

Environmental Protection Authority

**Quarterly Performance
Report to the Ministers**

**From 1 January to
31 March 2019**



Introduction

1. This report for the period 1 January to 31 March 2019 covers:
 - Delivering on the Letter of Expectations
 - Delivering on the EPA Strategy
 - General update
 - Financial overview.

Delivering on the Letter of Expectations

Proactive Regulator

2. We continue to meet and engage with operators about their intentions for upcoming applications, and hold project debriefs when marine consent decisions are released. We continue to assist potential applicants by reviewing draft applications prior to formal lodgement. We meet with consent holders on a regular basis to discuss upcoming regulatory obligations, possible compliance issues, and future monitoring plans.
3. Our engagement programme with territorial authorities continues to promote a common understanding of the hazardous substances systems, and respective roles, with co-regulators. The programme will address outcomes of the recent Activities and Intentions Report.
4. Our investigation into the use and storage of firefighting foams manufactured with PFOS continues. We are now focusing on monitoring the implementation of compliance plans and verification phases. This is now being assimilated into routine business. The investigation report was published on 4 April.
5. We inspected three value stores in Tauranga to monitor cosmetic products to ensure compliance with the HSNO Act. More value stores will be visited.
6. As part of our Open Book policy, we have begun publishing our weekly updates to the Minister and a selection of OIA responses. This is the first of a rolling schedule of proactive releases.

Performance and financial sustainability management

Financial sustainability

7. The EPA's financial sustainability is closely monitored, with regular internal reporting to Management and the Board. This includes forecasting of the EPA's cash flow position into future years.

Sustainability

8. We are beginning the carbon reduction programme agreed under our CEMARS (Certified Emissions Measurement and Reduction Scheme) certification. We are gathering base line data on current energy use, which will lead to possible greater energy efficiency and reductions. The Sustainability Trust will provide an assessment, report, and recommendations on the EPA's production and disposal of waste. The results of both audits should be available by mid-May. In parallel with these audits we are analysing our travel programmes to ascertain the most effective ways to reduce our carbon emissions, especially from air travel.

Programme of Work

9. The Programme of Work returned to green status on 8 March 2019. The previous amber status had been due work required to determine the technical dependencies across the Programme of Work. This has now been completed. The Project Management Office is developing a plan to address key recommendations from the Project Management audit completed by KPMG in December 2018.
10. Active Projects are:
 - HS Modernisation Programme
 - Knowledge Programme
 - Mātauranga Māori Programme – Phase Two.
11. Post-implementation reviews are planned for the Human Resources System and the IAPS (Industrial Allocation Processing System) transfer to the NZ Emissions Trading Register.

Customer experience

12. The New Organisms team attended containment facility operator workshops organised by MPI in Wellington, Hamilton and Auckland between 21 and 28 March 2019. These workshops were an excellent opportunity for the EPA to meet important customers working with new organisms and address any queries they had related to the HSNO Act.
13. In January we implemented an opt-in anonymous survey of EPA website users by putting a link on the website and inviting people to answer nine questions covering our annual Key Priority Indicators (KPIs) for the website, plus their customer experience. We will operate this until the end of June and then combine the statistical results for the KPIs into our standard customer satisfaction surveying process which is reported in our Annual Report. We sought comments about any specific issues customers may wish to report. We are monitoring the comments regularly, addressing any issues immediately where we can, and prioritising others for further investigation and work.

Mātauranga Māori

14. On 14 March 2019, Kaupapa Kura Taiao met with Matakīrea, the Mātauranga Programme's External Working Group. Matakīrea continue to be supportive of the draft framework and guide, and the collaborative approach taken. Discussion focused on key findings from interviews with mock decision-makers and past decision-makers.
15. A report on Phase 2 of the Mātauranga Programme 'Background information for the development of the draft mātauranga framework' will lead to recommendations for the EPA's consideration.

He Whetū Mārama

16. The focus for working group members is to start planning and organising workshops for their respective teams, heading into Matariki in June. We continue to deliver initiatives to strengthen our capacity for exploring the application of mātauranga within the EPA. Events included a celebration of Waitangi Day, and workshops included waiata classes, He Powhiri, and Mihimihi (formal greetings).

Consumer awareness

17. Consumer NZ published the results of their EPA-funded survey of domestic hazardous chemical waste disposal in early February, together with a free guide to disposal. We worked with Consumer NZ to promote the guide via our combined digital channels on release. The guide was reported extensively by traditional media including Radio NZ News, MSN news, the Otago Daily Times, and Stuff.
18. The EPA's regular radio slots continue (monthly with Turanga FM in Gisborne, and quarterly with Radio Kahungunu in Hastings), providing an opportunity for Doug Jones (Manahautū, Kaupapa Kura Taiao) to promote our Safer Homes messaging with targeted commentary and annual events.
19. In February 2019, we took our Safer Homes stand to the national Kapa Haka festival, Te Matatini 2019, at Westpac stadium.

Hazardous Substances Modernisation

20. The HS Database Replacement project is on track to complete the initial planning phase by 30 June 2019. Requirements work with the European Chemical Association (ECHA) has begun, with the first deliverables due in May 2019.
21. The business case for the Chemical Map is being progressed, with an alternate solution being assessed.
22. The Quality Management System (QMS) workstream now includes the operational quality improvement projects that came out of the QMS Framework (completed in December 2018).

23. Planning for the implementation of the Globally Harmonised System (GHS) of classifications continues. The project is due to commence on 1 July 2019.

Hazardous Substances Reassessment

24. The reassessment of paraquat was publicly notified on 28 February 2019. Submissions close on 30 April 2019, with a target/indicative hearing to be held in June 2019.
25. The call for information for synthetic pyrethroids closed on 1 February 2019 for home use substances, and on 1 March 2019 for commercial use substances. Over 500 responses were received and are being reviewed and categorised. They will be used to inform how we determine the scale and scope of reassessments, such as by use category, or by active ingredient.
26. An application to reassess methyl bromide from Stakeholders in Methyl Bromide Reduction (STIMBR) was lodged on 25 March 2019.

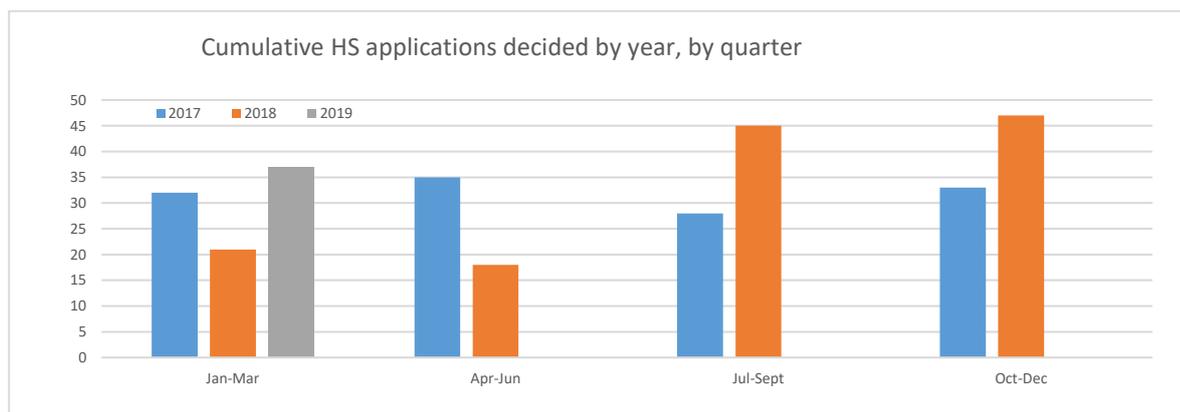
Decision-making processes are robust, transparent and auditable

New Organisms

27. Public consultation on the application to use the root-feeding moth plant beetle *Freudeita cupripennis*, as a biocontrol agent for moth plant (*Araujia hortorum*), closed on 15 March 2019. We received a total of 53 submissions, and a public hearing has been scheduled for 1 May 2019.
28. After meeting with a representative from Meadow Mushrooms in February 2019, a Section 26 application was received to determine the new organism status of *Pleurotus* genus, usually known as oyster mushrooms.
29. An application has been received to import and maintain a population of samurai wasp in containment. Although the conditional approval given last year enables the use of the samurai wasp in the event of a brown marmorated stink bug (BMSB) incursion, an additional approval is required to maintain a population of this biological control agent.

Hazardous Substances Applications

30. Between 1 January and 31 March 2019 there were:
 - 37 hazardous substance applications decided
 - 40 hazardous substance applications formally received
 - 28 hazardous substance applications lodged.



Exclusive Economic Zone

31. The Decision Making Committee (DMC) decision to grant consent, with conditions, to Coastal Resources Limited (CRL) to dump marina and harbour dredgings at the Northern Disposal Area near Great Barrier Island is presently under appeal at the High Court. Radio NZ and the New Zealand Herald had items that outlined criticisms from one of the High Court appellants around the EPA's lack of engagement and consultation process with submitters, and we responded to the criticisms.
32. On 28 March 2019 we granted a marine discharge consent, subject to conditions, to OMV (an Austrian integrated oil and gas company) Taranaki Limited for discharges from the Maui platforms offshore Taranaki.
33. The Ports of Auckland non-notified marine dumping consent application to dump dredged material at the Cuvier Island authorised dumping site is due for decision on 27 May 2019.
34. The non-notified discharge consent application by Tamarind for discharges from well-heads in preparation for its drilling campaign in offshore Taranaki is being assessed. The decision is due mid-May 2019.

Nationally Significant Proposals (NSP)

35. The Special Tribunal for the Water Conservation Order (WCO) application for Te Waikoropupū Springs is writing its report to the Minister for the Environment.
36. Stage two of the hearing for the WCO application for the Ngaruroro and Clive rivers took place between 26 February and 8 March 2019. The hearing closed on 3 April 2019 and the Special Tribunal is now writing up its decision.
37. The NSP Team continues to provide secretariat services to the Technical Working Group (TWG) undertaking an evaluation of New Zealand's hazardous substances compliance system.

Delivering on our strategy

One EPA

Raising the EPA's profile

38. The website analytic tool Siteimprove shows that in the January-March 2019 quarter, the EPA website had 50,806 unique visitors, who accessed 426,464 web pages. The number of unique visitors per month has been steadily increasing from 7,000 in November 2018 when we started using the tool, to more than 19,000 in March 2019. Pages viewed over the same period have increased from 68,000 in November to 160,000 in March 2019.
39. Throughout February and March 2019 we worked with Silverstripe to upgrade the website to the latest version of the Common Web Platform, which went live on 9 April 2019. Siteimprove's 'Digital Certainty Index' (DCI) measures the quality and potential impact of our site's digital presence, including accessibility and usability, credibility and trustworthiness, and it responds to Search Engine Optimisation (SEO) challenges. The numbers of users has no impact on this assessment as it is a snapshot in time. The final DCI Score is calculated as an overall score of points awarded in three categories: Accessibility, Quality Assurance, and SEO. We are improving other areas of our website by addressing factors that affect our DCI, using our Siteimprove tool. Overall, we are scoring very well compared to the industry standard as at 15 April 2019.
40. Dr Tim Strabala gave a presentation on New Zealand regulation of genetically modified organisms to the International Veterinary Biosafety Working Group. Dr Allan Freeth gave a general talk about the role and responsibilities of the EPA to the United Nations Association of New Zealand, and Dr Fiona Thomson-Carter addressed the Safety 360 – 2019 Hazardous Substances Management Forum to engage them in our work to modernise New Zealand's chemical management regime. Dr Stephen Cobb was invited to chair a working group of the World Organisation for Animal Health on BSE ('mad cow disease') risk assessment.
41. Media coverage in January 2019 included items on 1080 and methyl bromide, including widespread positive coverage when we announced an investigation into the Department of Conservation around a 1080 operation which resulted in the death of 8 cattle. We released our annual report into the aerial use of 1080, reinforcing our position that the current rules around 1080 "keep people and the environment safe", and that "1080 remains one of the most strictly controlled hazardous substances in New Zealand and is a critical tool in the ongoing fight to protect our native birds from introduced predators." This received widespread positive media coverage and was used by media extensively in January 2019 during the SPCA 1080 debate.

42. The communications team also undertook extensive preparation in March 2019 to plan the April 2019 release of the EPA's report into our investigation of PFOS fire-fighting foams.
43. During this quarter we responded to 22 media queries.

Customer Centricity

44. We have delivered a proof of concept Automatic Service Delivery System in the Knowledge Programme. We successfully tested how we can improve customer experiences and operational efficiencies by use of modern cloud-based technologies. The proof of concept was focussed on the EEZ Non-notified disposal consent process from application through to compliance. It included a customer portal where customers could enter their own requests and data. Next steps include prioritising and sequencing all the Knowledge Programme elements and determining dependencies on resource and funding availability. The Customer Centricity Programme is scoping the approach for future surveying, to ensure staff are well informed on how to gather feedback from customers. Internal surveying guidance is now at draft stage.

Partnership Plus

45. On 28 March 2019, we met with three iwi from Taranaki to discuss issues around the EEZ Act with a view to lifting their capability to more effectively participate in EEZ processes.

People Potential

Organisational capability

46. The priority capability areas of leadership, strategic agility, Māori capability, customer-centricity and partnership engagement, and regulatory expertise, remain areas of key investment.
47. The People Strategy review and refresh supports EPA being a successful employer. The groundwork on the strategy has been workshopped with the ELT, and the focus now is on understanding and agreeing what critical skills are required to deliver in the future. The draft People Strategy will then be debated with the wider management and HR groups before being evaluated by the rest of the EPA.
48. The Government Regulatory Practice Initiative (G-Reg) training continues to be a key development area. Multiple staff across EPA are receiving certification from this process. The training programme for the Board, including G-Reg training, is being finalised.
49. The draft collective agreement with the PSA is in the final stage of review by the EPA.

Leadership capability

50. The ELT remains focused on leading the EPA's cultural transformation, including the delivery of key programmes of work. Candidates are confirmed for 2019 courses for Natural Resources Sector Leadership, Aspiring Leaders, Professional Specialist Leadership, and the Management in Action

programme. Planning for the next stages of managers' development has been delayed to focus on reviewing and updating the People Strategy, and recruitment.

Staff engagement

51. Work continues on considering or testing the right areas of staff engagement. Support and training to managers and staff includes drop-in sessions for both staff and managers, to support them to complete the annual performance reviews. There will also be guides available for topics such as handling challenging conversations, and how to prepare for a performance conversation.

Staff turnover

52. The year-to-date turnover as at 31 March 2019 is 10.9 percent.

General update

Hazardous substances

Applications

53. Applications for grandparented eligibility for hydrofluorocarbons (HFCs) under the Ozone Layer Protection Act 1996 closed on 18 March 2019. Grandparented eligibility provides the right to apply for permits to import up to 80 percent of the HFCs New Zealand is able to import from 2020. This quantity will be phasing down over time. Applications will now be assessed, with decisions expected in late May 2019. Grandparented permits give effect to New Zealand's obligations under the Kigali Amendment to the Montreal Protocol, phasing down 18 HFCs with high global-warming potential. This is anticipated to avoid up to 0.5°C of warming by 2100.

Compliance

54. We are preparing a report for the Enforcement Panel to consider options for the import of Halon without a permit. Two new Ozone Layer Protection Act 1996 (OLPA) matters have been reported where individuals have been recovering fridges for scrap and cutting copper tubes, releasing refrigerant into the atmosphere. Further investigation is under way to determine what these gases are and whether Section 13 of OLPA has been breached.
55. As part of the Inspection Programme transition phase, seven inspections were undertaken by 31 March 2019. These inspections focused on importer and manufacturers of agricultural compounds, fireworks and explosives. A further five inspections scheduled for March 2019 were postponed as a result of events in Christchurch.
56. The Ministry of Health has been advised of the Public Health Units which have been selected for audit. The audit focuses on the delegation, from the EPA to Health Protection Officers and Medical Officers of Health, to make decisions on permissions in relation to selected vertebrate toxic agents.

Exclusive Economic Zone

Compliance

57. An offshore inspection was completed during March 2019.
58. There have been 17 permitted activities notified to the EPA in 2018/19. Two permitted activity waivers were granted in March 2019.

Emissions Trading Scheme (ETS)

Annual compliance period

59. The ETS Team has completed the dormant account work. The team has closed 1,000 accounts after 1,600 emails were sent; approximately 600 account holders responded requesting their accounts remain open. These accounts all met a pre-determined criteria to assess whether an account was still required, and were approved.
60. Annual emissions returns (AERs) for non-forestry participants were required by 31 March 2019: 165 of an expected 208 returns were submitted. Of the 43 returns not submitted by the deadline, 32 have received extensions to 30 April 2019. The other 11 returns are being followed up, with action to be taken as appropriate. For some participants a return was not required, and we will be working with them to complete deregistration. The numbers of extensions and defaults was similar last year.

General compliance

61. We continue the programme of work on compliance with synthetic greenhouse gas levies. We continue to follow up on identified issues from our 2018/19 programme of third party reviews.

Reporting

62. This quarter we responded to 23 Official Information Act requests, 15 Ministerials, 8 Parliamentary Questions, and 7 enquiries from the public.

Financial Overview

	Actual YTD \$000	Budget YTD \$000	Variance \$000	Budget FY \$000
Total Revenue	21,494	21,791	(297)	30,979
Total Expenses	20,896	21,984	1,088	30,979
Net operating surplus/(deficit)	598	(193)	791	-
Programme of Work	1,740	1,682	(58)	2,985
Net Surplus / (Deficit)	(1,142)	(1,875)	733	(2,985)

63. The EPA Board approved a deficit operating budget for the current financial year to facilitate use of our accumulated cash reserves in achieving the business and systems improvement projects under the EPA's Programme of Work.
64. The net deficit for the nine months to 31 March 2019 is \$1,142k compared with a budgeted deficit of \$1,875k. This net result includes Programme of Work (PoW) costs of \$1,740k which have been separately classified. The variance between Actual and Budget is mainly due to the following movements:
- Revenue is currently tracking below budget, partly due to EEZ Application Fees which have generated less revenue than expected year-to-date. Much of this EEZ Application fee revenue reduction is matched by a corresponding decrease in expenses, as some revenue are the result of cost recovered activities.
 - Year-to-date Personnel costs are lower than budgeted, largely due to unfilled positions that were originally assumed to be filled earlier in the financial year. Personnel costs are starting to increase each month in recent periods as numerous vacant positions are now being filled.
 - Computing and telecommunications costs are lower than budgeted due to savings on software license fees, and hardware maintenance.

Summary of Costs by Appropriation for period ended 31 March 2019				
Appropriation	Actual YTD \$000	Budget YTD \$000	Variance \$000	Annual Budget \$000
Decision Making	13,928	14,657	729	21,692
Monitoring & Enforcement	4,251	4,279	28	5,888
Emissions Trading Scheme	4,457	4,730	273	6,384
Total costs¹	22,636	23,666	1,030	33,964

Note 1. This total balance comprises the costs reported as 'Total expenses' plus the 'Programme of Work' in the table above.

Summary Statement of Financial Position as at 31 March 2019			
	Actual at 31 Mar 2019 \$000	Budget at 30 Jun 2019 \$000	Actual at 30 Jun 2018 \$000
Total Assets	14,954	13,526	16,598
Total Liabilities	2,699	3,001	3,201
Total General Fund	12,255	10,525	13,397
Working Capital ratio	3.7	2.9	3.5

65. Total assets are currently consistent with the budgeted year-end position. The working capital ratio remains strong at 3.7 times.