$000
129	Balance at 1 July	10
–	Additional provisions made (note 6)	91
(18)	Unused amounts reversed during the year	–
(101)	Receivables written off during the year	(43)
10	Balance at 30 June	58

The Ministry holds no collateral as security or other credit enhancements over debts that are either past due or impaired.

NOTE 8: INVENTORY

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Inventory held for distribution	
3 638	Foot-and-mouth vaccine	4 394
44	Tamiflu medicine	–
–	Security items for the transport of goods overseas	193
3 682	Total inventory	4 587

The inventory item “Security items for the transport of items overseas” was added through the merger of NZFSA and the MAF on 1 July 2010. The carrying value of this inventory on 1 July 2010 was \$78 000.

The loss in service potential of inventories held for distribution is determined on the basis of obsolescence. The Tamiflu medicine reached its expiry date and was written-off. Under a sale and purchase agreement with the overseas supplier, the 30 June 2010 inventory of foot and mouth vaccine that had reached its expiry date was bought back and replaced; resulting in a write-off of \$2.061 million.

No inventories are pledged as security for liabilities (2010 \$nil).

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	LAND \$000	BUILDINGS \$000	LEASEHOLD IMPROVEMENTS \$000	FURNITURE, OFFICE EQUIPMENT, AND ARTWORKS \$000	MOTOR VEHICLES \$000	TOTAL \$000
Cost or valuation						
Balance at 1 July 2009	1 523	11 375	10 369	24 373	5 051	52 691
Additions through purchase	–	1 564	251	1 843	198	3 856
Disposals	–	–	–	(3 285)	(461)	(3 746)
Reclassification	–	–	2	(2)	–	–
Revaluation	–	–	–	98	–	98
Balance at 30 June 2010	1 523	12 939	10 622	23 027	4 788	52 899
Balance at 1 July 2010	1 523	12 939	10 622	23 027	4 788	52 899
Additions through purchase	–	251	2 766	5 001	927	8 945
Additions through merger with NZFSA	–	–	386	49	1 539	1 974
Disposals	–	–	(2 721)	(50)	(612)	(3 383)
Reclassification	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–
Balance at 30 June 2011	1 523	13 190	11 053	28 027	6 642	60 435
Accumulated depreciation and impairment losses						
Balance at 1 July 2009	–	981	3 463	14 415	2 233	21 092
Depreciation expense	–	472	990	5 471	709	7 642
Eliminate on disposal	–	–	–	(3 275)	(433)	(3 708)
Reclassification	–	–	1	(2)	1	–
Impairment losses	–	–	1 145	32	–	1 177
Revaluation	–	–	–	(5)	–	(5)
Balance 30 June 2010	–	1 453	5 599	16 636	2 510	26 198
Balance at 1 July 2010	–	1 453	5 599	16 636	2 510	26 198
Depreciation expense	–	505	1 439	4 059	881	6 884
Eliminate on disposal	–	–	(2 721)	(50)	(510)	(3 281)
Reclassification	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–
Balance 30 June 2011	–	1 958	4 317	20 645	2 881	29 801
Carrying amounts						
At 1 July 2009	1 523	10 394	6 906	9 958	2 818	31 599
At 30 June and 1 July 2010	1 523	11 486	5 023	6 391	2 278	26 701
At 30 June 2011	1 523	11 232	6 736	7 382	3 761	30 634

VALUATION

The most recent valuation of land and buildings was performed by independently contracted registered valuer, DTZ New Zealand Limited. The valuation is effective as at 31 March 2007.

Artwork has been valued to fair value of \$116 500 as at 30 June 2010 by Dunbar Sloane Limited.

WORK IN PROGRESS

The total amount of property, plant and equipment in the course of construction is \$4 999 000 (2010 \$2 081 000).

FINANCE LEASES

The net carrying amount of computer equipment held under finance leases is \$898 000 (2010 \$1 596 000).

NOTE 10 INTANGIBLE ASSETS

	ACQUIRED SOFTWARE \$000	INTERNALLY GENERATED SOFTWARE \$000	TOTAL \$000
Cost			
Balance at 1 July 2009	6 654	11 403	18 057
Additions	50	1 808	1 858
Disposals	–	–	–
Reclassification	(60)	61	1
Balance at 30 June 2010	6 644	13 272	19 916
Balance at 1 July 2010	6 644	13 272	19 916
Additions through purchase	36	7 803	7 839
Additions through merger with NZFSA	16	3 988	4 004
Disposals	–	–	–
Reclassification	–	–	–
Balance at 30 June 2011	6 696	25 063	31 759
Accumulated amortisation and impairment losses			
Balance at 1 July 2009	3 887	5 004	8 891
Amortisation expense	1 207	2 518	3 725
Disposals	–	–	–
Impairment losses	–	–	–
Reclassification	1	(1)	–
Balance at 30 June 2010	5 095	7 521	12 616
Balance at 1 July 2010	5 095	7 521	12 616
Amortisation expense	872	3 021	3 893
Disposals	–	–	–
Impairment losses	202	–	202
Reclassification	–	–	–
Balance at 30 June 2011	6 169	10 542	16 711
Carrying amounts			
At 1 July 2009	2 767	6 399	9 166
At 30 June and 1 July 2010	1 549	5 751	7 300
At 30 June 2011	527	14 521	15 048

There are no restrictions over the title of the Ministry's intangible assets, nor are any intangible assets pledged as security for liabilities.

Details of material intangible assets are as follows:

ACTUAL 2010			ACTUAL 2011		
CARRYING AMOUNT \$000	REMAINING AMORTISATION PERIOD		CARRYING AMOUNT \$000	REMAINING AMORTISATION PERIOD	
698	1 to 1.75 years	Electronic content management system	153	0.75 years	
–	–	Farm property information database (FarmsOnLine)	2 628	4.76 years	
852	3 years	Financial management information system (FMIS)	374	1 year	
2 884	3.59 years	Climate change information system	3 597	4.92 years	

The useful life of the Ministry's FMIS was reduced by 12 months in recognition that it would have to be significantly upgraded or replaced following the Government's decision to amalgamate the Ministry with the Ministry of Fisheries. This resulted in an impairment loss of \$202 000.

NOTE 11: CREDITORS AND OTHER PAYABLES

ACTUAL 2010 \$000		ACTUAL 2011 \$000
1 021	Accounts payable	155
1 174	Income in advance	6 869
12 145	Accrued expenses	18 312
327	GST payable to Inland Revenue Department	649
14 667	Total creditors and other payables	25 985

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximate their fair value.

NOTE 12: RETURN OF OPERATING SURPLUS

ACTUAL 2010 \$000		ACTUAL 2011 \$000
7 949	Net surplus from statement of comprehensive income	7 519
–	Adjust for unrealised losses/(gains) on forward foreign exchange contracts recognised in the surplus/(deficit)	(83)
7 949	Total return of operating surplus	7 436

The repayment of surplus is required to be paid by 31 October each year.

NOTE 13: PROVISIONS

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Current provisions	
175	Restructuring	451
473	Compensation under the Biosecurity Act 1993	543
20	ACC Partnership Programme	107
–	Other provisions	365
668	Total provisions	1 466

NOTE 13A: PROVISION FOR RESTRUCTURING

ACTUAL 2010 \$000		ACTUAL 2011 \$000
1 549	Opening balance 1 July	175
462	Additional provisions made	950
(1 438)	Amounts used	(619)
(398)	Unused amounts reversed	(55)
175	Closing balance	451

The restructuring provision arises from a review of Biosecurity New Zealand border operations and the amalgamation of the Ministry with the NZFSA from 1 July 2010 and the Ministry of Fisheries from 1 July 2011. The provision represents the Ministry's best estimate of the cost of the restructurings. It is anticipated all costs associated with the restructurings will be incurred over the next year.

NOTE 13B: PROVISION FOR COMPENSATION UNDER THE BIOSECURITY ACT 1993

ACTUAL 2010 \$000		ACTUAL 2011 \$000
1 192	Opening balance	473
51	Additional provisions made during the year	450
(770)	Charged against provision for the year	(380)
473	Closing balance	543

This provision provides for compensation payable under section 162A of the Biosecurity Act 1993 as a result of the exercise of powers to manage or eradicate organisms. Compensation is payable where the exercise of these powers causes verifiable losses as a result of the damage or destruction of a person's property or restrictions on the movement of a person's goods. The provision represents the Ministry's best estimate of the cost of settling current compensation claims. The compensation payments are expected to be settled by June 2012.

NOTE 13C: PROVISION FOR ACC PARTNERSHIP PROGRAMME

ACTUAL 2010 \$000		ACTUAL 2011 \$000
20	Opening balance	20
–	Additional provisions made (merger with NZFSA)	125
–	Charged against provision for the year	–
–	Unused amounts reversed during year	(38)
20	Closing balance	107

The liability for the ACC Partnership Programme is measured at the present value of expected future payments to be made in respect of the employee injuries and claims up to the reporting date. Consideration is given to expected future wage and salary levels and experience of employee claims and injuries.

The Ministry manages its exposure arising from the programme by promoting a safe and healthy working environment by:

- › implementing and monitoring health and safety policies;
- › induction training on health and safety;
- › actively managing workplace injuries to ensure employees return to work as soon as practical;

- › recording and monitoring workplace injuries and near misses to identify risk areas and implementing mitigating actions; and
- › identifying workplace hazards and implementation of appropriate safety procedures.

The Ministry has chosen a stop loss limit of 250 percent of the industry premium. The stop loss limit means the Ministry will only carry the total cost of claims of up to \$500 000. The Ministry is not exposed to any significant concentrations of insurance risk as work-related injuries are generally the result of an isolated event to an individual employee.

NOTE 14: EMPLOYEE ENTITLEMENTS

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Current employee entitlements are represented by:	
2 604	Salaries and wages	3 141
6 403	Annual leave	10 106
352	Sick leave	509
678	Long service leave	990
575	Retiring leave	1 241
10 612	Total current portion	15 987
	Non-current employee entitlements are represented by:	
925	Long service leave	1 548
3 219	Retiring leave	5 843
4 144	Total non-current portion	7 391
14 756	Total employee entitlements	23 378

The measurement of retirement and long service leave depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used match, as closely as possible, the estimated future cash outflows.

The discount rates used were: 1 year 2.84 percent; 2 year 3.81 percent; and 3 year plus 6 percent (2010 3.48 percent, 4.45 percent, 6 percent). A salary inflation factor of 3.5 percent has been used and is based on a 2.5 percent long-term inflation assumption plus 1 percent for long-term labour

productivity growth for the public sector. The discount rates and salary inflation factor were provided by the Treasury.

If the discount rate were to differ by 1 percent higher from that used, with all other factors held constant, the carrying amount of the liability would be an estimated \$498 000 lower. If the discount rate were to differ by 1 percent lower from that used, with all other factors held constant, the carrying amount of the liability would be an estimated \$559 000 higher.

If the salary inflation factor were to differ by 1 percent higher from that used, with all other factors held constant, the carrying amount of the liability would be an estimated \$522 000 higher. If the salary inflation factor were to differ by 1 percent lower from that used, with all other factors held constant, the carrying amount of the liability would be an estimated \$474 000 lower.

NOTE 15: FINANCE LEASES

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Minimum lease payments payable:	
1 472	Not later than one year	581
303	Later than one year and not later than five years	423
1 775	Total minimum lease payments	1 004
(92)	Future finance charges	(68)
1 683	Present value of minimum lease payments	936
	Present value of minimum lease payments payable:	
1 394	Not later than one year (current)	530
289	Later than one year and not later than five years (non-current)	406
1 683	Total present value of minimum lease payments	936

DESCRIPTION OF LEASING ARRANGEMENTS

The Ministry has entered into finance leases for computer hardware. The net carrying amount of the leased items is \$898 000 (2010 \$1 596 000).

The finance leases can be renewed at the Ministry's option, with rents as set out in the

Master Rental Agreement.

There are no restrictions placed on the Ministry by any of the finance leasing arrangements.

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default in payment.

NOTE 16: TAXPAYERS' FUNDS

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	General funds	
32 268	Balance at 1 July	31 502
7 949	Net surplus/(deficit)	7 519
	Capital injections from the Crown for:	
–	– Amalgamation of NZFSA from 1 July 2010	3 141
	– Development of FarmsOnLine farm property information database	3 060
	– Design and development of the JBMS with the New Zealand Customs Service	30
	Repayment of capital to the Crown for:	
(595)	– Part repayment of a 2004/05 capital injection for MAF Head Office accommodation	(595)
(171)	– Capital transfer to fund the Identification Verification Service	–
(7 949)	Return of operating surplus to the Crown	(7 436)
31 502	General funds 30 June	37 221
	Revaluation reserve – Land	
100	As at 1 July	100
–	Transfer to general funds on disposal	–
100	Revaluation reserve land 30 June	100
	Revaluation reserve – Artworks	
–	As at 1 July	103
103	Revaluation gains	–
103	Revaluation reserve artworks 30 June	103
31 705	Total taxpayers' funds	37 424

ASSETS AND LIABILITIES TRANSFERRED FROM NEW ZEALAND FOOD SAFETY AUTHORITY ON 1 JULY 2010

	\$000
Assets	
Cash and cash equivalents	16 713
Debtors and other receivables	7 775
Prepayments	320
Inventory	78
Property, plant and equipment	1 935
Intangible assets	3 725
Work in progress	318
Total assets	30 864
Liabilities	
Creditors and other payables	6 801
Repayment of surplus	3 912
Deferred revenue	8 170
Provisions	746
Employee entitlements	8 094
Total liabilities	27 723
Net assets	3 141

NOTE 17: RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

ACTUAL 2010 \$000		ACTUAL 2011 \$000
7 949	Net surplus/(deficit)	7 519
	Add/(less) non-cash items	
12 544	Depreciation, impairment and amortisation expense	10 979
(2 424)	Increase/(decrease) in non-current employee entitlements	(648)
–	Net foreign exchange gain	(83)
10 120	Total non-cash items	10 248
	Add/(less) items classified as investing or financing activities	
(136)	Net (gain)/loss on disposal of property, plant and equipment	(215)
223	Finance lease interest expense	117
87	Total investing or financing activities	(98)
	Add/(less) movements in working capital items	
–	(Increase)/decrease in inventories	(744)
(4 411)	(Increase)/decrease in debtors and other receivables	(1 348)
2 263	(Increase)/decrease in prepayments	533
1 485	Increase/(decrease) in creditors and other payables	(4 252)
1 838	Increase/(decrease) in current employee entitlements	1 176
(2 093)	Increase/(decrease) in provisions	177
(918)	Total net movement in working capital items	(4 458)
17 238	Net cash from operating activities	13 211

NOTE 18: RELATED PARTIES

All related party transactions have been entered into on an arm's length basis.

The Ministry is a wholly owned entity of the Crown. The Government significantly influences the roles of the Ministry as well as being a major source of revenue.

SIGNIFICANT TRANSACTIONS WITH GOVERNMENT-RELATED ENTITIES

The Ministry has received funding from the Crown of \$203.918 million (2010 \$184.316 million) to provide services to the public for the year ended 30 June 2011.

The Ministry paid a capital charge to the Crown on its taxpayers' funds of \$2.594 million (2010 \$2.399 million) for the year ended 30 June 2011.

COLLECTIVELY, BUT NOT INDIVIDUALLY, SIGNIFICANT TRANSACTIONS WITH GOVERNMENT-RELATED ENTITIES

In conducting its activities, the Ministry is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Ministry is exempt from paying income tax.

The Ministry also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2011 totalled \$29.28 million (2010 \$24.66 million). These purchases included the purchase of specialist services and research capability from AgResearch andASUREQuality, air travel from Air New Zealand, legal services from Crown Law Office, and postal services from New Zealand Post.

Key management personnel compensation includes the Director-General, the six Deputy Director-Generals and the General Manager Crown Forestry.

Key management personnel compensation excludes the remuneration and other benefits the Minister of Agriculture receives. The Minister's remuneration and other benefits are not received only for his role as a member of key management personnel of the Ministry. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and not paid by the Ministry.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

KEY MANAGEMENT PERSONNEL COMPENSATION

ACTUAL 2010 \$000		ACTUAL 2011 \$000
1 694	Salaries and other short-term employee benefits	2 013
51	Other long-term benefits	58
260	Post-employment benefits	306
113	Termination benefits	–
2 118	Total key management personnel compensation	2 377

NOTE 19: FINANCIAL INSTRUMENT RISKS

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

MARKET RISK

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Ministry purchases goods and services internationally and is exposed to currency risk arising from various exposures, primarily with respect to the United States and Australian dollars. Currency risk arises from future purchases and recognised liabilities, which are denominated in a foreign currency.

The Ministry's foreign exchange management policy requires the Ministry to manage currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts to hedge the entire foreign currency risk exposure. The Ministry's policy has been approved by the Treasury and is in accordance with the requirements of the Treasury Guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or, the cash flows from a financial instrument will fluctuate, due to changes in market interest rates. The Ministry has no interest bearing financial instruments and, accordingly, has no exposure to interest rate risk.

Sensitivity analysis

The Ministry does not have significant exposure to market risks and has therefore not disclosed a sensitivity analysis.

CREDIT RISK

Credit risk is the risk that a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, credit risk arises from debtors, deposits with banks and derivative financial instrument assets.

The Ministry is only permitted to deposit funds with Westpac, a registered bank, and enter into foreign exchange forwards with the New Zealand Debt Management Office. These entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors (note 7), and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

LIQUIDITY RISK

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities

The table below analyses the Ministry's financial liabilities that will be settled based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	LESS THAN 6 MONTHS \$000	BETWEEN 6 MONTHS AND 1 YEAR \$000	BETWEEN 1 AND 5 YEARS \$000
2010			
Creditors and other payables (note 11)	14 667	–	–
Finance leases (note 15)	886	586	303
2011			
Creditors and other payables (note 11)	25 985	–	–
Finance leases (note 15)	318	212	406

NOTE 20: CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities in each of NZ IAS 39 categories are as follows:

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Loans and receivables	
17 201	Cash and cash equivalents	20 917
15 409	Debtors and other receivables (note 7)	24 517
32 610	Total loans and receivables	45 434
	Financial liabilities measured at amortised cost	
14 667	Creditors and other payables (note 11)	25 985

NOTE 21: CAPITAL MANAGEMENT

The Ministry's capital is its equity (or taxpayers' funds), which comprise general funds and revaluation reserves. Equity is represented by net assets.

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely

managed as a by-product of managing income, expenses, assets, liabilities and compliance with the Government Budget processes and with Treasury Instructions and the Public Finance Act 1989.

The object of managing the Ministry's equity is to ensure the Ministry effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

NOTE 22: MEMORANDUM ACCOUNTS

These accounts summarise financial information relating to the accumulated surpluses and deficits incurred in the provision of outputs operating on a full cost-recovery basis from third parties. The transactions are included as part of the Ministry's operating income and expenditure in the statement of comprehensive income.

The accounts enable the Ministry to take a long-run perspective to fee setting and cost recovery.

On 1 July 2010 a changed fee structure was implemented for border clearance activities to reflect changes in the way the border operates, including the increased focus on a risk based, as opposed to an inspection-based approach. The other pre-existing memorandum accounts have been closed and balances transferred to a new memorandum account entitled Border Biosecurity Clearance Fees Account.

ACTUAL 2010 \$000		ACTUAL 2011 \$000
(219)	Sea container levy account	–
(903)	Risk screening levy account	–
(3 005)	Imported used vehicles inspection account	–
(444)	Biosecurity clearance fees account	–
–	Border biosecurity clearance fees account	(2 722)
1 270	Phytosanitary exports account	1 199
–	Verification of the food regulatory programme	(5 462)
–	Approvals, accreditations and registrations	728
–	Standards setting for the food industry	1 701
(3 301)	Total memorandum account balances	(4 556)

NOTE 22A: SEA CONTAINER LEVY ACCOUNT

ACTUAL 2010 \$000		ACTUAL 2011 \$000
(467)	Opening balance 1 July	(219)
8 953	Revenue	–
(8 705)	Expenses	–
–	Transfers and adjustments	219
(219)	Closing balance	–

NOTE 22B: RISK SCREENING LEVY ACCOUNT

ACTUAL 2010 \$000		ACTUAL 2011 \$000
(1 261)	Opening balance 1 July	(903)
3 941	Revenue	–
(3 583)	Expenses	–
–	Transfers and adjustments	903
(903)	Closing balance	–

NOTE 22C: IMPORTED USED VEHICLES INSPECTION ACCOUNT

ACTUAL 2010 \$000		ACTUAL 2011 \$000
(2 673)	Opening balance 1 July	(3 005)
2 334	Revenue	–
(2 666)	Expenses	–
–	Transfers and adjustments	3 005
(3 005)	Closing balance	–

NOTE 22D: BIOSECURITY CLEARANCE FEES ACCOUNT

ACTUAL 2010 \$000		ACTUAL 2011 \$000
(686)	Opening balance 1 July	(444)
7 056	Revenue	–
(6 814)	Expenses	–
–	Transfers and adjustments	444
(444)	Closing balance	–

NOTE 22E: BORDER BIOSECURITY CLEARANCE FEES ACCOUNT

ACTUAL 2010 \$000		ACTUAL 2011 \$000
–	Opening balance 1 July	–
–	Revenue	23 640
–	Expenses	(21 791)
–	Transfers and adjustments	(4 571)
–	Closing balance	(2 722)

NOTE 22F: PHYTOSANITARY EXPORTS ACCOUNT

ACTUAL 2010 \$000		ACTUAL 2011 \$000
1 061	Opening balance 1 July	1 270
2 324	Revenue	1 685
(2 115)	Expenses	(1 756)
1 270	Closing balance	1 199

This account covers fees for certification of plant and forestry exports.

NOTE 22G: VERIFICATION OF THE FOOD REGULATORY PROGRAMME

ACTUAL 2010 \$000		ACTUAL 2011 \$000
–	Balance Transferred from NZFSA 1 July 2010	(7 639)
–	Revenue	36 506
–	Expenses	(34 329)
–	Closing balance	(5 462)

NOTE 22H: APPROVALS, ACCREDITATIONS AND REGISTRATIONS

ACTUAL 2010 \$000		ACTUAL 2011 \$000
–	Balance Transferred from NZFSA 1 July 2010	1 002
–	Revenue	3 292
–	Expenses	(3 566)
–	Closing balance	728

NOTE 22I: STANDARDS SETTING FOR THE FOOD INDUSTRY

ACTUAL 2010 \$000		ACTUAL 2011 \$000
–	Balance Transferred from NZFSA 1 July 2010	3 142
–	Revenue	16 481
–	Expenses	(17 922)
–	Closing balance	1 701

NOTE 23: MAIN ESTIMATES MAJOR BUDGET VARIANCES

Explanations for major variances from the Ministry's budgeted figures in the Information Supporting the Estimates are as follows:

STATEMENT OF COMPREHENSIVE INCOME

Revenue from the Crown

Revenue Crown was \$12.294 million (6 percent) less than the Budget day estimate due to the following:

- › \$10.659 million decrease for net effect of expense transfers from 2009/10 to 2010/11 and from 2010/11 to 2011/12, notably the carry forward of \$7.250 million funding to meet the costs of merging MAF and the Ministry of Fisheries from 1 July 2011.
- › \$838 000 decrease under output expense Biosecurity Incursion Response and Long Term Pest Management due to the decision to discontinue the elimination programme for the Mediterranean fanworm pest incursion.
- › \$200 000 transfer from Climate Change Policy Advice output expense to non-departmental other expense Adverse Climatic Events to "top up" the Adverse Events Contingency Fund.
- › Reprioritisation of \$5.241 million across financial years through to 2016/17 to meet the cost of implementing and running the Field Measurement Approach and other associated ETS activities under output expense Implementation of the Emissions Trading Scheme and Indigenous Forestry.
- › Additional \$800 000 from non-departmental other expense Global Research Alliance on Agricultural Greenhouse Gases to output expense Climate Change Policy Advice to establish and meet the operational costs of the Global Research Alliance Secretariat
- › Additional \$2.500 million under Biosecurity Incursion Response and Long-Term Pest Management output expense to support the industry-led programme for responding to kiwifruit disease *Pseudomonas syringae* pv. *Actinidiae* (Psa).

- › A transfer of \$75 000 from Vote Treaty Negotiations to output expense Agriculture and Forestry Policy Advice for research on erosion in the Waipatu River catchment as stipulated in the Deed of Settlement between the Crown and Ngati Porou.
- › Additional \$254 000 funding from Vote Foreign Affairs and Trade to meet overseas travel costs for negotiation of FTAs and CEPs.
- › Additional \$385 000 to fund the increase in employer contributions to the Government Superannuation Fund from 6 percent to 10.7 percent.

Revenue from third parties

Revenue other was \$17.506 million (17 percent) less than Budget day estimate due to the following:

- › A post-Budget baseline adjustment of \$10.180 million under the revenue dependent appropriation Support Services and Infrastructure to Other Agencies for the amalgamation of NZFSA with MAF.
- › Lower level of activity than forecast in the provision of outputs to third parties on a cost-recovery basis, notably under Vote Food Safety output class Assurance.

Expenditure

Expenditure was \$34.525 million (11 percent) less than Budget day estimate due to the following:

- › Expense transfers from 2010/11 to 2011/12 of \$17.524 million funded from revenue Crown; notably \$7.250 million to meet costs associated with the merger of the Ministry of Fisheries and MAF; and \$2.078 million for the Heads of Agreement Mitigation Partnership initiative in the Sustainable Land Management and Climate Change: A Preferred Plan of Action.
- › A conscious decision was made over the last few months of the financial year to find savings in revenue Crown funded activities to fund the \$7.250 million towards the merger costs (above) and \$5 million needed to support the administration and operation of the Irrigation Acceleration Fund initiative approved in Budget

2011 through its approved five-year operating period. This \$5 million is included in the \$7.519 operating surplus in the Statement of Comprehensive Income.

- › Realised operational savings through merger of MAF and NZFSA (proportion of projected annualised \$2 million savings).
- › Lower level of activity than forecast in the provision of outputs to third parties on a cost-recovery basis. These activities contributed \$2.240 million towards the \$7.519 million operating surplus in the Statement of Comprehensive Income rather than the entire \$3.126 million in the Main Estimates.

STATEMENT OF FINANCIAL POSITION

Capital expenditure is \$21.047 million (32 percent) less than forecast due to delays in the design and development of software applications, notably the National Animal Identification Tracing (NAIT), Joint Border Management System (JBMS) with New Zealand Customs Service, system to transfer x-ray images of trans-Tasman checked-in baggage, and electronic

wine certification for which capital contributions of \$14.447 million have been transferred to 2011/12. The further deferral of capital expenditure, funded from working capital, and a favourable cash position led to the decision to drawdown less revenue Crown operational funding than forecast. Consequently, the Debtor Crown, included in Debtors and other receivables, is approximately \$12 million higher than forecast.

NOTE 24: EVENTS AFTER THE BALANCE SHEET DATE

The Government decided in April 2011 that MAF and the Ministry of Fisheries will be amalgamated to form a single integrated government department, which will begin with the establishment of a single legal entity on 1 July 2011. The carrying value (subject to audit) of Ministry of Fisheries net assets on 30 June 2011 was \$13.335 million.

NON-DEPARTMENTAL

Financial Statements and Schedules

INTRODUCTION/OVERVIEW

The following non-departmental statements and schedules record the expenses, revenue, capital receipts, assets and liabilities the Ministry manages on behalf of the Crown. As these assets and liabilities are neither controlled by the department nor used in the production of the department's outputs, they are not recorded in the Ministry's financial statements.

The Ministry administered \$216.580 million of expenses, \$147.404 million of revenue, \$6.240 million of capital receipts,

\$327.119 million of assets and \$37.030 million of liabilities on behalf of the Crown for the year ending 30 June 2011. Further details of the Ministry's management of these Crown assets and liabilities are provided in the Output Performance sections of this report.

The financial information reported in these statements and schedules is consolidated into the Crown financial statements, and therefore readers of these statements and schedules should also refer to the Crown financial statements for the year ended 30 June 2011.

Statement of non-departmental expenditure and capital expenditure

AGAINST APPROPRIATIONS

For the year ended 30 June 2011

EXPENDITURE AFTER REMEASUREMENTS 2010 000		EXPENDITURE BEFORE REMEASUREMENTS 2011 \$000	REMEASUREMENTS 2011 \$(000)	EXPENDITURE AFTER REMEASUREMENTS 2011 \$000	APPROPRIATION VOTED 2011 \$000
	VOTE AGRICULTURE AND FORESTRY				
	Appropriations for output expenses				
–	Climate Change Research	8 596	–	8 596	8 600
93 893	Management of Crown Forestry Assets	97 258	(1 602)	95 656	98 715
–	Support for Walking Access	1 789	–	1 789	1 789
93 893	Total appropriations for output expenses	107 643	(1 602)	106 041	109 104
	Appropriations for other expenses				
432	Adverse Climatic Events	840	–	840	851
5 161	Afforestation Grants Scheme	5 502	–	5 502	5 759
414	Community Irrigation Fund and Schemes	1 249	–	1 249	2 095
1 438	East Coast Afforestation Grants	2 743	–	2 743	3 714
–	Global Research Alliance on Agricultural Greenhouse Gases	1 956	–	1 956	4 094
–	Hill County Erosion Fund	3 263	–	3 263	3 300
4 970	Primary Growth Partnership	18 317	–	18 317	24 221
2 132	Subscriptions to International Organisations	1 825	–	1 825	1 925
8 582	Sustainable Farming Fund	5 936	–	5 936	8 976
1 789	Walking Access Commission	–	–	–	–
24 918	Total appropriations for other expenses	41 631	–	41 631	54 935
	Appropriations for benefits and other unrequited expenses				
461	Rural Veterinarians Bonding Scheme	600	–	600	600
	Appropriations for capital expenditure				
122	Crown Forestry Assets	284	–	284	340
500	Walking Access Commission	500	–	500	500
622	Total appropriations for capital expenditure	784	–	784	840
119 894	Total Vote Agriculture and Forestry	150 658	(1 602)	149 056	165 479
	VOTE BIOSECURITY				
	Appropriations for output expenses				
29 479	Control of Tb vectors	29 153	–	29 153	29 265
	Appropriations for other expenses				
–	Response to Kiwifruit disease Pseudomonas syringae pv. actinidiae	11 228	–	11 228	17 500
130	Subscriptions to International Organisations	256	–	256	330
130	Total appropriations for other expenses	11 484	–	11 484	17 830
29 609	Total Vote Biosecurity	40 637	–	40 637	47 095
	VOTE FOOD SAFETY				
	Appropriations for other expenses				
–	Joint Food Standards Setting Treaty	1 986	–	1 986	1 986
–	Total Vote Food Safety	1 986	–	1 986	1 986
149 503	Total All Votes	193 281	(1 602)	191 679	214 560

The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and results for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2011.

Statement of non-departmental unappropriated expenditure

AND CAPITAL EXPENDITURE

For the year ended 30 June 2011

There has been no unappropriated expenditure and capital expenditure for the year ended 30 June 2011 (2010 \$Nil).

Schedule of

NON-DEPARTMENTAL INCOME

For the year ended 30 June 2011

ACTUAL 2010 \$000		NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES PROJECTION 2011 \$000	SUPP ESTIMATES PROJECTION 2011 \$000
	Income				
1 210	Fees, penalties and levies		2 482	1 200	2 534
124 895	Sale of forest produce		128 048	103 548	126 133
2 990	Forestry encouragement loan interest	2	1 004	2 100	2 351
39	Dividends		–	–	–
14 348	Gain on revaluation of forests	4	12 298	–	–
–	Global Research Alliance funding from other countries		34	–	34
23	Gain sale of property, plant and equipment		26	–	26
75	Forestry land rental		55	–	–
143 580	Total non-departmental income		143 947	106 848	131 078

Schedule of non-departmental

CAPITAL RECEIPTS

For the year ended 30 June 2011

ACTUAL 2010 \$000		NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES PROJECTION 2011 \$000	SUPP ESTIMATES PROJECTION 2011 \$000
	Capital receipts				
5 358	Forestry encouragement loan repayments	2	4 255	3 300	3 198
27	Sale of property, plant and equipment		1 985	–	2 925
5 385	Total non-departmental capital receipts		6 240	3 300	6 123

The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and results for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2011.

Schedule of non-departmental

EXPENDITURE

For the year ended 30 June 2011

ACTUAL 2010 \$000		NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES PROJECTION 2011 \$000	SUPP ESTIMATES PROJECTION 2011 \$000
	Expenditure				
20 997	Grants		51 064	82 681	54 582
124 578	Operating		126 610	122 976	128 413
461	Benefits		600	1 100	600
–	Research and development		10 552	13 100	9 700
1 789	New Zealand Walking Access Commission funding	7	1 789	1 789	1 789
276	Depreciation and impairment of property, plant and equipment		278	280	277
(31)	Impairment of receivables		–	–	–
506	Loss on impairment of forests measured at cost	4	730	–	–
811	Loss on revaluation of property, plant and equipment	6	2	–	–
–	Loss on remeasurement of forestry encouragement loans	2	872	–	–
150	Loss on foreign exchange		–	–	–
16 181	GST input expenses		24 955	27 017	33 886
165 718	Total non-departmental expenditure		217 452	248 943	229 247

Schedule of non-departmental

ASSETS

As at 30 June 2011

ACTUAL 2010 \$000		NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES PROJECTION 2011 \$000	SUPP ESTIMATES PROJECTION 2011 \$000
	Current assets				
9 301	Cash and cash equivalents		24 762	155	2 000
13 826	Debtors and other receivables	5	13 442	10 000	10 000
2 540	Prepayments		1 408	2 500	2 500
8 154	Non-current assets held for sale	3	12 370	–	–
2 000	Forestry encouragement loans	2	1 850	2 500	2 000
35 821	Total current assets		53 832	15 155	16 500
	Non-current assets				
11 031	Forestry encouragement loans	2	7 058	9 841	10 184
239 451	Forestry assets	4	235 230	225 609	234 838
25 868	Property, plant and equipment	6	25 295	38 172	25 634
	Crown equity investment in Crown entities				
650	– New Zealand Walking Access Commission	7	1 150	1 150	1 150
277 000	Total non-current assets		268 733	274 772	271 806
312 821	Total non-departmental assets		322 565	289 927	288 306

The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and results for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2011.

Schedule of non-departmental LIABILITIES

As at 30 June 2011

ACTUAL 2010 \$000		NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES PROJECTION 2011 \$000	SUPP ESTIMATES PROJECTION 2011 \$000
	Current liabilities				
21 234	Creditors and other payables	8	31 099	17 881	18 400
–	Provisions	9	759	–	–
	Non-current liabilities				
5 023	Provisions	9	4 947	5 305	5 023
26 257	Total non-departmental liabilities		36 805	23 186	23 423

Schedule of non-departmental

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2011

UNQUANTIFIED CONTINGENT LIABILITIES

The Ministry on behalf of the Crown has no unquantifiable contingent liabilities (2010 \$nil).

QUANTIFIABLE CONTINGENT LIABILITIES

ACTUAL 2010 \$000		ACTUAL 2011 \$000
9 500	Legal proceedings and disputes	9 500
9 500	Total quantifiable non-departmental contingent liabilities	9 500

The quantifiable contingent liabilities relate to Central Otago irrigation schemes.

CONTINGENT ASSETS

The Ministry on behalf of the Crown has no contingent assets (2010 \$nil).

The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and results for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2011.

Schedule of non-departmental COMMITMENTS

As at 30 June 2011

The schedule sets out the level of commitments made against out-year appropriations and funding baselines for non-departmental expenditure.

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Ministry on behalf of the Crown has entered into non-cancellable land leases for forestry purposes. The lease agreements commit the Crown to expenditure over the remaining term of the leases and have expiry dates ranging from 2013 to 2082. The commitments shown are the Ministry's best estimate of the minimum expenditure to be incurred over the remaining term of the leases.

The non-cancellable operating leases have varying terms, escalation clauses and renewal rights. There are no restrictions placed on the Ministry by any of its leasing arrangements.

OTHER NON-CANCELLABLE COMMITMENTS

The Ministry has on behalf of the Crown non-cancellable commitments with respect to the following grant programmes: East Coast Afforestation Grants, Sustainable Farming Fund, Afforestation Grants Scheme, Hill Country Erosion Fund and Primary Growth Partnership.

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Operating commitments	
	Non-cancellable operating lease commitments	
62 311	Not later than one year	64 854
231 027	Later than one year and not later than five years	232 700
450 573	Later than five years	432 628
743 911	Total non-cancellable operating lease commitments	730 182
	Other non-cancellable commitments	
16 062	Not later than one year	50 533
6 610	Later than one year and not later than five years	124 168
3 057	Later than five years	32 414
25 729	Total other non-cancellable lease commitments	207 115
769 640	Total non-departmental operating commitments	937 297

The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and results for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2011.

Notes to the non-departmental

FINANCIAL STATEMENTS

For the year ended 30 June 2011

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

These non-departmental schedules and statements present financial information on public funds managed by the Ministry on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should also be made to the Financial Statements of the Government.

ACCOUNTING POLICIES

The non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the Financial Statements of the Government, and in accordance with relevant Treasury instructions and Treasury circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice as appropriate for public benefit entities.

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

The following particular accounting policies have been applied.

BUDGET FIGURES

The budget figures are those included in the information supporting the estimates of appropriations. In addition, these non-departmental schedules and statements also present the updated budget information from the Supplementary Estimates.

REVENUE

Revenue from fees, penalties and levies is recognised when the infringement notice is issued. Interest income is recognised using the effective interest method. Revenue from the sale of forest produce is recognised at the point of sale, for example, delivered to mill or port, on truck or on skid.

GRANT EXPENDITURE

Where grants are discretionary until payment, the expense is recognised when payment is made. Otherwise the expense is recognised when specified criteria have been fulfilled.

GOODS AND SERVICES TAX

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. In accordance with Treasury instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the Government Financial Statements.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and funds on deposit with banks with original maturities of three months or less, and bank overdrafts.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the schedule of non-departmental expenses.

DEBTORS AND OTHER RECEIVABLES

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

Impairment of a receivable is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in 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 schedule of non-departmental expenses. When a debtor is uncollectible, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).

FORESTRY ENCOURAGEMENT LOANS

Forestry encouragement loans issued at below-market interest rates are initially recognised at fair value, which is determined as the present value of their expected future cash flows, discounted using a rate for loans of a similar term and credit risk. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of the loans is recognised in the schedule of non-departmental expenditure.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the schedule of non-departmental expenses.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of land, buildings, roads, bridges, fencing, motor vehicles, plant and equipment. Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Individual assets, or groups of assets, are capitalised if their cost is greater than \$5000. The value of an individual asset that is less than \$5000 and is part of a group of similar assets is capitalised.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Crown and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

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 recognised in the schedule of non-departmental income or expenses.

When revalued assets are sold, the amounts included in the property, plant and equipment 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 the Crown and the cost of the item can be measured reliably.

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:

Buildings	5 to 45 years	(2.2–20%)
Roads	20 to 25 years	(4–5%)
Bridges and fencing	5 to 25 years	(4–20%)
Motor vehicles	5 to 10 years	(10–20%)
Plant & equipment	3 to 5 years	(20–33%)

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

Revaluation

Land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every five years. Fair value is determined from market-based evidence by an independent valuer. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. Additions between revaluations are recorded at cost.

Accounting for revaluations

The Crown accounts for revaluations of property, plant and equipment on a class of asset basis. The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is expensed. Any subsequent increase on revaluation that off-sets a previous decrease in value expensed will be recognised first as income up to the amount previously expensed, and then credited to the asset revaluation reserve for that class of asset.

FORESTRY ASSETS

Forestry assets are independently revalued annually at their fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of future cash flows discounted at a current market-determined rate. Where market-determined prices or values are not available, forestry assets are measured at cost less any accumulated depreciation and impairment losses.

Gains or losses arising on initial recognition of forestry assets valued at fair value less estimated point of sale costs and from a change to fair value less estimated point of sale costs are recognised in the schedule of non-departmental income or expenses.

The costs to maintain the forestry assets are included in the schedule of non-departmental expenses.

DERIVATIVE FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

The Ministry on behalf of the Crown uses derivative financial instruments to hedge exposure to foreign exchange. In accordance with its foreign-exchange policy, the Ministry does not hold or issue derivative financial instruments for trading purposes. The Ministry has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss recognised in the schedule of non-departmental income or expenses.

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the schedule of non-departmental income or expenses.

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.

PROVISIONS

Provisions are recognised for future expenditure of 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 an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Onerous contracts

Where the benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligation under the contract, a provision is recognised. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

COMMITMENTS

Future expenses and liabilities to be incurred on non-cancellable contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the value of that penalty or exit cost.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements the Ministry on behalf of the Crown 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 of 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:

- › forestry asset valuations (see note 4);
- › onerous contract provisions (see note 9b);
- › non-cancellable operating lease commitments (see Statement of Commitments).

The judgements and assumptions the Ministry has made on behalf of the Crown regarding the above assets and liabilities are disclosed in the statement of accounting policies and the other notes to the financial statements.

NOTE 2: FORESTRY ENCOURAGEMENT LOANS

ACTUAL 2010 \$000		ACTUAL 2011 \$000
15 399	Balance at 1 July	13 031
2 990	Interest	1 004
(5 358)	Repayments	(4 255)
–	Unwind and present value adjustments	(872)
13 031	Balance at 30 June	8 908
2 000	Current	1 850
11 031	Non-current	7 058
13 031	Balance at 30 June	8 908

Loans advanced to local authorities between 1981 and 1986 at interest rates ranging from 4.5 percent to 7.0 percent under the Forestry Encouragement Loan Regulations 1967 to encourage afforestation. Loans become repayable when either 30 or 40 years have passed from the first loan advance or when clear felling in the loan forest commences.

Forestry encouragement loans have been recorded at fair value based on cash flows discounted using market rates for loans of similar terms and credit risk. To ascertain comparable market rates at the time the loans were advanced, the Ministry has used variable first mortgage housing rates sourced from the Reserve Bank historical series. Interest rates used to calculate fair value range from 15.38 percent to 17.48 percent.

The face value of forestry encouragement loans outstanding is \$13 473 000 (2010 \$16 841 000). The Crown holds no collateral over forestry encouragement loans, including those loans that are overdue or impaired. As at 30 June 2011, all forestry encouragement loans have been assessed for impairment and appropriate provisions applied.

NOTE 3: NON-CURRENT ASSETS HELD FOR SALE

Manutahi forest land, improvements and trees are subject to a Treaty of Waitangi settlement (Ngati Porou) for which the Deed of Settlement has been signed (in effect a binding sale and purchase agreement) but the enabling legislation has not been passed. The agreed transfer value is \$338 264.

Pureora forest land is subject to a Treaty of Waitangi settlement (Rereahu) for which the Deed of Settlement has been signed (in effect a binding sale and purchase agreement) but the enabling legislation has not been passed. The agreed transfer value is \$1 118 000.

The Crown's interest in Oponae forest comprises the standing trees subject to a forestry right. The land is owned by commercial forestry company Matariki Forests (Matariki). The Crown purchased the trees by means of a Deed dated 6 August 2008 which contains a buy-back option in favour of Matariki. Marariki has exercised this option and buy back of the trees at settlement date of 1 July 2011. The assessed transfer value is \$4 399 573.

The Crown's interest in Waipoua forest trees is under an unconditional contract for sale to the landowner iwi trust at an agreed settlement value of \$6 514 638.

NOTE 4: FORESTRY ASSETS

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Forest measured at fair value	
219 932	Opening balance 1 July	234 280
52 803	Changes in fair value	52 296
(38 455)	Decrease due to harvesting	(39 998)
–	Decreases due to disposals	(4 791)
–	Decreases due to reclassification as Held for sale	(10 998)
234 280	Balance at 30 June	230 789
	Forest measured at cost less impairment (special purpose species)	
7 211	Opening cost 1 July	7 211
–	Increases due to purchases	–
7 211	Closing cost 30 June	7 211
(1 534)	Opening accumulated impairment 1 July	(2 040)
(506)	Impairment	(730)
(2 040)	Closing accumulated impairment 30 June	(2 770)
5 171	Balance at 30 June	4 441
239 451	Total forestry assets	235 230

The Ministry manages the Crown's interest in forests established on both Crown-owned and leased Māori land. At 30 June 2011 the net stocked area of trees was 57 719 hectares (2010, 61 071 hectares).

During the year ended 30 June 2011:

- › 9 209 hectares (2010, 9 317 hectares) of silvicultural tending were completed;
- › 1 334 010 cubic metres of logs (2010, 1 460 913 cubic metres) were produced from harvesting operations;
- › No forests were purchased (2010 \$nil); and
- › 192 hectares of stocked forest area were sold and an additional 791 hectares was transferred for Land Information New Zealand to administer (2010 \$nil).

Forests measured at fair value

The valuations at 30 June 2010 and 30 June 2011 were carried out by Allan Bell and Associates,

registered forestry consultants. The following valuation assumptions (unchanged from June 2010) have been adopted in determining the fair value of forestry assets:

- › a discount rate of 7 percent has been used in discounting the present value of expected post-tax cash flows;
- › the prevailing company tax rate applied to pre-tax cash flows was 28 percent (2010, 30 percent);
- › notional land rental costs have been included for freehold land and actual rents for leased land and forestry rights;
- › the forest has been valued on a going concern basis and only includes the value of the existing crop on a single rotation basis;
- › no allowance for inflation has been provided except in calculating the cost-of-bush taxation effect;
- › costs are current average costs; and

- › log prices are based on a starting point of current prices (March quarter 2011) then moving on a straight-line basis to trend prices (12 quarter unadjusted average prices) after five years and then remaining constant at trend prices.

Special purpose species forest

On 1 January 2009 (2008/09 year), the Ministry purchased 5 300 hectares of special purpose species (SPS) forest from Timberlands West Coast Limited. The SPS forest consists of a forestry right on Ngai Tahu land and was planted between 1993 and 2007 under an agreement between Timberlands West Coast Limited and the Crown.

The fair value of the SPS forest cannot be reliably measured as market-determined prices are not available for significant quantities of cypress or blackwood logs, the principal species in the SPS

forest. The forest has therefore been valued at cost less impairment. An impairment assessment was carried out using a discounted cash flow analysis to model a net present value. Yield and log price assumptions are best estimates only and the resulting value is highly sensitive.

Financial risk management strategies

The Crown is exposed to financial risks arising from changes to international log prices and currency fluctuations. Movements in the log market are normally cyclical and the Ministry expects these prices to remain relatively flat in the short to medium term. The Ministry's marketing strategy is based on a spread of domestic and export sales, and a spread of customers within both these markets. During periods of over supply the Ministry revises its harvesting strategy in respect of those forests where there are not ongoing domestic supply contracts.

NOTE 5: DEBTORS AND OTHER RECEIVABLES

ACTUAL 2010 \$000		ACTUAL 2011 \$000
13 887	Debtors and other receivables	13 503
(61)	Less provision for impairment	(61)
13 826	Total current debtors and other receivables	13 442

The carrying value receivables approximate their fair value.

The aging profile of receivables at year end is detailed below:

	2010			2011		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Not past due	13 403	–	13 403	13 121	–	13 121
Greater than 30 days	418	–	418	320	–	320
Greater than 60 days	5	–	5	1	–	1
Greater than 90days	61	(61)	–	61	(61)	–
Total	13 887	(61)	13 826	13 503	(61)	13 442

The provision for impairment has been calculated based on expected losses for the Crown's pool of receivables. Expected losses have been determined based on a review of individual debtors.

At 30 June 2011 the Ministry has identified no debtors that are insolvent (2010 \$nil).

Movement in the provision for impairment of receivables is as follows:

ACTUAL 2010 \$000		ACTUAL 2011 \$000
92	Balance at 1 July	61
–	Additional provisions made	–
(31)	Unused amounts reversed	–
–	Receivables written off	–
61	Balance at 30 June	61

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

	LAND \$000	BUILDING \$000	ROADS, FENCES AND EQUIPMENT \$000	MOTOR VEHICLES \$000	TOTAL \$000
Cost or valuation					
Balance 1 July 2009	35 880	256	5 820	451	42 407
Additions	–	–	–	122	122
Revaluations	(4 252)	–	–	–	(4 252)
Disposals	(4)	–	–	(136)	(140)
Transfer to held for sale	(8 154)	–	–	–	(8 154)
Balance 30 June 2010	23 470	256	5 820	437	29 983
Balance 1 July 2010	23 470	256	5 820	437	29 983
Additions	–	–	284	–	284
Revaluations	(30)	–	–	–	(30)
Disposals	(270)	–	(112)	–	(382)
Transfer to held for sale	(223)	–	(58)	–	(281)
Balance 30 June 2011	22 947	256	5 934	437	29 574
Accumulated depreciation and impairment losses					
Balance at 1 July 2009	–	11	3 545	419	3 975
Depreciation expense	–	10	259	7	276
Reversal of accumulated depreciation on revaluation	–	–	–	–	–
Eliminate on disposal	–	–	–	(136)	(136)
Balance 30 June 2010	–	21	3 804	290	4 115
Balance at 1 July 2010	–	21	3 804	290	4 115
Depreciation expense	–	11	252	15	278
Reversal of accumulated depreciation on transfer to held for sale	–	–	(26)	–	(26)
Eliminate on disposal	–	–	(88)	–	(88)
Balance 30 June 2011	–	32	3 942	305	4 279
Carrying amounts					
At 1 July 2009	35 880	245	2 275	32	38 432
At 30 June and 1 July 2010	23 470	235	2 016	147	25 868
At 30 June 2011	22 947	224	1 992	132	25 295

Land at Manutahi was revalued to fair value as at 2 March 2011 by an independent registered valuer and reclassified as a non-current asset held for sale, at a revaluation loss of \$2000, along with the carrying value of improvements in the schedule of non-departmental assets. These, along with the Manutahi forest crop, are subject to a Treaty of Waitangi settlement. The remaining land and buildings have been valued at fair value as at March 2007 by an independently contracted registered valuer, DTZ New Zealand Limited.

NOTE 7: NEW ZEALAND WALKING ACCESS COMMISSION

The New Zealand Walking Access Commission is a Crown entity established under the Walking Access Act 2008 to provide leadership and co-ordination of walking access, the negotiation and funding of new access over private land and the creation of a code of responsible conduct in respect of walking access.

NOTE 8: CREDITORS AND OTHER PAYABLES

ACTUAL 2010 \$000		ACTUAL 2011 \$000
14 359	Creditors	494
1 262	Accrued expenses	10 817
4 213	Grants payable	18 590
1 400	GST payable	1 198
21 234	Total creditors and other payables	31 099

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximate their fair value.

NOTE 9: PROVISIONS

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Current	
–	Rural veterinarians bonding scheme	759
	Non-current provisions	
560	Rural veterinarians bonding scheme	401
4 463	Onerous contracts	4 546
5 023	Total provisions	5 706

NOTE 9A: RURAL VETERINARIANS BONDING SCHEME

ACTUAL 2010 \$000		ACTUAL 2011 \$000
99	Opening balance	560
461	Additional provisions made during the year	600
560	Closing balance	1 160

The rural veterinarians bonding scheme provides payments to veterinary professionals agreeing to work in understaffed rural areas. Payments are for a maximum of \$11 000 per annum for five years and are made after the third, fourth and fifth year. The scheme commenced on 1 January 2009, and this provision represents the Ministry's liability at balance date for the 76 applicants who have currently been accepted for the scheme.

NOTE 9B: ONEROUS CONTRACTS

ACTUAL 2010 \$000		ACTUAL 2011 \$000
5 206	Opening balance	4 463
–	Additional provisions made during the year	–
(743)	Increase/(decrease) for passage in time and change in discount rate	83
4 463	Closing balance	4 546

This provision relates to non-cancellable contracts for the lease of land for forestry purposes on the east coast of the North Island and South Westland. Based on current market conditions the unavoidable costs of meeting the contracts exceed the economic benefits to be received from them. The provision has been measured at the present value of the expenditures expected to be required to settle the obligations. A market-determined discount rate of 7 percent has been used that reflects the time value of money and the risks specific to the obligation. The contracts expire in 2030 and 2079 respectively.

NOTE 10: EXPLANATIONS OF MAJOR VARIANCES

Explanations for major variances from the Ministry's non-departmental estimated figures in the Main Estimates are as follows.

MANAGEMENT OF CROWN FORESTRY ASSETS

Income from the sale of forest produce was \$128.048 million (2010 \$124.895), which is \$25 million higher than the Budget day forecast due to high log export prices in the latter part of the year. These have since declined due to high inventories in China and the entry of the United States and Canada into the China market because their own domestic housing and construction markets are depressed.

The annual revaluation of Crown forests measured at market value resulted in a revaluation gain of \$12.298 million. The Crown accounting policy is to not budget for annual revaluation movements.

Explanations for major variances from the Ministry's non-departmental actual results in 2010 are as follows:

SCHEDULE OF INCOME AND EXPENSES**Grants**

The \$30 million increase in expenditure on grants is mainly due to an additional \$13 million under the PGP initiative (approved in Budget 2009 and launched in September 2009) in its first full year of operation; \$11 million against \$25 million funding approved by the Government in November 2010 to support the kiwifruit industry-led programme for responding to the kiwifruit disease *Pseudomonas syringae* pv. *Actinidiae* (Psa); \$3 million against Hill Country Erosion Fund appropriation established in Budget 2010 following a restructure of Vote Agriculture and Forestry; and \$2 million against the Joint Food Standards Setting Treaty appropriation under Vote Food Safety formally administered by the NZFSA.

Research and development

The \$10.552 million expenditure on research and development is against two new appropriations approved in Budget 2010 under Vote Agriculture and Forestry, the new initiative Global Research Alliance on Agricultural Greenhouse Gases (\$1.956 million) and Climate Change Research (\$8.596 million) established through a restructure of the Vote.



TERMS AND DEFINITIONS

Afforestation Grant Scheme (AGS)	AGS encourages the planting of Kyoto compliant forests as a way of absorbing greenhouse gases. Administration of the Scheme includes the promotion of the Scheme, processing of public funding pool applications by MAF and the management of AGS funds paid to grantees in both the public and regional council funding pools.
Agricultural Compounds and Veterinary Medicines (ACVM)	Use and/or misuse of agricultural compounds and veterinary medicines can cause serious problems in areas ranging from human health to international trade, so these products are subject to regulatory controls on their importation, manufacture, sale and use.
Biosecurity	The exclusion, eradication or effective management of the risks posed by pests and diseases or unwanted organisms to the economy, environment and human health.
Biosecurity Authority Clearance Certificate (BACC)	This form is required for all shipments selected by New Zealand Customs and MAF and must be accompanied by a copy of the Air Way Bill and a commercial invoice with a full description of the goods. Shipments may be subject to random checks. Items that may require this form include foodstuffs, personal effects, handcrafts and dietary supplements.
Check, Clean, Dry	The campaign, which began in 2005, focuses on getting waterway users to always Check, Clean, Dry equipment and clothing between waterways to minimise the spread of freshwater pests.
East Coast Forestry Programme (ECFP)	The ECFP was established to address the wide-scale erosion problem in the Gisborne district. Since 1992, MAF has provided funding to landholders to prevent and control erosion.
Emissions Trading Scheme (ETS)	The ETS is one of the Government's responses to climate change and global warming.
European Union Food and Veterinary Office (EU FVO)	EU FVO assures a high level of food safety, animal health, animal welfare and plant health within the European Union.
Free Trade Agreements (FTAs)	FTAs are designed to liberalise trade between countries.
Government-Industry Agreement (GIA)	In September 2009, Cabinet announced that MAF would develop a GIA with industries. The purpose of a GIA is for government and industry to work together to prioritise biosecurity threats and organise readiness and response.
Importing Country Phytosanitary Requirements (ICPR)	MAF maintains summaries of the phytosanitary/zoosanitary requirements required by other countries for plants and plant products within documents called ICPRs. Each ICPR identifies both general and specific information for a range of horticultural and arable commodities.

Importing Country Zoosanitary Requirements (ICZR)	See above.
Import Health Standards	Documents specifying the requirements that imported risk goods must meet for the effective management of risks.
Incursion responses	MAF's response to the occurrence of an organism previously unknown to be established in New Zealand.
International Accreditation New Zealand (IANZ)	IANZ is the national authority for the accreditation of testing and calibration laboratories, inspection bodies and radiology services.
Investment Advisory Panel (IAP)	IAP opens each Primary Growth Partnership funding round, and calls for and assesses proposals for investment programmes.
Land and Water Forum (LAWF)	The Land and Water Forum comprises a range of primary industry groups, environmental and recreational non-governmental organisations, iwi and other organisations with an interest in freshwater and land management. It advises the Government on how water should be managed in New Zealand.
National Animal Ethics Advisory Committee (NAEAC)	This committee has been established under the Animal Welfare Act 1999 to provide independent advice to the Minister of Agriculture on the ethical and animal welfare issues arising from the use of animals in research, testing and teaching.
National Animal Welfare Advisory Committee (NAWAC)	<p>This committee has been established under the Animal Welfare Act to provide independent advice to the Minister of Agriculture on the welfare of animals in New Zealand, research needs and legislative proposals.</p> <p>A full list of NAWAC's functions can be found under section 57 of the Animal Welfare Act 1999.</p>
NZS/ISO/IEC 17025	This international standard is the primary criteria for IANZ accreditation of testing and calibration laboratories.
Outcomes	The impacts on, or the consequences for, the community of the outputs or activities of the Ministry (but also influenced by others).
Outputs	The goods or services produced by the Ministry.
Performance Improvement Framework (PIF)	The PIF is run jointly by the State Services Commission, the Department of the Prime Minister and Cabinet and the Treasury, and seeks continuous improvement in agencies.
Primary Growth Partnership (PGP)	The Primary Growth Partnership is a government–industry initiative that will invest in significant programmes of research and innovation to boost the economic growth and sustainability of New Zealand's primary, forestry and food sectors.
Product Safety & Integrity Committee (PSIC)/ Primary Industries Ministerial Council (PIMC)	PSIC is a committee of the PIMC. PSIC provides advice on issues relating to the safety and integrity of primary produce, including the safety and sustainability of production systems.

Investigation and Diagnostic Centres' Plant Health & Environment Laboratory (IDC-PHEL)	IDC-PHEL is the national reference centre for the identification of all suspected exotic, new and emerging pests and diseases of plants, and arthropod pests affecting the environment and human health. It also provides diagnostic services.
Sectors	The agricultural (including horticulture), food and forestry sectors.
Sanitary and Phytosanitary (SPS)	The Sanitary and Phytosanitary Agreement (SPS) is the World Trade Organization's agreed set of rules on how countries can protect the health of their people, animals and plants, while facilitating trade. It includes food safety, bacterial contaminants, pesticides, inspection and labelling as well as animal and plant health.
Sustainable Farming Fund (SFF)	The purpose of the SFF is to support communities of interest to undertake applied research and extension projects to tackle a shared problem or to develop a new opportunity.
Sustainability/sustainable development	Maintaining the environment's life-sustaining capability and functioning, as agriculture and forestry deliver optimal socio-economic benefits to New Zealanders in current and future generations.
United States Department of Agriculture (USDA)	The USDA is the United States federal executive department equivalent to MAF.
Voluntary Implementation Programme (VIP)	The VIP was developed due to unexpected delays with the passage of the Food Bill. The programme implements the proposed regulatory regime among food business (restaurants, cafes, bars, take-aways) as far as possible under the Food Act 1981. This has been made possible through the support of staff from territorial authorities.
World Trade Organization (WTO)	The WTO is the global international organisation dealing with the rules of trade between nations.
Zoosanitary	Relating to the cleanliness of animals or animal products.

LEGISLATION

Administered by MAF as at 30 June 2011

MAF ADMINISTERS ABOUT 50
STATUTES AND OVER 150 SETS
OF REGULATIONS

A significant amount of resources was devoted to the National Animal Identification and Tracing Bill in the reporting year. The Bill will implement a national animal identification and traceability scheme.

MAF has also worked on proposals to amend the Biosecurity Act 1993 and the border control and pest management areas.

Work continued on the Airports (Cost Recovery for Processing of International Travellers) Bill, to enable recovery of costs of providing traveller processing services at international airports.

The Climate Change (Forestry Sector) Regulations 2008 were amended to include a new carbon assessment method for post-1989 forest land, and look-up tables and fees and charges.

Work has progressed on the Food Bill, which will introduce substantial reforms to the regulatory regime for the safety and suitability of food.

PUBLIC ACTS

- › Agricultural and Pastoral Societies Act 1908
- › Agricultural Compounds and Veterinary Medicines Act 1997
- › Animal Control Products Limited Act 1991
- › Animal Identification Act 1993
- › Animal Products Act 1999
- › Animal Welfare Act 1999
- › Apple and Pear Industry Restructuring Act Repeal Act 2001
- › Biosecurity Act 1993
- › Commodity Levies Act 1990
- › Dairy Industry Restructuring Act 2001
- › Food Act 1981
- › Forestry Encouragement Act 1962
- › Forestry Rights Registration Act 1983
- › Forests Act 1949
- › Forests (West Coast Accord) Act 2000
- › Franklin-Manukau Pests Destruction Act 1971
- › Hazardous Substances and New Organisms Act 1996 (in respect of new organisms by virtue of section 97A)
- › Hop Industry Restructuring Act 2003
- › Irrigation Schemes Act 1990
- › Kiwifruit Industry Restructuring Act 1999
- › Meat Board Act 2004
- › Ministry of Agriculture and Fisheries (Restructuring) Act 1995
- › Ministries of Agriculture and Forestry (Restructuring) Act 1997
- › Ministry of Agriculture and Forestry (Restructuring) Act 1998
- › New Zealand Horticulture Export Authority Act 1987
- › Phosphate Commission of New Zealand Dissolution Act 1989
- › Plants Act 1970
- › Pork Industry Board Act 1997
- › Potato Industry Act Repeal Act 1988
- › Poultry Board Act Repeal Act 1989
- › Primary Products Marketing Act 1953
- › Public Works Act 1981 (Part XIX)
- › Royal New Zealand Institute of Horticulture Act 1953
- › Taratahi Agricultural Training Centre (Wairarapa) Act 1969
- › Veterinarians Act 2005
- › Walking Access Act 2008
- › Wine Act 2003
- › Wool Industry Restructuring Act 2003

PRIVATE ACTS

- › Auckland Agricultural Pastoral and Industrial Shows Board Act 1972
- › Canterbury Agricultural and Pastoral Association Empowering Act 1982
- › Clevedon Agricultural and Pastoral Association Empowering Act 1994

- › Kumeu District Agricultural and Horticultural Society Act 1991
- › Marlborough Agricultural and Pastoral Association Empowering Act 1974
- › Telford Farm Training Institute Act 1963
- › Tokoroa Agricultural and Pastoral Association Empowering Act 1968
- › United Wheatgrowers Act 1936
- › Waikato Show Trust Act 1965

PUBLICATIONS

produced 1 July 2010 – 30 June 2011

MAF publishes a variety of publications. These include technical reports, information papers, discussion papers, standards, regulations, manuals, statistical releases and newsletters. This report lists print publications. Many MAF publications are published online only, and are available on our websites at www.maf.govt.nz/news-resources/publications.aspx, www.foodsafety.govt.nz/elibrary/ and www.biosecurity.govt.nz/biosec/pubs-news. Hard copies may also be available on request by phoning 0800 00 83 33 or emailing brand@maf.govt.nz. We also contribute to a wide range of books, journals and magazines produced by other organisations that are not included here.

MAF-WIDE

- › MAF Annual Report 2009/10
- › Statement of Intent 2011/14

POLICY

- › Situation and Outlook for New Zealand Agriculture and Forestry 2010
- › Situation and Outlook for New Zealand Agriculture and Forestry 2011
- › Farm Monitoring Report 2010 – Horticulture and arable overview 2010
- › Farm Monitoring Report 2010 – Farm Monitoring Overview 2010
- › Horticulture and Arable model chapters monitoring reports 2010
- › Pastoral model chapters monitoring reports 2010
- › Māori Agribusiness in New Zealand: A Study of the Māori Freehold Land Resource

EMISSIONS TRADING SCHEME

- › Guide to the Afforestation Grant Scheme
- › A Guide to Classifying Land for Forestry in the Emissions Trading Scheme
- › Geospatial Mapping Information Standard
- › A Guide to Agriculture in the Emissions Trading Scheme
- › A Guide to Reporting for Agricultural Activities under the New Zealand Emissions Trading Scheme
- › A Guide to the Pre-1990 Forestry Allocation and Exemptions
- › A Guide to Tree Weed Exemptions
- › Guide to the Permanent Forest Sink Initiative
- › Forest Land Transactions in the Emissions Trading Scheme
- › Introduction to Forestry in the Emissions Trading Scheme
- › A Guide to Forestry in the Emissions Trading Scheme
- › A Guide to Look-up Tables for Forestry in the Emissions Trading Scheme

ADVERSE EVENTS

- › Need help to recover following an earthquake?
- › Coping with stress on the farm?
- › Rural Assistance Payments

FUND INFORMATION

- › Community Irrigation Fund
- › Sustainable Farming Fund: Ten years of grassroots action
- › Index of SFF Funded Projects 2000–2011
- › Sustainable Farming Fund Profile
- › Irrigation Acceleration Fund

ANIMAL WELFARE

- › Welfare Pulse
- › NAWAC Annual Report 2009–10
- › NAEAC Annual Report 2009–10
- › A guide to the welfare of calves during transport

CODES OF WELFARE

- › Pigs
- › Dogs
- › Commercial Slaughter
- › Sheep and Beef

BIOSECURITY

- › Biosecurity
- › Surveillance
- › Atlas of Biosecurity Surveillance
- › Pest Management National Plan of Action

FORESTRY

- › A National Exotic Forest Description as at 1 April 2010
- › Forestry Production and Trade for the June 2010 quarter
- › Forestry Production and Trade for the September 2010 quarter
- › Forestry Production and Trade for the December 2010 quarter
- › Forestry Production and Trade for the March 2011 quarter

GRANTS APPROVED

by MAF in 2010/11 Funding Rounds

MAF administers several grant programmes to help land managers and rural communities manage New Zealand's natural resources in a sustainable manner. The table on the next page provides information on the number of grants approved in the 2010/11 budgeting round.

ADVERSE CLIMATIC EVENTS

This grant programme covers adverse climatic events or natural disasters affecting the rural community. It includes floods, storms, droughts, snow storms, frosts, tsunamis, volcanic eruptions, earthquakes and hailstorms. The Government's role in adverse events is to help citizens in times of adversity, where government involvement is justified by benefit to the wider community. Government responds to situations beyond the capacity of the wider community to cope, but not to individual requests for assistance.

After an adverse event, the Government has a role in restoring public infrastructure and protecting the health and safety of its citizens. The Government may also assist primary producers, who can feel the effect of an adverse event acutely.

AFFORESTATION GRANT SCHEME

The Afforestation Grants Scheme is a contestable fund designed to encourage more planting of trees in small forests and on farms. The Government announced the scheme in 2007 as part of its package of climate change initiatives.

COMMUNITY IRRIGATION FUND

The Community Irrigation Fund aims to build resilience and ensure long-term economic growth within sustainable environmental limits by reducing the risks rural businesses and communities face from water shortages caused by climate change. The fund achieves this by providing grants to assist: promoters of community water storage and/or irrigation

schemes to generate investor and/or community support; local government to undertake activities contributing to a strategic plan for water management and that consider the potential for rural irrigation-related infrastructure.

EAST COAST FORESTRY PROJECT

The East Coast Forestry Project was established to deal with the wide-scale erosion problem in the Gisborne district. Since 1992, MAF has provided funding to landholders to control erosion on the worst eroding or erosion-prone land in the district

PRIMARY GROWTH PARTNERSHIP

The Primary Growth partnerships is a government–industry partnership that invests in significant programmes of research and innovation to boost the economic growth and sustainability of New Zealand's primary and food sectors, including forestry.

SUSTAINABLE FARMING FUND

The purpose of the Sustainable Farming Fund is to support the financial, environmental and social performance of New Zealand's productive land-based sectors. It does this by funding projects that are:

- › based on solving problems, or taking up opportunities, related to sustainable resource use;
- › defined and driven by a farmer, grower or forester.

SUSTAINABLE LAND MANAGEMENT HILL COUNTRY EROSION PROGRAMME

The Sustainable Land Management Hill Country Erosion Fund, through regional initiatives, provides targeted government support to communities that need to protect erosion-prone

hill country. It recognises that, wherever possible, farmers seek to retain the maximum practical production from their land.

VET BONDING SCHEME

To deal with shortages of vets in rural areas, the Government has committed to a voluntary bonding scheme for vets. The scheme gives vets a taxable payment of \$11 000 for every year they work in an eligible area, for up to five years.

MAF PROGRAMME	NUMBER OF GRANTS APPROVED	ALLOCATED AMOUNT APPROVED (EXCL GST) ¹¹
Adverse Climatic Events	0	\$0
Afforestation Grant Scheme (Regional Council Pool)	47	\$3 461 556
Afforestation Grant Scheme (Public Tender Pool)	20	\$2 079 462
Community Irrigation Fund	13	\$2 565 433
East Coast Forestry Project	27 (all grants multi-year funding)	\$11 426 087
Primary Growth Partnership ¹²	7	\$207 503 578.00 ¹³
Sustainable Farming Fund	70	\$9 030 185
Sustainable Land Management Hill Country Erosion Programme	No funding round was held as the fund was fully allocated.	
Vet Bonding Scheme ¹⁴	31	\$1 705 000
Total	215	\$238 044 301

11 Several grants involve multi-year payments. Actual payments may vary from allocated amounts. Payments for grants approved in previous years are not included above.

12 These grants represent approvals of business plans by the Director-General. Contracting in relation to these approvals is under way.

13 Over the life of the projects

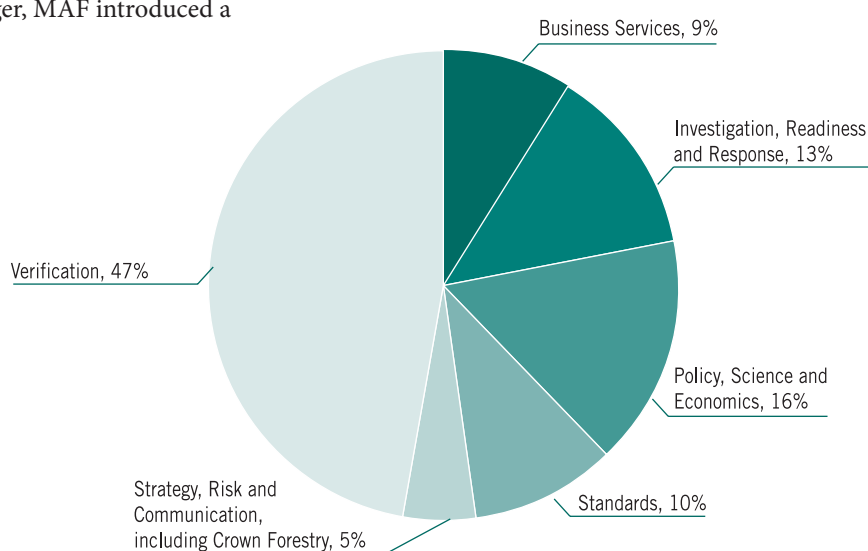
14 Each applicant is bonded for a minimum of three years and for a maximum of five years as long as he or she continues to meet the eligibility criteria under the vet bonding scheme. For each completed year of bond, the applicant receives \$11 000. The bonding period commences on the first date of employment in an eligible practice (the commencement date). The first payment (\$33 000) is made at the end of three years from the commencement date. This means for three of the 26 applicants this payment will occur in the 2011/12 financial year. The remaining 23 applicants will receive this payment in the 2012/13 financial year. A vet can be bonded for three, four or five years depending on whether they decide to stay working in an eligible practice and continue to meet the scheme's other eligibility criteria. It is also possible applicants may decide to leave the scheme before receiving their first payment.

The Ministry's STAFF INFORMATION

PERMANENT STAFF

The number of permanent staff in MAF as at 30 June 2011 was 1721 full-time equivalents (FTEs) or 1819 headcounts. This compares with 1225 FTEs at the same time last year. This increase is due to the merger with the New Zealand Food Safety Authority (NZFSA). As part of the merger, MAF introduced a new organisational structure, effective 1 February 2011. The graph reflects the new organisational structure.

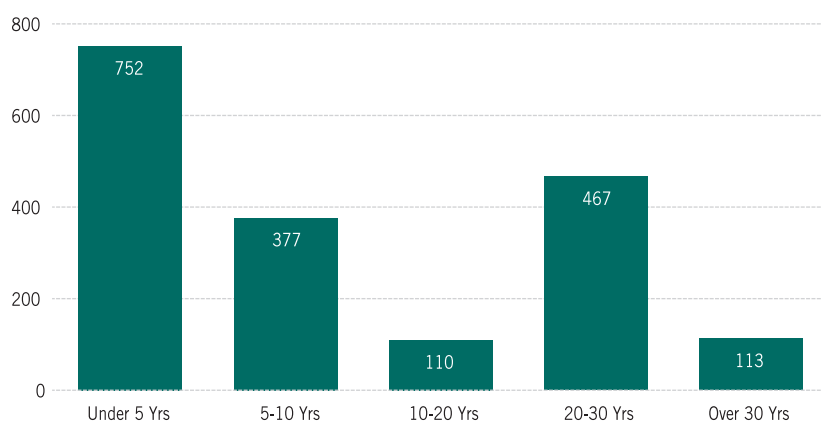
NUMBER OF STAFF BY BRANCH



TURNOVER

The turnover rate for 2010/11 was 10.2 percent. This compares with 10.3 percent for 2009/10. This is below the latest public sector average of 16 percent.

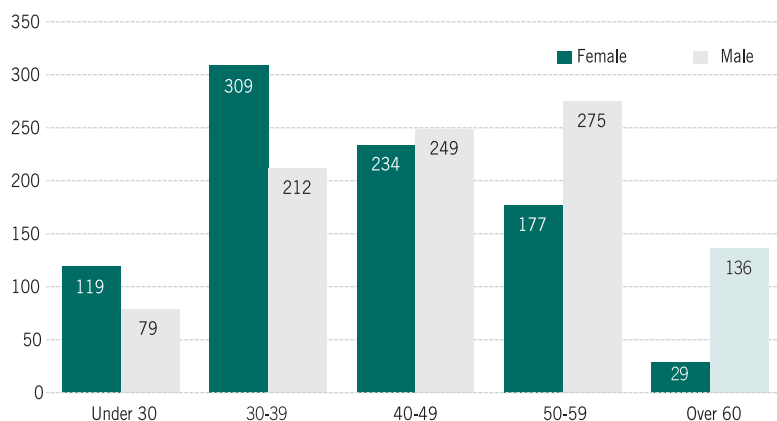
STAFF NUMBER BY SERVICE LENGTH



LENGTH OF SERVICE

The average length of service for MAF staff is 9.4 years, and approximately 60 percent of staff have been with MAF over five years.

STAFF NUMBER BY AGE GROUP AND GENDER



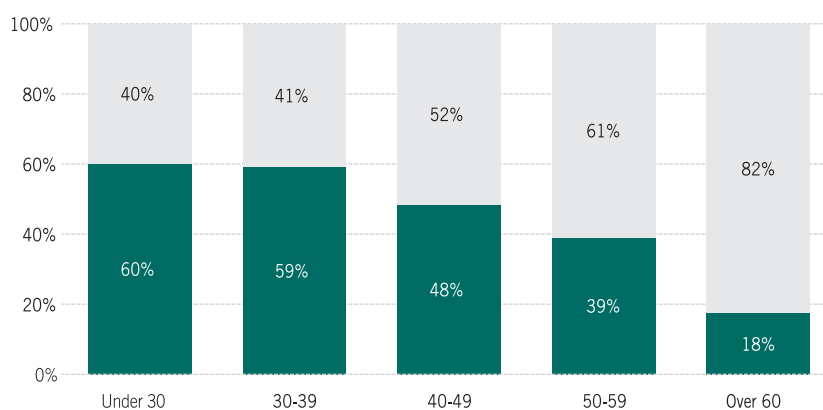
GENDER

Approximately 52 percent of staff (951 staff) are male and 48 percent of staff (868 staff) are female. The gender proportion remains the same as previous years.

AGE

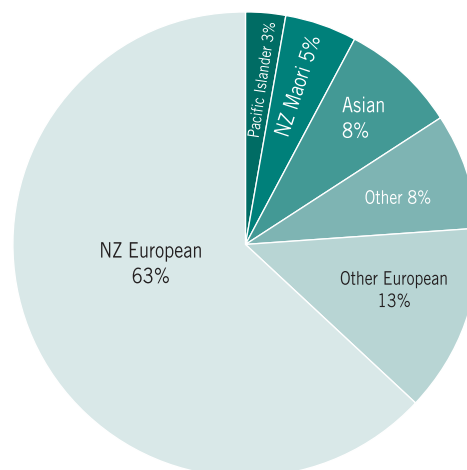
The average age of MAF staff is 44 years old (41 for female and 47 for male). This has changed from last year's figure of 42 years old (40 for female and 45 for male).

GENDER PROPORTION BY AGE GROUP



ETHNICITY

The NZ European ethnic group continues to be the most dominant group within MAF at 63 percent.



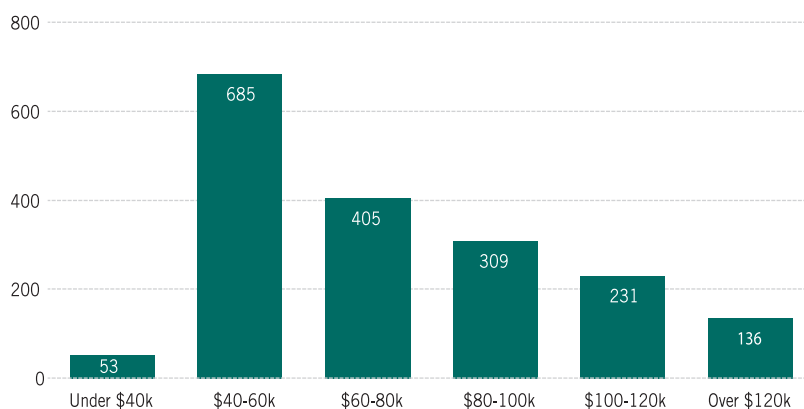
SALARY

Overall average salaries have increased by approximately \$7500 since 2009/10.

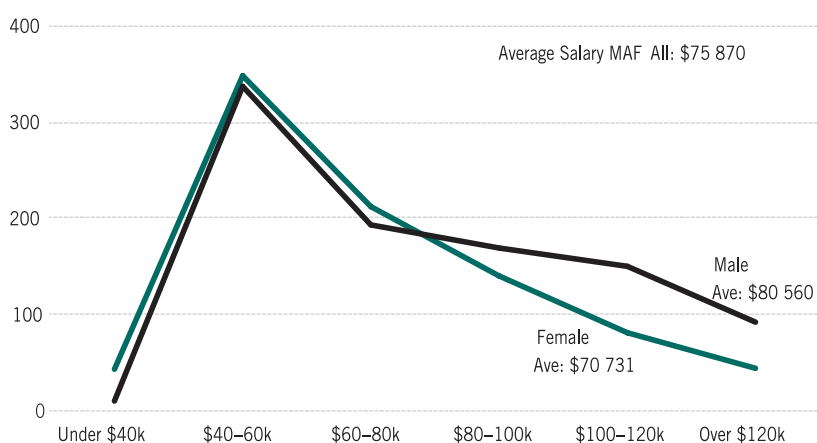
(\$75 870 in 2010/11 and \$68 306 in 2009/10). This was primarily as a result of the merger with NZFSA.

Approximately 20 percent of staff are paid over \$100 000 and there is approximately a \$10 000 difference between the average salary paid to male and female staff. There are a number of potential factors relating to this difference, including those who are in part-time work or are in senior management.

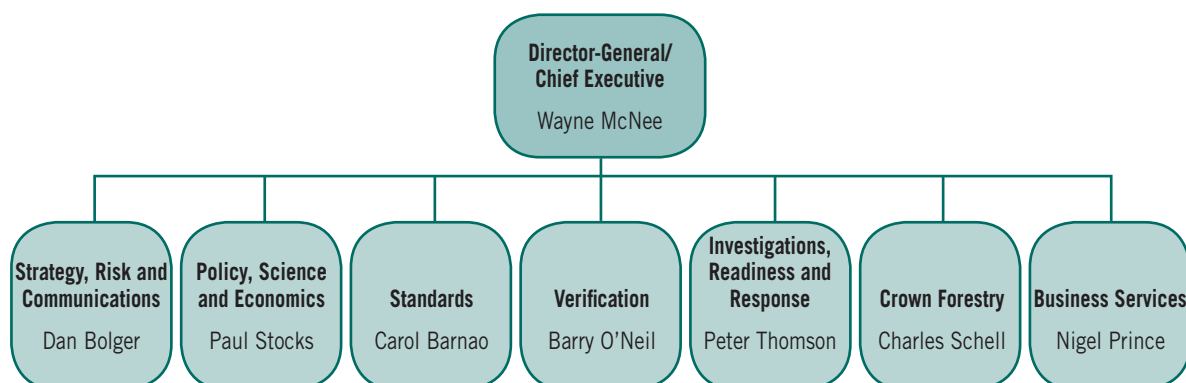
STAFF NUMBER BY SALARY BAND



SALARY BAND BY GENDER



THE MINISTRY'S ORGANISATIONAL STRUCTURE



STRATEGY, RISK & COMMUNICATIONS (SRC)

The SRC branch supports the Senior Leadership Team and the wider organisation to develop and deliver MAF's strategy. Its functions include managing organisational strategy processes; planning; performance reporting; portfolio and project management; ministerial servicing; assurance and risk management; Māori strategy; and communications.

POLICY, SCIENCE & ECONOMICS (PSE)

The PSE branch provides advice on policies affecting the economic, social and environmental performance of people and businesses associated with the land-based sectors. It also provides advice on frameworks, systems, processes, legislation and interventions used to manage food safety and biosecurity risks.

STANDARDS

The Standards branch is responsible for developing, reviewing and monitoring New Zealand's export, import and domestic standards and systems for animal, plant and food products. This role includes developing and managing export certification programmes and communicating overseas market access requirements to producers.

VERIFICATION

The Verification branch manages MAF's border inspection and animal and food verification activities. The border role involves inspection of cargo and passengers to prevent the introduction

to New Zealand of pests and diseases of animals and plants.

INVESTIGATION, READINESS & RESPONSE (IRR)

The IRR branch is responsible for investigation, compliance and enforcement functions. Its functions include preparedness, long-term management of incidents (for example, a biosecurity incursion or food safety emergency) and detection (surveillance, investigation and diagnostics). The branch is also responsible for investigating and enforcing regulatory compliance.

CROWN FORESTRY

The overall purpose of Crown Forestry is to manage the Crown's interest in a number of commercial forests and forestry-related leases. Operational management of the forest estate is contracted to forest management companies with audit, strategic planning and administration carried out by Crown Forestry staff in Wellington and Rotorua.

BUSINESS SERVICES

The Business Services branch provides specialist advice and capacity to branches across MAF by delivering financial, asset management, information management, human resources and legal services. The branch also plays a key role ensuring that the organisation is meeting its corporate and public service obligations.

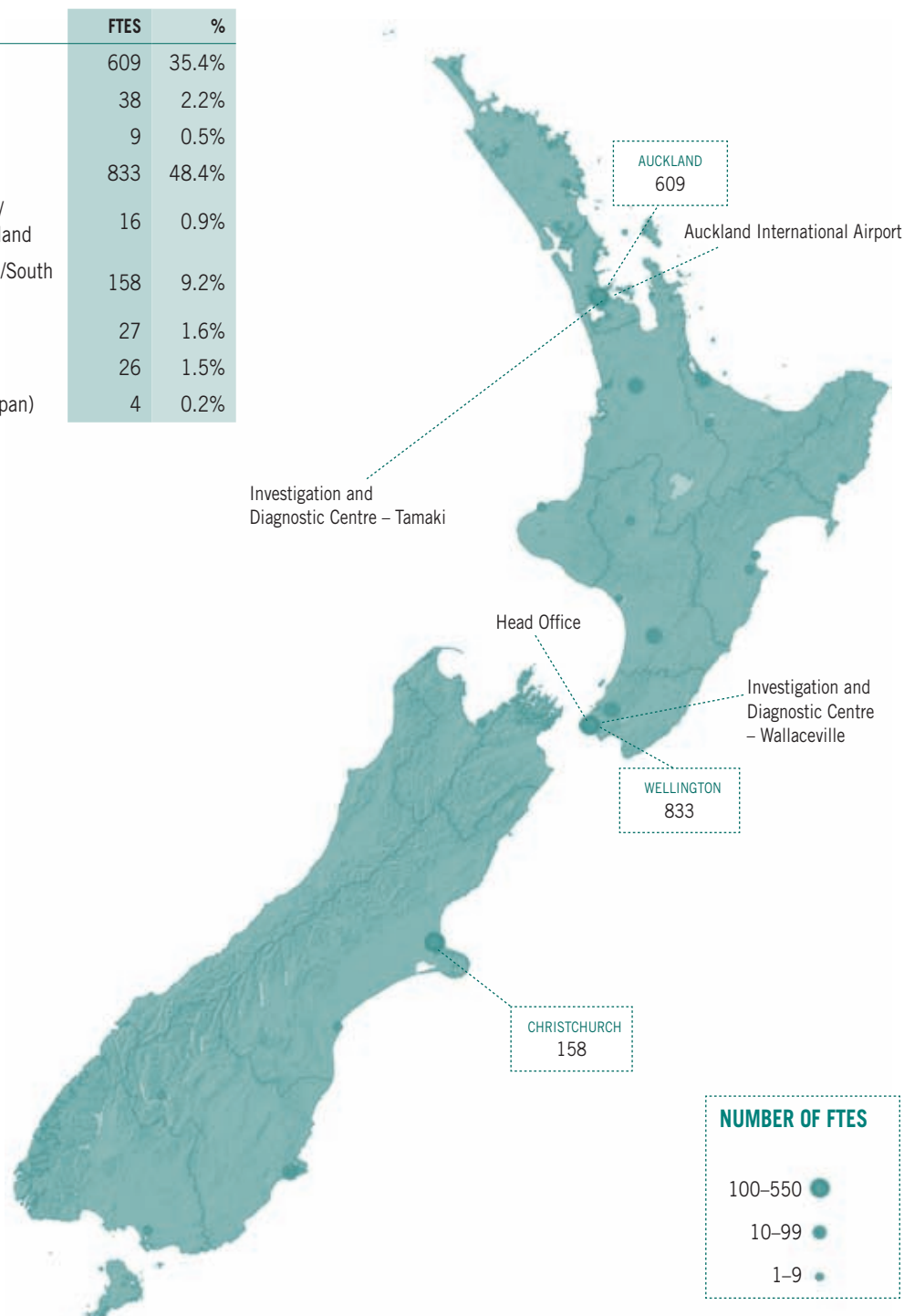
Please note that there is a new structure from 1 July 2011 as a result of the MAF-Ministry of Fisheries merger.

MAF STAFF LOCATION

throughout New Zealand (as at 30 June 2011)

Staff are located throughout the country, with the highest concentration of numbers being in the main three centres: Auckland 609 (FTEs), Wellington 833 and Christchurch/South Canterbury 158.

	FTEs	%
Auckland	609	35.4%
Hawke's Bay	38	2.2%
Taranaki	9	0.5%
Wellington	833	48.4%
Marlborough/ Nelson/Westland	16	0.9%
Christchurch/South Canterbury	158	9.2%
Otago	27	1.6%
Southland	26	1.5%
Overseas (Japan)	4	0.2%



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