



Annual Report – 2010/11

Presented to the House of Representatives pursuant to section 44(1) of the Public Finance Act 1989



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New Zealand Fisheries at a Glance

Environment	2010/11	2009/10
New Zealand Marine Fisheries Waters (Exclusive Economic Zones and Territorial Sea)	4.4 million km ²	4.4 million km ²
New Zealand Coastline	15 000km	15 000km
Marine species identified ¹	16 000	16 000
Area closed to bottom trawling (fisheries restrictions)		
Territorial Sea	15%	15%
Exclusive Economic Zone	32%	32%
Primary productivity	Moderate/some high	Moderate/some high
Ecosystems	Diverse	Diverse
Climate	Sub-tropical to sub-Antarctic	Sub-tropical to sub-Antarctic
Fish stocks		
Species/species complexes in QMS	99	97
Individual stocks in QMS	636	633
Species commercially fished ²	130	130
% of landings (by value) from stocks of known status ³	66%	67%
% stocks of known status at or above target level	69%	69%
Total allowable commercial catch (TACC) ⁴	609 957 tonnes	623 915 tonnes
Actual commercial catch	418 306 tonnes	422 774 tonnes
Commercial Fisheries and Aquaculture		
Total seafood export value, (FOB) ⁵	\$1.56 billion	\$1.42 billion
Aquaculture exports ⁶	\$300.7 million	\$250.7 million
Total seafood exports	312 776 tonnes	290 537 tonnes
Total quota value ⁷	\$4.017 billion	\$4.017 billion
Quota holders	1 540	1 556
Commercial fishing vessels	1 304	1 278
Processors and Licensed Fish Receivers	227	220
Direct employment (full-time equivalents) ⁸	8 080	8 310
Cost recovery levies (fisheries services) and user fees	\$32.2 million	\$31.6 million
Total area of marine farms (hectares)	23 280	23 257
Total number of marine farms ⁹	1 289	1 284
Customary Fisheries		
Tangata Tiaki appointed (South Island)	126	127
Tangata Kaitiaki appointed (North Island)	308	283
Tangata Kaitiaki appointed (Chatham Islands)	13	13
Poutiriao appointed Te Arawa Lakes	9	
Temporary closures for customary purposes (section 186)	4	6
Taiāpure-local fisheries	8	8
Mātaítai reserves	20	10
Customary take provided for within the TACC	4 520 tonnes	4 813 tonnes
Recreational Fisheries		
Estimated participation (as a % of the total NZ population) ¹⁰	20%	20%
Estimated annual take ¹¹	25 000 tonnes	25 000 tonnes
Ministry of Fisheries		
Budget (excl. GST)	\$96.0 million	\$101.9 million
Net assets	\$13.3 million	\$13.3 million
Staff (FTEs) (March 2011)	428.3	427.0
Honorary Fishery Officers (March 2011)	225	205
Observers (March 2011)	61	47

- Environment New Zealand 2007*, Ministry for the Environment.
- All species commercially fished, including those outside of the QMS.
- Percentage of stocks calculated by weight and value, excluding squid.
- Latest complete fishing year, excludes OYU5, which are recorded as individuals.
- Seafood Export Summary Report*, SeaFIC 2009 calendar year.
- Mussel, salmon and oyster exports from Seafood Export Report, SeaFIC, 2009 calendar year.
- Statistics New Zealand, Fish Monetary Stock Account 1996–2009* reported biannually.
- Statistics New Zealand, Linked Employer-Employee database figures.
- Farms authorised, whether actually being farmed or not/productive or not.
- Sport and Recreation Profile: Fishing*, SPARC Active New Zealand Survey, 2007/08.
- 1999/00 Survey of recreational fishers – this is now believed to be a significant over estimate and we expect more robust information to come from the new integrated survey of recreational fishers that began in July 2011.

■ FOREWORD FROM THE CHIEF EXECUTIVE

I am pleased to present the Ministry of Fisheries' annual report for the year ended 30 June 2011.

The Ministry of Fisheries has made a major contribution to New Zealanders' maximising benefits from the use of fisheries within environmental limits. The Ministry developed and enhanced one of the world's leading fisheries management systems.

In 2010/11 we continued to work with stakeholders on Fisheries 2030, the Government's long-term goal and action plan for the fisheries sector. Through collaborative efforts we continue to help to ensure the sustainability of fisheries resources and a healthy aquatic environment.

Passage of the Aquaculture Legislation Amendment Bill in August 2011 has unlocked the growth potential of the aquaculture sector allowing it to become a key contributor to the New Zealand economy. The Aquaculture Unit (Ahumoana Ahutāngata), set up within the Ministry to be the Government's principal adviser on land-based and marine aquaculture, is developing a National Strategy and Action Plan.

The aquaculture reforms have been a major achievement, which conclude over three years of focused effort, working with industry, iwi and stakeholders. I would like to thank all those who took part, but particularly the Ministry's staff who committed themselves to developing a platform to enable the aquaculture industry to grow in a sustainable way.

We are now delivering a more focused approach to fisheries management plans for the deepwater, highly migratory species, freshwater, inshore shellfish and inshore finfish sectors. Iwi will have input into fisheries management through iwi fisheries plans that are currently being developed.

The beginning of July marked the start of a new era for the Ministry of Agriculture and Forestry (MAF) and the Ministry of Fisheries, merged into a single agency bringing the best of both together to achieve our vision of "Growing and Protecting New Zealand".

The merger will significantly enhance the new Ministry's ability to deliver high-quality services and support to the whole of the primary sector. It will enable the organisation to deliver more integrated strategic advice on long term economic growth through the sustainable management of natural resources used by the primary sector and deliver on our goals: maximising export opportunities and

improving sector productivity, while increasing sustainable use and protecting New Zealand from biological risk.

I am confident that the changes in our organisations will allow us to contribute substantially to the Government's priority to grow the New Zealand economy to deliver greater prosperity to all New Zealanders.



Wayne McNee
Director-General

This annual report covers the activities of the Ministry of Fisheries for 2010/11. A separate annual report has been prepared for the Ministry of Agriculture and Forestry as the two organisations did not amalgamate until 1 July 2011.

■ THE MINISTRY'S ROLE

The role of the Ministry of Fisheries (the Ministry) is to:

- > be the Government's principal adviser on fisheries management and aquaculture development;
- > maintain the effective management of New Zealand's fisheries;
- > discharge the Crown's obligations under the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992, the Māori Fisheries Act 2004 and the Māori Commercial Aquaculture Claims Settlement Act 2004.

In this role, the Ministry:

- > provides advice on policy and statutory decisions about New Zealand fisheries management and aquaculture;
- > provides advice in relation to New Zealand's position on international fisheries management and trade access;
- > provides compliance services, including education, enforcement and prosecution;
- > provides observer services;
- > purchases and monitors research and registry services;
- > provides oversight and quality assurance of fisheries scientific research;
- > collects catch, effort, area, method and other fisheries information.

An aquaculture unit has been established within the Ministry of Fisheries as the Government's principal adviser on marine and land-based aquaculture.

To fulfil its obligations, the Ministry works with a wide range of government agencies, tangata whenua, service and research providers, and stakeholder groups, including fishers and environmental organisations.

Scope of operations

The Ministry administers the following legislation:

- > Fisheries Act 1996 (and residual parts of the Fisheries Act 1983);
- > Treaty of Waitangi (Fisheries Claims) Settlement Act 1992;
- > Fisheries (Quota Operations Validation) Act 1997;
- > Māori Fisheries Act 2004;
- > Māori Commercial Aquaculture Claims Settlement Act 2004;

- > Aquaculture Reform (Repeals and Transitional Provisions) Act 2004;
- > Driftnet Prohibition Act 1991;
- > Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010;
- > Antarctic Marine Living Resources Act 1981.

It also administers many regulations related to managing fisheries within New Zealand's Exclusive Economic Zone (EEZ) and managing New Zealand's fishing activity internationally.

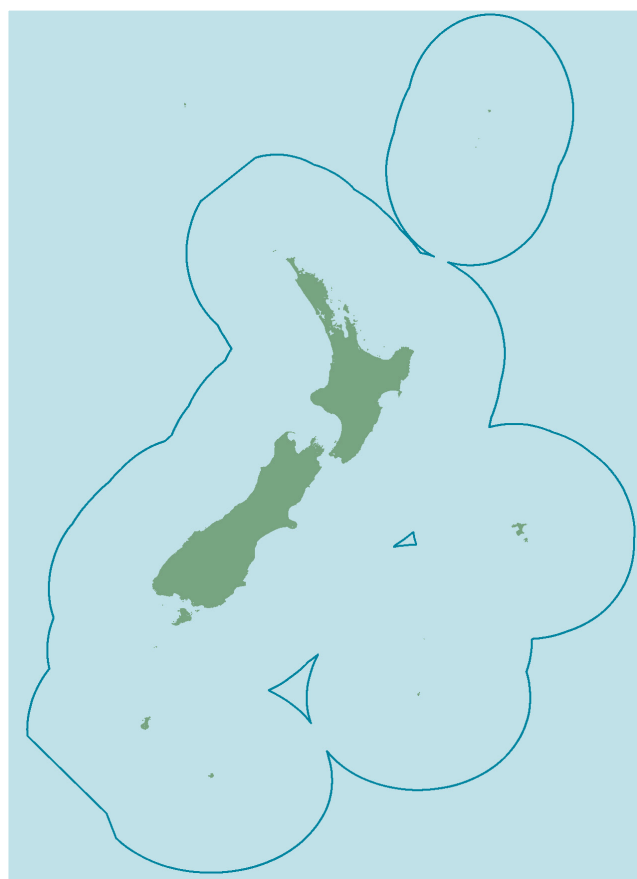


Figure 1: New Zealand's Exclusive Economic Zone.

The Year in Review

Key achievements for the year

Aquaculture

Aquaculture currently generates around NZ\$370 million of domestic and export sales annually, or approximately 20 percent of the total value of New Zealand seafood production. The aquaculture industry has been identified by the Government as having significant unrealised potential for growing the economy.

Aquaculture reforms have been a key area of focus for the Ministry of Fisheries for the past three years. The Ministry has been the lead agency, working closely with other agencies, for the Aquaculture Legislation Amendment Bill (No 3), which was introduced to Parliament in November 2010 and enacted in August 2011. The Ministry also provided support for engagement between the Crown and iwi to develop options for delivering the Māori commercial aquaculture claims settlement under the new law.

These reforms are the central element of the Government's support to enable industry to meet its goal of generating export sales of NZ\$1 billion by 2025. They will allow evolution to farming of higher value species, including finfish, and easier access to new water space for development. They will also reduce costs, delays and uncertainty, will promote investment in aquaculture development, and enable integrated decision making.

The Ministry is now well under way with preparations for implementing the aquaculture reforms. A review of land-based aquaculture will start shortly.

South Pacific Fisheries Convention

New Zealand continued to play a role in establishing the South Pacific Regional Fisheries Management Organisation (SPRFMO), which will manage non-tuna species on the high seas, including deep sea fish stocks, such as orange roughy and bluenose, and pelagic species, such as jack mackerel.

In June 2011, New Zealand ratified the Convention that creates SPRFMO. There were 13 signatories to the Convention when it closed for signature on 31 January 2011. The Convention completes a comprehensive framework for sustainably managed South Pacific fisheries and is a positive step towards managing one

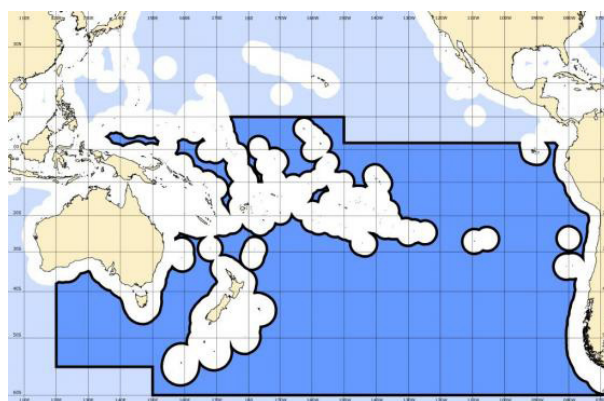


Figure 2: Provisional area of SPRFMO

of the world's largest areas of ocean¹ under a single regional fisheries management organisation.

The Interim Secretariat of the SPRFMO is based in Wellington and the Commission's first Preparatory Conference meeting was held in Auckland in July 2010. A second session took place in Colombia earlier in 2011 and a third is scheduled for Chile in early 2012.

Fisheries Plans

A more streamlined approach to national fisheries plans in 2010/11 enabled the Ministry to have fisheries plans in place for most of its fisheries.

The Minister of Fisheries and Aquaculture approved the five-year deepwater and highly migratory species fisheries plans in October 2010. The three inshore fisheries plans took longer to develop, given the change from a regional to a national approach in these fisheries. Drafts of the three inshore plans were completed in time to start trialling them from July 2011, with approval from the Minister likely to be sought in 2012/13.

This new approach to fisheries plans is now driving the Ministry's planning and prioritisation processes and therefore ensuring better alignment of activity and resources across the organisation.

Research

High-quality, cost-effective research is a critical contributor to meeting the Ministry's fisheries management objectives.

¹ The Interim Secretariat has made the above map available for information purposes only. It is a pictorial illustration of the area of application of the Convention that is properly described in legal terms in Article 5. The map is not part of the Convention text and has no legal status. It is not intended to reflect exactly the maritime spaces of adjoining coastal states and cannot be considered to constitute recognition of the claims or positions of any of the participants in the negotiations leading to the adoption of the Convention concerning the legal status and extent of waters and zones claimed by such participants.

The Research Services Strategy, which reviewed planning, prioritisation and procurement of scientific research, was completed in 2010 with considerable input from stakeholders. A key change is the move to longer term research contracts, starting with deepwater fisheries.

The Government is supporting research to improve estimates of recreational catch. The Ministry has developed an integrated system for estimating this catch. Better information is important for setting catch limits that will ensure the sustainability of fisheries. Some of the components of the integrated system include:

- > onsite surveys (for example, observations of fishing activity at various locations);
- > offsite surveys (such as random surveys of households to ask people about what they caught);
- > remote monitoring (for example, web-camera indices of boat ramp use);
- > amateur charter vessel activity reporting.

Frontline Compliance

The 2011 year saw the successful culmination of two of the longest and most comprehensive fisheries enforcement operations in New Zealand's history. *Operation PAID* was a two-year operation targeting the organised poaching, sale and distribution of paua from the Wellington coastline. This operation netted a total of 53 defendants who faced 321 charges. Twenty-eight received prison sentences and 23 received community-based sentences.

Taskforce Webb involved the investigation and prosecution of parties in extensive illegal commercial fishing and was one of the largest prosecutions the Ministry has conducted. The penalties, a record \$4.2 million for misreporting catch, included \$840 000 in fines, \$635 000 in forfeited fish sales and \$1.54 million in deemed value debt of fishing quota – that was caught outside the quota – to be paid to the Crown. They were also ordered to pay the Crown \$1.11 million, or half the value of the New Zealand-registered *Tomi Maru 87*, to have the ship returned.

Public support for the Ministry's compliance activities has also increased: this year's public summer education campaign, "4 Million Guardians" resulted in a record number of over 6700 calls to the 0800 4 POACHER (0800 476 224) hotline.

Treaty Partnership

The Ministry has been working hard in 2010/11 to more effectively fulfil the Crown's Treaty obligations to provide for

Māori input into and participation in fisheries management decision making, with particular regard for kaitiakitanga, customary food gathering, consultation, and commercial and aquaculture rights.

The establishment of integrated Fishery Management Area (FMA) forums and the development of Forum Fisheries Plans to help iwi bring together their commercial, non-commercial and other fisheries goals will enable them to engage more effectively and influentially with the Crown.

Forum Fisheries Plans will contribute to a more effective fisheries management regime and realise the partnership between the Crown and tangata whenua by:

- > increasing the potential influence tangata whenua have on fisheries management decision making;
- > communicating directly with, and influencing, National Fisheries Plans and National Fisheries Plans processes;
- > being a contemporary expression of kaitiakitanga, setting out the tangata whenua vision for the freshwater and marine environment based on traditional knowledge and tikanga; and
- > providing a forum for consultation between Treaty Partners on other fisheries matters.

Merger with the Ministry of Agriculture and Forestry

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 the Ministry of Agriculture and Forestry. 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. This involved the development of a new organisational strategy, a coherent high level structure, and integration of critical systems – all in three months, and all while continuing to deliver both agencies' important business as usual.

The merger has created a government hub for the primary sectors focused on growing and protecting New Zealand. To be successful in growing and protecting New Zealand, the new Ministry will act as an enabler and partner to help those in the primary sectors succeed for the benefit of all New Zealanders.

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 the Ministry works with.

Strategic Direction

Contribution to Government Priorities

The Government's priority is to "Grow the New Zealand economy to deliver greater prosperity, security and opportunities for all New Zealanders". This includes:

- > raising New Zealand's economic performance, by unlocking resources where consistent with environmental and other objectives;
- > promoting science and innovation;
- > improving the quality and cost-effectiveness of the public sector.

The fisheries sector contributes directly to this goal through greater efficiencies and by realising greater benefits from the seafood New Zealand catches and farms.

The Government has directed government agencies to focus on the removal of unnecessary barriers and costs to doing business across the economy. It has also asked for more cross-agency collaboration and an ongoing focus from all government departments on finding ways to deliver services more effectively and efficiently.

Lifting Economic Growth

As part of the Government's Economic Growth Agenda to increase export earnings and create new jobs, the Ministry has supported the Government's reform of the aquaculture legislation to enable sustainable development of the aquaculture industry.

Science and innovation play an important role in supporting growth. Through the Primary Growth Partnership, the Ministry has been actively encouraging innovation, providing assistance to industry through research funding. 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.

Economic growth is also dependent on access to foreign markets. Ninety-five percent of New Zealand's commercial catch and 75 percent of aquaculture production is exported.

The Ministry's international work, including supporting the free trade negotiations as part of the Government's International Strategy, is therefore crucial to ensure New Zealand maintains existing markets and accesses new markets for seafood products.

Value for Money

The Ministry regularly reviews its performance in key areas to evaluate its impact on its desired outcomes; for instance, the quality of policy advice and the cost-effectiveness of regulations. The Ministry is implementing a comprehensive monitoring regime to enable ongoing assessment of the effectiveness and efficiency of the activities and services it provides. This regime will be continued under the new merged Ministry.

Effective fisheries management demands high-quality information for decision making, effective rules, regulations and standards, and effective education and enforcement. All of these represent a cost to the industry and require careful prioritisation. The Ministry's fisheries plans address these prioritisation challenges – setting management objectives based on value and risk, and placing resource where it will make the most difference – as well as ensuring that regulatory intervention results in significant efficiency and value for money gains.

Cross-agency Collaboration – the Natural Resources Sector Network

The Ministry participates in the Natural Resources Sector Network² to ensure an integrated and aligned policy approach is taken to natural resources development across government agencies.

This integrated approach provides a platform for the sustainable management of natural resources within environmental limits to ensure a future for all users. Targeted and co-ordinated engagement particularly between government agencies is improving the quality and cost-effectiveness of the public service while reducing costs and resources for all involved.

Strategic Outcomes and Priorities

Fisheries 2030 and its action plan is the Government Strategy for the fisheries sector. It sets out a clear pathway for the entire fisheries sector and identifies a number of actions needed to achieve the goal of: *New Zealanders maximising the benefits from the use of fisheries resources within environmental limits.*

² The Natural Resources Sector (NRS) Network is led by the Ministry for the Environment and involves the Ministries of Agriculture and Forestry/Fisheries and Economic Development, the Department of Conservation, Land Information New Zealand and Te Puni Kōkiri. The Treasury, State Services Commission and the Department of the Prime Minister and Cabinet support the NRS network.

There are two outcomes that support this goal:

- > Fisheries resources are used in a manner that provides greatest overall economic, social and cultural benefit.
- > The capacity and integrity of the aquatic environment, habitats and species are sustained at levels that provide for current and future use.

The goal and the two outcomes acknowledge that New Zealanders benefit from fisheries in different ways (for example, commercial, recreational, customary, amenity interests, intrinsic value). They also recognise that we are constrained by the environmental impact these activities have on our fisheries and aquaculture resources.

Fundamental to achieving the Fisheries 2030 goal is an approach based on sound governance that:

- > enables the Treaty partnership to be realised;
- > creates public confidence and trust in the fisheries and aquaculture management regimes;
- > helps New Zealanders to understand their rights and responsibilities and to act accordingly;
- > creates optimal economic, social and cultural value from our fisheries;
- > puts in place an accountable, responsive, dynamic and transparent system of management.

Ministry Outcomes

The Ministry identified five outcomes for 2010/11 that specify what the Ministry seeks to contribute to achieve the Fisheries 2030 goal and outcomes and deliver improved governance. These are:

1. Maximise current benefits from the use of fisheries.
2. Maximise future benefits from the use of fisheries.
3. Better manage the adverse impacts of fishing on the aquatic environment.
4. Deliver the Government's fisheries and aquaculture obligations to Māori more effectively.
5. Build increasingly trusted and effective fisheries management.

In delivering these outcomes, a balance is required between:

- > short-term and long-term use;
- > different forms of use – commercial, recreational, customary; and
- > use and adverse effects on the environment.

These outcomes provide a framework to tell a comprehensive performance story that is reported on more fully in the Outcome Contribution section.

Ministry Strategic Priorities

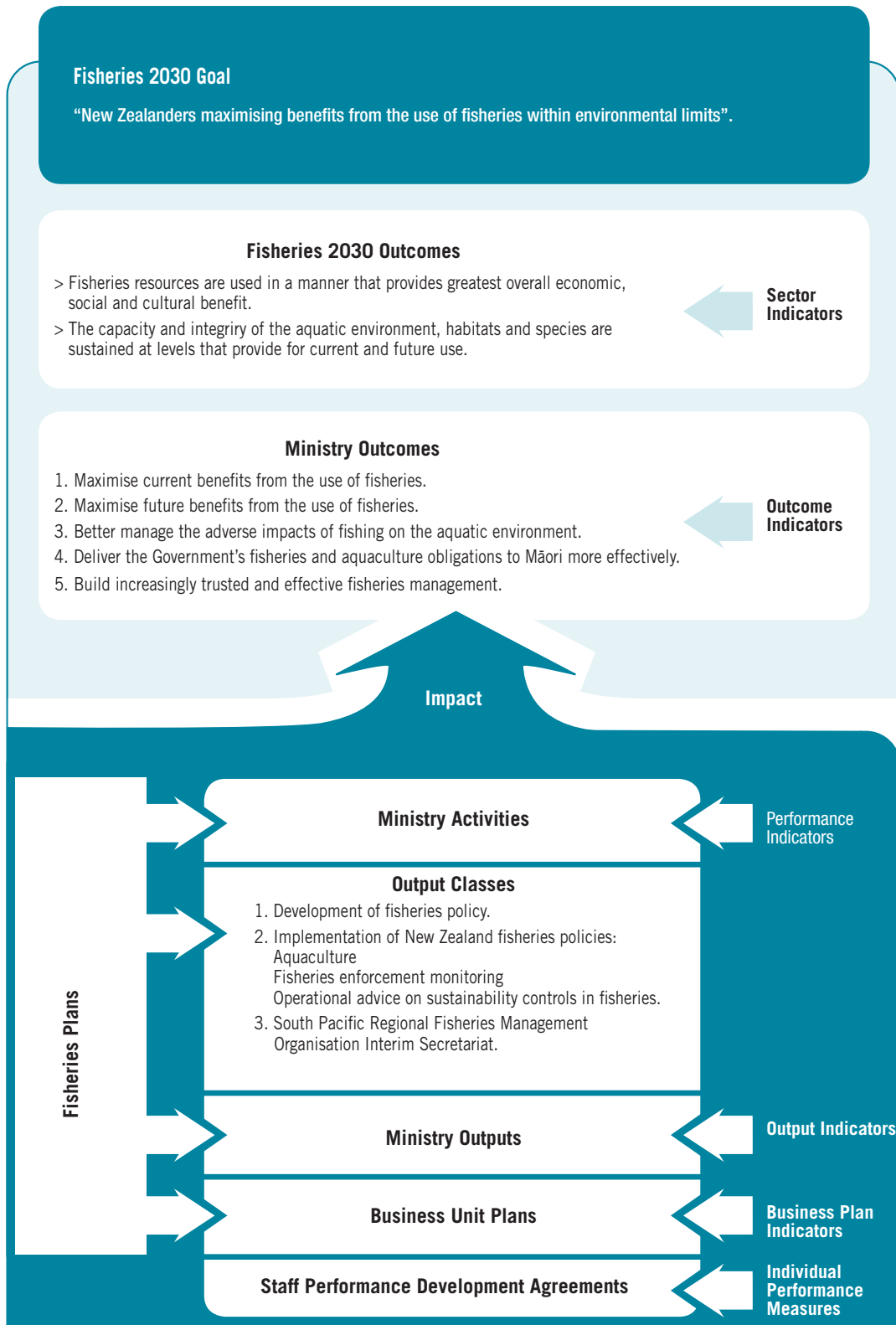
The Government's priorities for the fisheries sector, along with the goal and actions set out in Fisheries 2030, guide how resources are allocated within the Ministry, the projects that will be progressed and the priority various actions will receive. The Ministry's strategic priorities for 2010/11 were:

- > Aquaculture reforms (Outcome 2);
- > Regulatory reform (Outcome 2);
- > Standards development (Outcomes 3 and 5);
- > Promotion of New Zealand's international fishing interests (Outcomes 1 and 2);
- > Obligations to Māori programmes (Outcome 4);
- > Improvements in frontline compliance capacity (Outcome 5);
- > Fisheries planning (Outcome 5 but delivers across all outcomes and contributes to Delivery of Quality Public Services);
- > Recreational fishing research and reporting (Outcome 2);
- > Facilitating consideration of recreational only fishing areas (Outcome 1);
- > Collaborative government–industry projects (Delivery of Quality Public Services);
- > Performance monitoring and evaluation (Delivery of Quality Public Services, contributes across all outcomes).

Delivering on these priorities, together with core business activities such as fish stock sustainability rounds, has enabled the Ministry to make significant progress towards achieving the Government's goal and outcomes for the sector.

These are reported on in more detail in the sections on Outcome Contribution, Organisational Effectiveness and Service Performance.

Ministry outcomes framework



Outcome Contribution

OUTCOME 1: MAXIMISE CURRENT BENEFITS FROM THE USE OF FISHERIES

Fisheries provide a range of benefits from a variety of uses, including customary, recreational, aquaculture and commercial catch as well as non-extractive uses. The Ministry has an important role in ensuring benefits across these uses is maximised, without compromising future benefits and the capacity and integrity of the environment. This involves ensuring:

- > the management framework and rules enable the different sectors to access fisheries; and
- > improved industry performance is achieved through sustained and improved market access.

Stock sustainability underpins both current and future benefits. What the Ministry does to ensure stock sustainability is discussed in more detail under Outcome 2.

Management framework and rules enable access to fisheries

Each year the Ministry provides advice to the Minister on the setting and allocation of Total Allowable Catches (TACs) for stocks in the Quota Management System (QMS).

From the TAC an allowance is made to provide for customary uses, recreational fishing and all other fishing-related mortality. It is only after this that the balance is made available to the commercial sector as the Total Allowable Commercial Catch (TACC). This is the total amount of each fish stock the fishing industry can catch for that year.

The Ministry also uses regulations and spatial allocation tools where appropriate to manage tradeoffs between uses and to balance use with environmental considerations.

Demonstrating success

Ensuring Access

In 2010/11, the Ministry provided advice to the Minister on sustainable catch limits and sector allocations for 24 fish stocks including important commercial and non-commercial species such as lobster, hoki, orange roughy, hāpuka bass and kahawai.

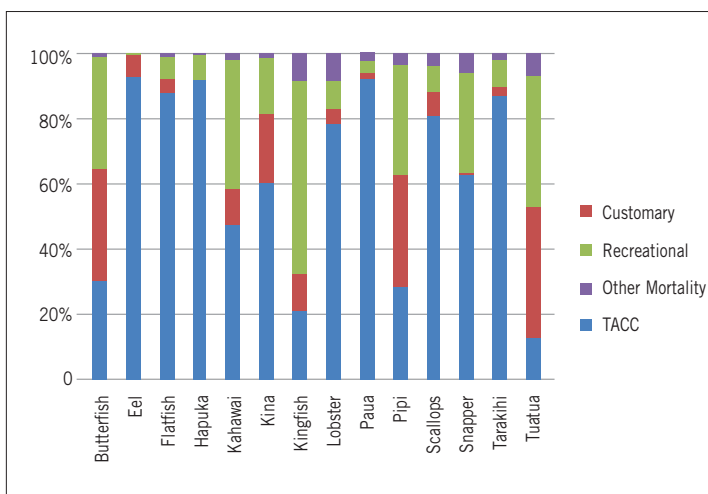


Figure 3: Sector allocations in key inshore fisheries for 2010/11.

Deepwater Fisheries

For key commercial deepwater fisheries, the focus of advice is on setting catch limits that ensure the long-term health of the fish stocks and enable industry to maximise benefit from the sustainable use of the stocks.

An example of this approach is the management of the hoki fishery over the past decade. The number of juvenile hoki entering the fishery declined in the early 2000s resulting in a decrease in stock biomass. In response, the Ministry made large reductions in catch limits that have helped rebuild the stock above target levels. Although this responsive management came at a financial cost to the industry in the short-term, it has meant that, over each of the past four years, the catch limit for hoki has steadily increased from 90 000 tonnes to the current catch limit of 130 000 tonnes. This additional 40 000 tonnes of hoki has an export value of approximately \$64 million.

Managing Access to Inshore Fisheries

For important shared fisheries like kahawai and rock lobster, the focus is on setting catch limits that ensure long-term health, providing for use by all fishing sectors and supporting maximisation of overall benefits from New Zealand fisheries. For example, the northern kahawai fishery is large and most

highly valued by recreational fishers. In this fishery, catch limits have been set this year in a way that will enable the stock to grow to a size able to provide for good recreational fishing experiences.

Non-commercial Sector Benefits

Customary Fisheries – Rolling out the Customary Fishing Regulations

The Ministry of Fisheries works with iwi and hapū to ensure they are able to realise their expectations from the allocation for customary use. For customary fishing, we have a target of 75 percent of the North Island coastline being managed under customary fishing regulations by 2014 and 95 percent of the South Island by 2012. As a result, an increasing number of hapū and iwi are now managing their customary fisheries under the customary fishing regulations (Figure 4).

Twenty mātaimai reserves have now been established since the customary fishing regulations were created in 1998. Four temporary measures were put in place in 2010/11 to manage localised depletion in Kaikoura-Wakatū Quay, Umupuia Beach, Maunganui Bay and Marsden Bank.

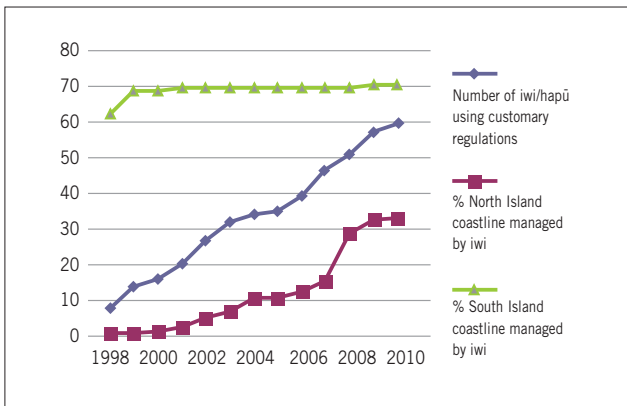


Figure 4: Take up of customary fishing regulations.

Recreational Fisheries

Recreational fishing is important for New Zealanders; more than one in five New Zealanders go fishing each year. The Ministry provides advice to the Minister on catch and size limits, and method restrictions, to ensure the recreational allowance is effectively managed so that recreational fishers are able to maximise the benefits they are seeking.

One example of this in 2010/11 was the Marlborough Sounds blue cod fishery. This is an important fishery that was closed in 2008 because of concerns about local depletion of blue cod. The Ministry supported a recreational stakeholder group to generate ideas on future management

options for the fishery, which provided a foundation for consultation with the public and advice to the Minister. The Marlborough Sounds blue cod fishery was reopened on 1 April 2011 with a set of new rules to manage recreational fishing effort sustainably. The Ministry supported the reopening with education and compliance services.

Improved Industry Performance

Demonstrating success

Economic Performance

Export Value

Total seafood export value has increased by 22.9 percent between June 2005 and June 2011. This increase in value reflects the general increase in the world price for food commodities (including seafood). The increase in world prices is being driven by increased demand from emerging economies such as China and India.

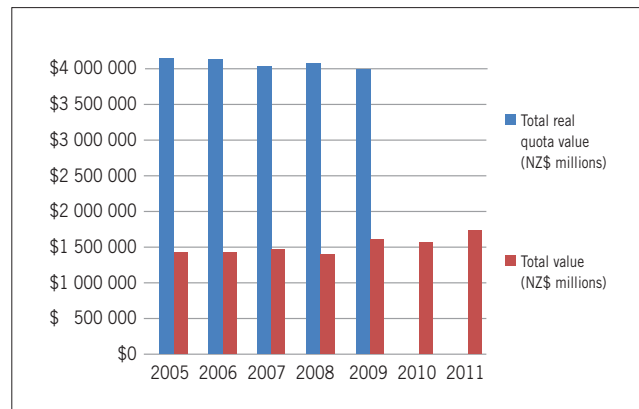


Figure 5: Total seafood export value and total real quota value, from New Zealand Seafood Industry Council based on Statistics New Zealand data.

Quota Value

There has been a slight decrease in Total Real Quota Value (-4.0 percent) between 2005 and 2009. Total Real Quota Value is the value after the impact of inflation is removed.³ The last Fish Monetary Stock Account, which provides data on quota value, was produced in 2009 and there currently is no data for 2010.

The sustainability of fish stocks and the broader integrity of the fisheries management regime underpin quota value. The importance of this increases as other countries' fisheries continue to decline and demand for sustainably managed fish grows. An increase in quota value is expected as a result

³ Using the gross national expenditure or GNE price deflator produced by Statistics New Zealand.

of ongoing work to ensure the sustainability and integrity of New Zealand's fisheries, reduce regulatory burden and support innovation and market access.

Aquaculture Export Value

Aquaculture export value increased by 49.7 percent between June 2005 and June 2011 while aquaculture export volume only increased by 18.8 percent.

The increase in aquaculture export volume has been constrained by the aquaculture regulatory regime. Ministry-led aquaculture reforms will result in new space coming on stream and existing farms converting to higher-value species (see Outcome 2). These reforms, alongside major government-industry investment in research and innovation, should see major improvements in aquaculture performance in the near future.

The Ministry has also continued to support MFAT in negotiating Free Trade Agreements to ensure our fisheries interests are properly represented. These have the potential to significantly enhance export returns from New Zealand's fisheries resources by improving access to new, developing and existing markets through reduction in tariffs and other barriers.

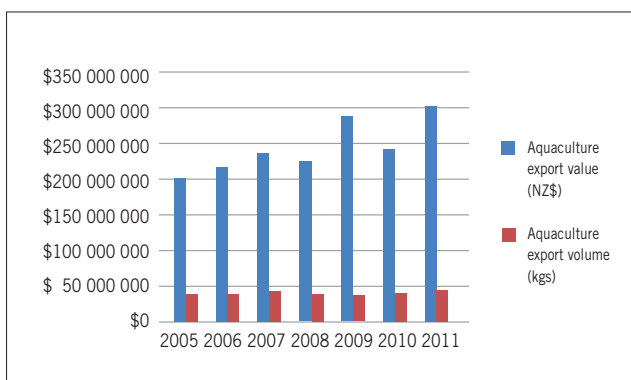


Figure 6: Aquaculture export volume and export value.

Market Access

The work of the Ministry to support international market access is very important for ensuring the sustainability of the seafood export market. The Ministry takes a proactive approach, working closely with the Ministry of Foreign Affairs and Trade (MFAT) and industry, to engage with governments, retailers, consumer groups, international scientists, NGOs, and others to defend and promote New Zealand's seafood industry.

For example, when the European Union (EU) brought in regulations that required every fish taken into Europe to be certified as being caught legally, the Ministry worked with the EU to maintain access for New Zealand products to this important market – the EU is the third largest direct market for New Zealand seafood exports.

OUTCOME 2: MAXIMISE FUTURE BENEFITS FROM THE USE OF FISHERIES

The sustainable management of fish stocks underpins all uses of fisheries, today and in the future. This outcome focuses on what the Ministry needs to do to ensure the integrity of the fisheries management regime – domestically and internationally – to maximise future benefits from the use of fisheries resources and enable the sector to take advantage of new opportunities. The Ministry achieves this in four ways:

- > maintaining the health of fish stocks;
- > removing unnecessary barriers to benefits being realised;
- > facilitating commercial development opportunities; and
- > contributing to the integrity of the global fisheries management regime.

Maintaining the Health of Fish Stocks

The Harvest Strategy Standard (HSS) is the Ministry's principal tool for sustainably managing fishstocks in the QMS. The HSS requires that target and limit biological reference points be set for all QMS fishstocks but is flexible about the means by which this is achieved. The HSS consists of four key measures:

- > A soft limit, below which a stock is considered “overfished” or depleted, triggering a requirement for a formal, time-constrained rebuilding plan.
- > A hard limit, below which a stock is considered collapsed, triggering consideration of a fisheries closure.
- > An overfishing threshold, above which the rate of extraction is considered to be too high.
- > A specified management target about which a fishery or stock should fluctuate.

Fisheries Plans and/or Annual Operational Plans incorporate the core elements of the Harvest Strategy Standard and specify the objectives that are to be achieved.

Demonstrating Success

Fisheries Assessment Working Groups assess the status of New Zealand's fish stocks based on the results of the Ministry's scientific research, combined with catch reports and data from the observer programme. Fish stocks are evaluated against the four HSS measures.

These assessments are summarised in two annual Fisheries Plenary Reports.

Stock Status

There are currently 636 stocks in the QMS. However, 286 stocks are considered to be “nominal” stocks (fish stocks for which a significant commercial or non-commercial potential has not yet been demonstrated).

Although stocks of known status represent less than half of the remaining 350 stocks, they account for 66 percent of the total landings by weight and value⁴ and represent most of the main commercial fish species.

The number of stocks with enough information to assess their status relative to the soft limit has increased to 127, up from 105 a year ago. Of these, 85.0 percent were considered to be above the soft limit (Figure 7).

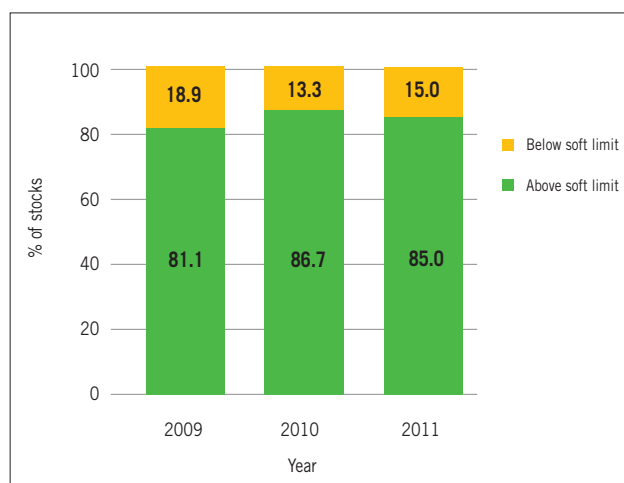


Figure 7: Percentage of stocks above and below soft limit.

The number of stocks evaluated relative to the hard limit was 164, up from 146 a year ago. Of these, 93.9 percent were above the hard limit (Figure 8).

The number of stocks evaluated relative to the overfishing threshold was 103, up from 89 a year ago. Of these, 78.6 percent were below the threshold (Figure 9).

⁴ This excludes squid, which has a life cycle that is not amenable to management relative to maximum sustainable yield benchmarks.

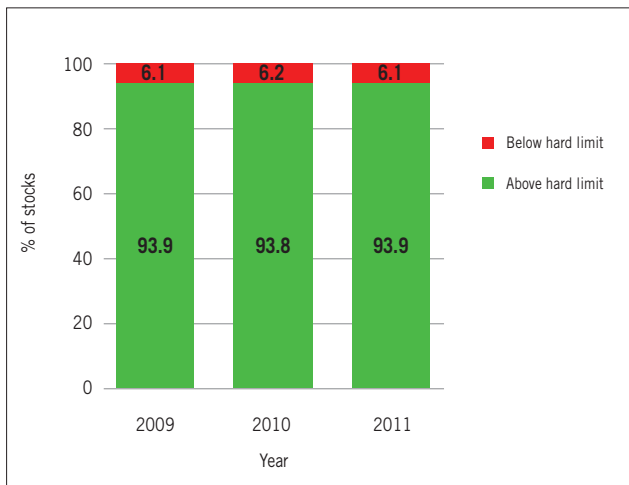


Figure 8: Percentage of stocks above and below the hard limit.

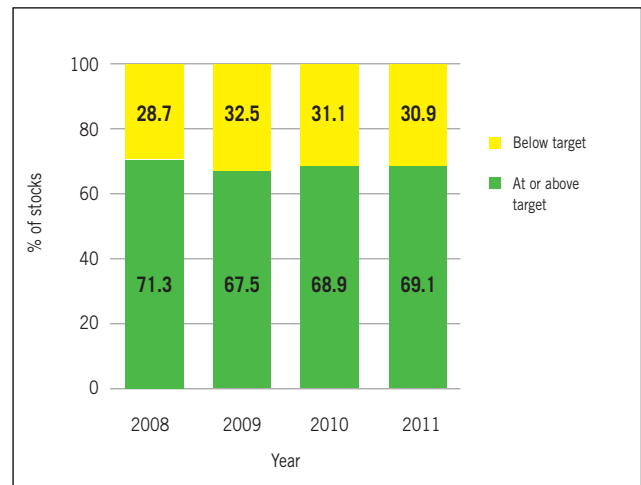


Figure 10: Percentage of stocks at or above and below the management target.

The number of stocks evaluated relative to the management target was 123, up from 119 a year ago. Of these, 69.1 percent were above the target (Figure 10). However, just because a stock is below its management target it does not mean the stock is being fished unsustainably as fish stocks are expected to fluctuate around their targets. More important indicators are the numbers of stocks below biomass limits and rates of overfishing.

Managing At-risk Fish Stocks

The 19 stocks considered to be below the soft limit are:

- > southern bluefin tuna (a highly migratory species over which New Zealand has limited influence);
- > three stocks of black cardinalfish;
- > five stocks of bluenose;
- > six stocks or sub-stocks of orange roughy; and
- > one stock or sub-stock each of rock lobster, scallop, snapper and rig.

Ten of these 19 stocks were also considered to be below the hard limit.

In all cases where fisheries are below the soft or hard limit, corrective management action has been, or is being, put in place to rebuild the stocks.

For example, fisheries on three previously collapsed orange roughy stocks were closed to maximise the rate of rebuilding. Two of these have since been reopened. A sixth consecutive year of TACC reductions has been implemented for the main Chatham Rise orange roughy stock. A TACC reduction has also been implemented for orange roughy on the Mid-East Coast for 2011. In 2010, the industry Deep Water Group voluntarily agreed not to fish for orange roughy on the northwest Chatham Rise.

The Tasman Bay scallop fishery has been closed by the fishing industry to commercial fishing since 2006. Bluenose stocks were identified as being in need of rebuilding in May 2008, and TACCs have subsequently been reduced with

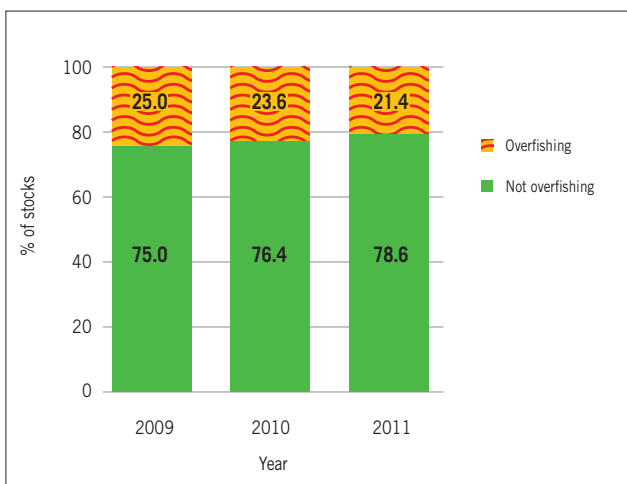


Figure 9: Percentage of stocks above and below the overfishing threshold.

further reductions implemented for 2011. Staged TACC reductions have been adopted for black cardinalfish. The TACC for one rock lobster stock was reduced in April 2010.

International Context

The overall status of New Zealand's fish stocks compares favourably with the rest of the world. For example, in the USA, which has one of the most extensive research, monitoring and fish stock assessment programmes in the world (and defines "overfished" in much the same way as New Zealand), the most recent information indicates that 23 percent of stocks of known status are overfished. The comparable figure for New Zealand is 15 percent (noting that corrective actions have been, or are being, taken to rebuild the stocks).

Fisheries Information

Good fisheries management is underpinned by robust scientific research and assessments of the abundance of fish stocks and the health of the environment that supports them. During 2010/11, the Ministry commissioned \$18 million for fisheries research projects.

The new collaborative 10-year "Deepwater Fisheries Research Programme" will deliver more comprehensive and consistent information including research into stock assessment and the aquatic environment.

The Ministry has also made significant progress on improving the information it collects on recreational catch, with the completion of the design and, from July, implementation of the largest study into recreational fishing in a decade. In addition, amateur fishing charter vessel operators have, since November 2010, been reporting their fishing activity. Information provided includes the volumes of some high-value species, such as bluefin tuna, kingfish, blue cod, hāpuku and rock lobster caught by their customers.

Removing Unnecessary Barriers

Demonstrating Success

The Ministry aims to provide greater precision and less ambiguity in the law, resulting in greater certainty for stakeholders as they seek to maximise value from New Zealand's fisheries resources.

Aquaculture Reform

The Aquaculture Bill was passed on 16 August 2011 and comes into force on 1 October 2011.

The new law will reduce costs, delays and uncertainty with aquaculture regulatory processes, promote investment in aquaculture development and enable more integrated decision making within the coastal marine area. It allows additional water space to be made available and provides flexibility for farms to convert to higher-value species. The new law also allows decisions to be made on applications for new marine farms that have been held in limbo for many years. This will help increase investment and regional employment while protecting the coastal environment.

Towards the end of 2010, a specialist Aquaculture Unit was established within the Ministry to be the Government's principal adviser on aquaculture matters, develop a National Aquaculture Strategy and Action Plan, and lead implementation.

Better and Less Regulation

The Ministry has continued its work on the Government's Better and Less Regulation reform programme. The Ministry's focus is to ensure that its regulatory activity is effective, well prioritised and supports the Government's economic and sustainability outcomes in Fisheries 2030. The 2010/11 regulatory plan represents a 13 percent reduction in overall regulatory proposals as compared with the 2009/10. The Ministry is also consolidating its recreational and commercial fishing regulations into two sets of regulations and revoking 12 sets of commercial and seven sets of recreational regulations.

Facilitating New Commercial Opportunities

Demonstrating Success

Primary Growth Partnership

The Ministry has been working with the seafood industry on two major innovative Primary Growth Partnership projects: New Generation Shellfish and Precision Harvesting. These projects will receive funding of \$26.1 and \$26.3 million respectively over the next six to seven years and will result in improved sustainability of broodstock and fish stocks, improved productivity and enhanced environmental performance.

These programmes are based on smart innovations and demonstrate the value of Government partnering with New Zealand industries to drive better economic performance and growth. They will also deliver significant economic growth for the seafood sector by supplying markets with high-value seafood products. Once completed and fully

commercialised, it is expected that these projects combined will generate an additional \$330 million in revenue each year (representing a 20 percent increase on current revenue).

Contributing to Global Fisheries Management

Demonstrating Success

Pacific Island Country Capability Development

The Ministry's involvement in building the fisheries management capacity and capability of Pacific Island countries is expected to lead to improved outcomes. This is a priority objective for the Government. In February 2011, the Ministry of Fisheries and the Ministry of Foreign Affairs and Trade signed a memorandum of understanding to deliver a whole-of-government approach to meeting this priority. This provides the framework for a number of initiatives to support Pacific Island countries' fisheries management and development.

Regional Fisheries Management Organisations

The Ministry particularly works to strengthen the performance of the Regional Fisheries Management Organisations (RFMOs) to which New Zealand is party, primarily the South Pacific Regional Fisheries Management Organisation (SPRFMO), Commission for the Conservation of Southern Bluefin Tuna (CCSBT) and the Western and Central Pacific Fisheries Commission (WCPFC). This involves taking an active role in processes to improve scientific assessments of stock status, governance arrangements and compliance with conservation and management measures.

OUTCOME 3: BETTER MANAGE THE ADVERSE IMPACTS OF FISHING ON THE AQUATIC ENVIRONMENT

Fishing can have an impact on the natural environment and the seabirds, marine mammals, fish and other marine life in the seas surrounding New Zealand. The Ministry is responsible for managing these impacts under the Fisheries Act 1996. The Ministry works with tangata whenua, stakeholders and other government agencies to minimise negative effects on environment by ensuring:

- > fishing interactions with protected species are managed to any limits set;
- > risks to biodiversity/ecosystems/habitats from fishing are managed; and
- > fisheries decisions are enhanced through improved understanding of the aquatic environment;
- > fish stocks below soft and hard limits have measures in place to rebuild them (see Outcome 2).

Fishing Interactions are Managed to Set Limits

Demonstrating Success

New Zealand Sea Lions and the Squid Fishery

Each year, the Ministry advises the Minister of Fisheries and Aquaculture on options for the number of sea lions that can be killed that year before the squid fishery is closed. The Minister sets a Fishing Related Mortality Limit (FRML), which balances the need to use the squid resource against the need to protect the sea lion population from unacceptable risk.

No captures were observed in 2010/11. The FRML has not been reached in the past five years.

TABLE 1: SEA LION CAPTURES AND FISHING RELATED MORTALITY LIMITS SINCE 2006/07

Year	% observer coverage	Observed captures	Estimated captures	FRML
2006-07	41	7	56	93
2007-08	47	5	46	81
2008-09	39	2	72	113 (95)†
2009-10	19	2	44	76
2010-11	33	0	58	68

† Industry agreed to a lower limit of 95 for 2008/09 due to a decrease in pup numbers that became apparent after the Minister announced the FRML for that year.

Risks to Biodiversity, Ecosystem and Habitats are Managed

Demonstrating Success

Observer Programme – Protected Species Interactions

The Observer Programme is a key tool for monitoring and assessing the impact of fishing on the aquatic environment.

Observers recorded 512⁵ protected species interactions while aboard commercial fishing vessels within the New Zealand EEZ this year (see Figure 11). The figure includes all protected species interactions (except protected coral species), including recently protected fish species (Basking Sharks and Manta Rays).

Overall, there has been a steady fall in the number of observed protected species interactions over the last decade and this translates to declines in the estimated number of protected species caught (for example, Figure 12 for seabirds⁶). Wider use of mitigation devices have contributed to this improvement.

The move to full observer presence in the deepwater fleet, more comprehensive coverage of the inshore fleet, and the adoption of risk-based approaches will enable more confident identification of these trends.

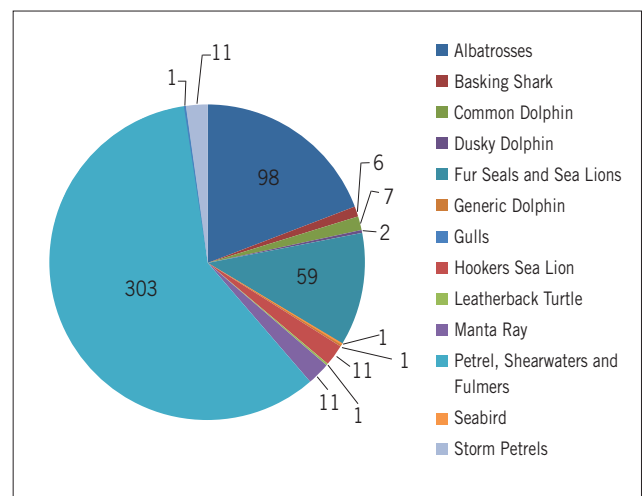


Figure 11: Breakdown of protected species interactions in 2010/11.

⁵ Provisional.

⁶ From Abraham and Thompson 2011, Summary of the capture of seabirds, marine mammals, and turtles in New Zealand commercial fisheries, 1998-99 to 2008-09. Final Research Report for Ministry of Fisheries research project PRO2007/01.

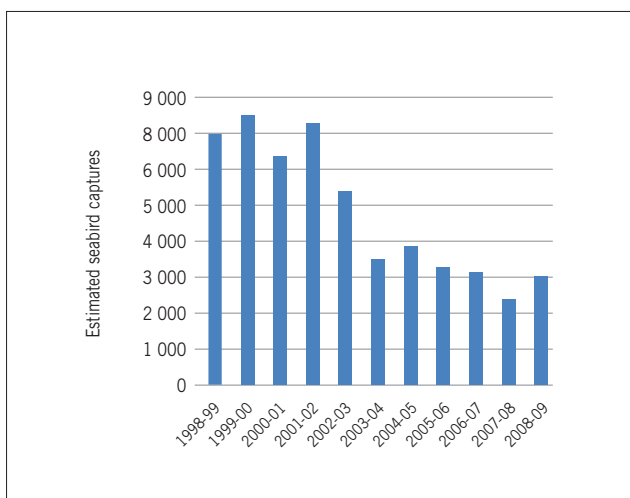


Figure 12: Estimated number of seabirds captured in major trawl and longline fisheries since 1998/99.

Marine Protected Areas (MPAs)

The Ministry provided advice to the Minister on a number of MPA proposals in 2010/11. In September 2010, the Minister concurred with the Minister of Conservation's decision to establish a marine reserve that largely overlaps the existing Tawharanui Marine Park in the Hauraki Gulf.

In January 2011, the Ministers of Fisheries and Conservation announced their decision to establish new MPAs in the entire territorial sea around each of the Antipodes, Bounty and Campbell Islands. These MPAs will be a combination of marine reserves and MPAs established by regulation under the Fisheries Act 1996.

Improved understanding of the aquatic environment

Demonstrating Success

The Ministry's Aquatic Environment Research Programme delivered some key results on the effects of fishing on protected species, seabed habitats and habitats of particular significance for fisheries management this year.

A five-year programme of field studies on a variety of seabird species is nearing completion. This information is integrated into risk assessments, one of which underpins the draft policy on seabird bycatch.

The Biodiversity Research Programme continues to deliver research information. Key projects to be finalised this year include an analysis of the enormous store of data and specimens that came from the Oceans Survey 20/20 voyages

in 2007, a study of the long-term effects of climate variation and human impacts on selected coastal ecosystems and an assessment of the functioning of rocky reef systems.

Enhanced reputation for environmentally responsible and sustainable fisheries management

Demonstrating Success

New Zealand's fisheries management continues to be recognised internationally in many different forums. We chair the scientific committee and the jack mackerel sub-group of SPRFMO, and vice chair the OECD Fisheries Committee and the Western and Central Pacific Fisheries Commission.

Ministry officials are also invited to participate – often as chairs and keynote speakers – in international fisheries management, science, economics and marine environment conferences.

Environmental Certification

Currently, only the New Zealand hoki fishery has been independently environmentally certified (by the Marine Stewardship Council). Since 2008, the Ministry has actively encouraged industry to obtain independent certification or assessment of New Zealand fisheries by providing grants to assist with the costs.

Nine grants have been provided so far. The first four totalling \$344 730 – for deepwater fisheries, scallops and tuna – are currently being assessed and the Ministry expects decisions in the next 12 months. Five grants totalling \$345 682 were awarded in 2010/11 to support assessment of a number of capture fisheries (snapper, lobster, surf clam) and aquaculture (mussels, king salmon and Pacific Oysters).

■ OUTCOME 4: DELIVER THE GOVERNMENT'S FISHERIES AND AQUACULTURE OBLIGATIONS TO MĀORI MORE EFFECTIVELY

The Crown and iwi have agreed specific rights and obligations relating to fisheries and aquaculture in accordance with the Treaty of Waitangi. Delivery on these obligations is fundamental to the Crown's partnership with tangata whenua. The Ministry achieves this by incorporating the Crown's obligations into its strategic objectives and core business, and by providing for meaningful engagement with Māori.

Treaty Partnership

Demonstrating Success

Iwi Fisheries Plan Framework

The Ministry believes its new Iwi Forum Fisheries Plans framework will be an effective solution for more meaningful engagement with, and input from, Māori. The framework has two complementary phases.

Phase 1: The Ministry works with individual iwi to develop Iwi Fisheries Plans. Iwi Fisheries Plans will provide for input from tangata whenua at a local level. They will communicate an individual iwi's fisheries management objectives, integrating their commercial and non-commercial fisheries interests.

Phase 2: The Ministry then assists iwi to come together at forums to develop Forum Fisheries Plans that will identify and communicate collective objectives at a Fisheries Management Area scale.

Fisheries Forums and Iwi Fisheries Plans

The Ministry aims to establish regional iwi forums for all fishery management areas by 2014. Two integrated forums were established in 2010/11; one for the South Island iwi and one for the Chatham Islands iwi/imi.

The two integrated forums aim to have Forum Fisheries Plans submitted to the Ministry to enable engagement in the 2011/12 annual planning discussions.

Settlement Obligations

Demonstrating Success

The Kaimoana and the South Island Customary Fishing Regulations are key tools for recognising and providing for customary fisheries interests. The roll out of these regulations is reported on in Outcome 1.

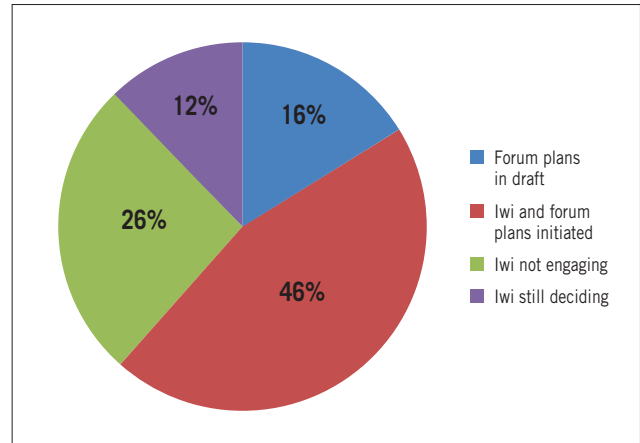


Figure 13: Status of Iwi Forum Fisheries Plan development as at 30 June.

Historical Treaty Settlements

The Ministry actively supports the Government's goal to settle the historical Treaty claims of all mandated groups by 2014. In particular, it assists the Office of Treaty Settlements to develop fisheries redress as part of the cultural redress offers made to claimant groups.

The Ministry has issued fisheries protocols to 12 claimant groups to date and a Fisheries Accord to Waikato-Tainui in relation to co-management of the Waikato River. The Ministry is currently involved in negotiations with another 38 groups.

Waikato River

In partnership with Waikato-Tainui, the Ministry has developed a set of customary fisheries regulations for the Waikato River. Public consultation on the regulations occurred in mid-2011. Subject to Cabinet approval, the regulations should be operating later in 2011.

Aquaculture settlement

Pre-commencement Space

The Ministry has made significant progress in discharging over 90 percent of the Crown's pre-commencement space obligations under the Māori Commercial Aquaculture Claims Settlement. In 2010/11, the Crown agreed and paid post-agreement in principle decisions relating to offshore space in the South Island (Clifford Bay, Marlborough, and Pegasus Bay, Canterbury).

The Crown has also completed settlements in the Chatham Islands and Kaipara Harbour. The Ministry has reached agreement in principle to settle the obligations in the Bay of Plenty and Hawke's Bay. The Ministry will be working closely with iwi in the remaining regions to discharge its outstanding obligations by 31 December 2014.

New Space

The Crown and Aquaculture Iwi Leaders successfully negotiated an amended settlement delivery mechanism as part of the 2011 aquaculture reforms. The Māori Commercial Aquaculture Claims Settlement Act 2004 was amended to provide that the 20 percent obligation of new space can be delivered on a regional basis, through agreements between the Crown and iwi. This includes space, cash and/or anything else that can be agreed to form all or part of a settlement package.

OUTCOME 5: BUILD INCREASINGLY TRUSTED AND EFFECTIVE FISHERIES MANAGEMENT

A trusted and effective fisheries management regime is essential to ensure New Zealanders understand their rights and responsibilities and act accordingly.

Public Confidence and Trust in the Ministry

Demonstrating Success

Public Confidence and Trust

There has been a fall in public confidence⁷ in the management of New Zealand's fisheries from the peak in 2009 to a level of around 40 percent, still above the level of five years ago.

However, there has been a notable fall in those who reported they lacked confidence in the management of fisheries. The figure this year is just over 10 percent, down from over 30 percent five years ago. This is significant and would indicate that the Ministry's work with stakeholders and members of the public, such as the informed and assisted approach to compliance, summer education campaigns, successful prosecutions and programmes, such as Coastwatch, are having a positive effect.

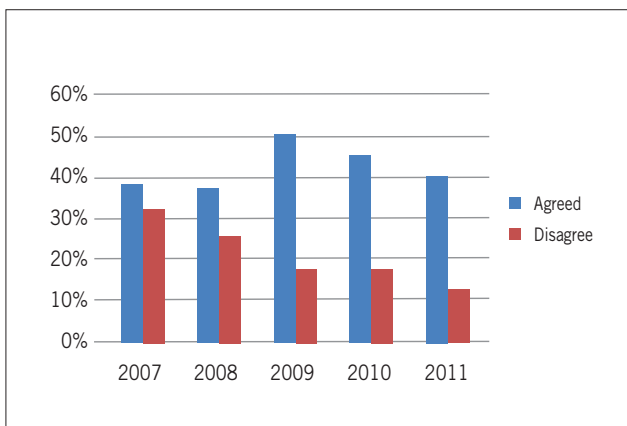


Figure 14: Confidence in the management of New Zealand fisheries.

Ensuring Quality and Trusted Information

In April 2011, the Ministry of Fisheries released its Research and Science Information Standard for New Zealand Fisheries (Research Standard). The Research Standard is a policy statement of best practice in the delivery and quality

assurance of research and science information for New Zealand fisheries. It is founded on international best practice for science quality assurance, tailored to New Zealand's requirements.

Providing Quality and Evidenced-based Advice

In 2010, the Ministry implemented a policy improvement programme aimed at lifting the capability of the Strategy Group after a New Zealand Institute of Economic Research (NZIER) review of its policy papers ranked the Ministry bottom of 19 public sector agencies reviewed (with a mean score of 6.4 out of 10). In March 2011, a second review by NZIER showed a significant shift in the quality of papers with a mean score of 7.4, lifting the Ministry into the top third of the 19 agencies.

An Informed Public and Stakeholders

The Ministry proactively engages and communicates with industry, tangata whenua, recreational fishers, other stakeholders and members of the public using a variety of tools. It maintains and regularly updates its website to provide important information about what the Ministry does and issues of significance to fishers and others. The website also includes a dedicated educational resource centre for teachers and children – Starfish (www.fish.govt.nz/en-nz/Starfish).

Through their day-to-day interactions, Fisheries Officers play an important role in informing both commercial and non-commercial fishers about their obligations and how the Ministry ensures compliance. In 2010/11, for example, Fisheries Officers undertook 4335 educational activities and 35 570 inspection activities with each contact used as an opportunity to inform and educate.

Compliance

Demonstrating Success

The Fisheries Service Delivery Model is an engagement and decision-making escalation process that responds to increasing levels of fisher non-compliant behaviour. It is applied to all activities of the Field Operations group including patrols, inspections and investigations. The model has so far delivered:

- > presentations on the Fisheries Service's Delivery Model at various stakeholder and iwi forums to raise awareness;

⁷ Note: in 2011 the question was amended to "Do you have confidence in the integrity of the management of fisheries?" from "Do you believe fisheries in NZ are managed effectively?". This change was to provide a measure that better reflected the Fisheries 2030 Governance Conditions. Although not the same, for the purpose of reporting trends in public confidence, it is believed similar enough to use in this context.

- > direct community and school programmes developed and delivered;
- > increased focus on “educational” contacts; and
- > publication of compliance information sheets targeting key compliance concerns in recreational, commercial and customary sectors.

Research undertaken in the East Coast South Island commercial fishery⁸ showed strong support for an adaptive response model that encourages collaboration, with many respondents making specific references to the Fisheries Service Delivery Model. Respondents also self-reported high levels of voluntary compliance with fisheries regulations and a strong desire to ensure the sustainability of their fishery.

Optimal Compliance

The Ministry has a target of optimal compliance whereby the observed commercial compliance rate improves annually and is between 85–90 percent by 2014 and the observed non-commercial compliance rate is annually maintained at a minimum of 95 percent.

TABLE 2: COMPLIANCE PERFORMANCE

Measure	2006/07	2007/08	2008/09	2009/10	2010/11
Number of commercial vessel inspections	1 585	1 377	1 404	1 466	1 556
Number in breach	254	193	225	222	242
Observed compliance rate	84%	86%	84%	85%	84%
Number of non-commercial inspections	23 333	26 401	26 250	30 533	35 570
Number in breach	1 633	1 320	1 575	1 815	1 715
Observed compliance rate	93%	95%	94%	94%	95%

Reoffending

A key indicator of the success of increasing voluntary compliance is the number of fishers who reoffend after they have previously received a warning from fishery officers.

In 2010/11, 291 recreational fishers reoffended after they had previously receiving warnings. This information will be used to establish the baseline for future years’ monitoring and reporting on the success of, and to inform improvements in, the delivery model.

⁸ *Commercial Fisher’s Compliance Decision Making; Perceptions, Experiences and Factors Influencing Regulatory Compliance*, report prepared for the Ministry of Fisheries by Lindis Consulting, full report available online: <http://www.fish.govt.nz/en-nz/Commercial/Compliance+Information/default.htm>

Organisational Effectiveness

The Government has set high expectations of the Public Service and is demanding:

- > better results from the public services that it funds;
- > greater back-office savings initiatives;
- > further restraint in terms of core government administration positions;
- > stronger performance from government agencies; and
- > enhancement of the quality of services to the public.

The Ministry needs to ensure that government priorities and expectations and Ministry outcomes are reflected in, and drive, the organisation's structure, capability development and investment decisions. The Ministry also needs to be adaptive – able to respond quickly and effectively to an ever-changing environment, effectively monitor and improve its performance and ensure its services, systems and processes are cost-effective and provide value for money.

Governance

The Ministry undertook a major business transformation in 2009 that resulted in a clearer organisational purpose and governance structure. The most significant elements are:

- > Fisheries 2030 providing clarity of purpose and direction for the Ministry;
- > a strategically aligned and more functionally integrated organisation to deliver better, more targeted services to tangata whenua and stakeholders at lower cost to all parties;
- > a Strategic Leadership Team focused on whole-of-Ministry outcomes;
- > objectives-based fisheries management as the axis of the Ministry's business model; and
- > a more agile organisation, with the ability to deploy resources more flexibly and quickly within a reduced baseline to where they are most needed.

Organisational Health and Capability

The Ministry has established several strategies to assess progress and success in maintaining organisation health and capability.

Staff Development and Improving Capability

The Ministry has continued to develop its People Strategy to attract, engage and retain good staff. The strategy has incorporated a range of initiatives including asking all staff to engage in the Performance and Development Agreement (PDA) process with their managers, carrying out a repeat Gallup Q12 Engagement Survey, implementing an internal communications strategy for 2010/11 and undertaking a benchmark review of the Ministry's policy advice.

The Ministry undertook the Gallup Survey in August 2010, looking at the levels of staff engagement. Overall, the results were very positive. The engagement of Ministry employees improved in a meaningful way since the last survey conducted in March 2010. Anything over 0.1 is considered a meaningful improvement at the organisational level and, using a scale of 1–5, the Ministry's Grand Mean from the August survey was 3.70 compared with 3.58 in March. Other improvements from the March survey to the August one included:

- > Staff felt they have more “opportunities to learn and grow”.
- > Staff felt more strongly that “someone at work cares”.

At the business group level, there was either a positive meaningful change or March levels were maintained for all the questions in the Gallup Survey.

Code of Conduct and Values

The Ministry participated in the 2010 State Services Commission Integrity and Conduct Survey to obtain benchmarked feedback from staff to inform its approach to maintaining awareness and standards within the organisation.

Key findings of the 2010 survey included:

- > Nearly all Ministry staff (97 percent) are aware of its written standards of integrity and conduct.
- > Levels of awareness of how to report breaches confidentially and/or anonymously are relatively low (23 percent) compared with all public service department employees (51 percent).
- > Nearly six in ten staff are aware the Ministry provides integrity and conduct training, and most say they found it useful.

- > Only three in ten staff know where to go in the organisation to get advice about integrity and conduct issues.

Using the survey results, the Ministry developed an action plan for maintaining integrity and conduct standards.

Staff Numbers and Turnover

The Ministry advertised 78 vacancies in the financial year to 30 June 2011 including permanent and fixed-term roles. Permanent position vacancies of 20 to 35 FTEs in 2010/11 have been covered on an interim basis by fixed-term employees, temporary staff or contractors.

The annualised core unplanned turnover rate was 11.8 percent as at 30 June 2011 compared with 7.5 percent as at 30 June 2010. Recent exit interviews cite career progression and employment uncertainty as the main reasons for leaving.

The State Services Commission's most recent Human Resources Capability survey reported core unplanned turnover of 9.2 percent in the core Public Service for the year ending 30 June 2010 compared with 7.5 percent for the Ministry in the same period.

Equal Employment Opportunities

The Ministry is committed to being a "good employer" in terms of the State Sector Act 1988. This means an employer that operates a personnel policy containing provisions generally accepted as necessary for the fair and proper treatment of employees in all aspects of their employment. This includes observing the Human Rights Act 1993 when recruiting to fill vacancies, to ensure employment opportunities are provided without unlawful discrimination.

Strategic Risk Management

The Ministry's strategic risk approach is based on the new international risk management standard, ISO31000. Risk management disciplines and tools are being incorporated into our performance and planning framework.

A Risk Management Committee (RMC) monitors and provides advice to the Chief Executive in line with the best practice advised by the Office of the Auditor-General. The RMC is an internal governance committee, chaired by an independent expert.

Nine strategic risks have been identified in the management of fisheries and mitigating actions put in place (see Appendix 3 for detail on risks and mitigating actions). The Ministry has reported once against the nine strategic risks

identified, with no new mitigation actions identified or required.

Improving Performance

Performance Management Framework

The Ministry of Fisheries has developed a performance management system that supports the Ministry's Outcome Framework. This includes developing sector indicators to monitor Fisheries 2030 outcomes, and outcome indicators to measure the Ministry outcomes outlined in the 2011/14 Statement of Intent. This flows through to performance measures contained in the statement of service performance in the Ministry's Fisheries Services Plan (Output Plan).

This comprehensive suite of performance indicators and measures tells the performance story of the Ministry and of the fisheries sector. Aligned to the outcome framework, it ensures the linkage (intervention logic) between what the fisheries sector and the Ministry want to achieve and what action they take to achieve those outcomes.

Strategy and Planning

The Ministry has become a strategy and plan-led organisation. It continues to implement Fisheries 2030 and complete the development of National Fisheries Plans and their associated Annual Operational Plans. Fisheries Plans establish one overall set of management objectives across the Ministry. This is enabling the Ministry to prioritise its activities to ensure it provides effective and cost-efficient fisheries management.

The new approach to Fisheries Plans is already delivering improvements to the Ministry's research and compliance planning and delivery. Research commissioned by the Ministry is now being explicitly linked to the management objectives in the Fisheries Plans to ensure that its research is focused in the right areas, while the Annual Operational Plans are providing a process for prioritisation of research and compliance services.

Strategic Project Management

In February 2011, the Ministry implemented a new project methodology to improve project performance and delivery. In the past six months project governance and management have improved markedly. Projects are now increasingly meeting objectives and delivering results within time, scope and budget constraints.

Improving Cost-effectiveness

Good sustainable fisheries management comes at a cost – to Government and to industry. For the past five years the Government has spent up to \$100 million a year managing New Zealand's fisheries and New Zealand fisheries interests, of which around \$30 million is recovered from industry each year for the costs of providing fisheries services and conservation services.

Programme of Reviews

In 2010/11, the Ministry completed its reviews with industry and others of the cost-effectiveness of observer and research services provision. Together, these services make up approximately 30 percent of the Ministry's baseline and have a substantial financial impact on the fishing industry through the cost recovery system.

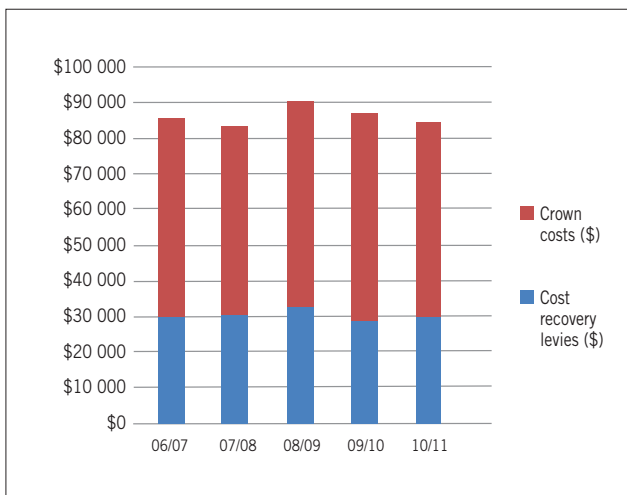


Figure 15: Industry cost recovery levies as proportion of total Vote since 2006.

Organisation Services

In 2010, the Ministry reviewed its Organisation Services function. This resulted in savings of \$1.24 million per annum starting in the 2010/11 financial year.

The Natural Resources Sector government agencies are working on sharing capability to eliminate unnecessary duplication and minimise new investments in corporate and organisational infrastructures. This shared capability work is aligned with the Treasury-led Better Administrative Support Services (BASS) review and Department of Internal Affairs-led work on Government Information and Communication Technology.

The Ministry's support services costs have reduced to 13.39 percent from 14.18 percent of its organisation running costs, with an average quality score of 7.3. This compares favourably with both the NRS agencies and across all government departments.

Information Technology

The Ministry developed an Information Systems Strategic Plan in early 2010 as the first stage of the Organisation Services Review recommendations. The plan contains a strategy to update a number of the Ministry's legacy systems, deliver new systems functionality for Ministry users and technology improvements over the next three years.

During the first 12 months of the three-year work programme, a number of new initiatives were completed. These included the development of a new web strategy and channel models to improve stakeholder experience, a geographical information systems strategy (GIS) to improve internal and external access to data managed by the Ministry, and the release of the Amateur Charter Fishing Reporting system.

TABLE 3: MINISTRY OF FISHERIES ADMINISTRATIVE SUPPORT AND ICT SERVICE PERFORMANCE

Function	Baseline 2009/10		2010/11 Performance		Target standard 2011/12	
	% of cost	Quality	% of cost	Quality	% of cost	Quality
Finance	1.61%	7	1.50%	7	1.45%	8 or better
HR	1.14%	8	0.82%	8	0.60%	8 or better
ICT	5.57%	6	4.92%	7	4.70%	8 or better
Procurement	0.12%	6	0.48%	6	0.20%	8 or better
Corporate and Executive Services	2.48%	8	2.71%	8.5	2.50%	8 or better
Property	3.26%	9	3.14%	9	3.26%	9
Total	14.18%		13.39%		12.71%	

The remainder of the Information Systems Strategic Plan work programme will be merged into the new MAF Information Services Strategy during 2011/12.

Procurement

In line with government expectations on procurement, the Ministry's procurement is guided by a strategy that aims to:

- > deliver value for money over the lifetime of the item;
- > ensure that only assets that are essential for the delivery or support of the Ministry's outcomes are purchased;
- > ensure that departmental assets are well managed;
- > ensure appropriate processes and procedures are in place to provide assurance that its procurement activity is within policy and best practice;
- > work with the Ministry of Economic Development in support of the government procurement reforms, specifically the All of Government contracts; and
- > ensure conflicts of interest are well managed.

AUDITED STATEMENTS

■ STATEMENT OF RESPONSIBILITY

This statement of responsibility is issued by me as Director-General of the Ministry of Agriculture and Forestry in terms of section 35 of the Public Finance Act 1989. I am responsible for the preparation of the Ministry of Fisheries financial statements and statement of service performance and the judgements made in the process of producing those statements.

I have discharged my responsibilities to establish and maintain a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, the financial statements and the statement of service performance fairly reflect the financial position and operations of the Ministry of Fisheries for the year ended 30 June 2011, and I authorise issuance of these statements on 30 September 2011.

Signed



Wayne McNee
Director-General
30 September 2011

Countersigned



Tony Murray
Chief Financial Officer
30 September 2011



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF MINISTRY OF FISHERIES FINANCIAL STATEMENTS, 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 Fisheries (the Ministry). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements, 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 43 to 70, 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 expenditure and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure 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;
- > the non-financial performance information of the Ministry that comprises the statement of service performance on pages 31 to 42 and the report about outcomes on pages 10 to 22; and
- > the schedules of non-departmental activities of the Ministry on pages 72 to 79 that comprise the schedule of assets and liabilities, and the statement of contingent liabilities and contingent assets as at 30 June 2011, the schedule of revenue and expenditure, statement of expenditure and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure, and statement of trust monies, 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 pages 43 to 70 that are prepared on a disestablishment basis:
 - > 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 31 to 42 and 10 to 22:
 - > 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 72 to 79 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.

Emphasis of matter – the financial statements are appropriately prepared on a disestablishment basis

Without modifying our opinion, we considered the accounting policy on page 48, about the financial statements being prepared on a disestablishment basis. The Ministry of Fisheries was disestablished as at 1 July 2011 and its assets and liabilities were transferred to the Ministry of Agriculture and Forestry. We consider the basis of preparation of the financial statements and related disclosures to be appropriate to the Ministry of Fisheries' circumstances.

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 Chief Executive 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, 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, 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, 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, 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, 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 Chief Executive;
- > 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, the non-financial performance information and the schedules of non-departmental activities; and
- > the overall presentation of the financial statements, 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, 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 Chief Executive

The Chief Executive 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 2011 that fairly reflect those activities managed by the Ministry on behalf of the Crown.

The Chief Executive 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 schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error.

The Chief Executive'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, 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.

In addition to the audit we have carried out an assignment to provide technical guidance on the development of the Ministry's performance framework. Other than the audit and this assignment, we have no relationship with or interests in the Ministry.



Stuart Mutch
Ernst & Young

On behalf of the Auditor-General
Wellington, New Zealand

Service Performance

OUTPUT CLASS – DEVELOPMENT OF FISHERIES POLICY

Scope of Appropriation

The scope of this appropriation is limited to advice on the development of policies, standards and guidelines relating to the sustainable and efficient utilisation of New Zealand's fisheries, promotion of New Zealand's interests in an international context and the provision of Ministerial servicing.

Revenue and Output Expenses

Performance Indicator	Mains	Supplementary	2010/11 Actual	2009/10 Actual
Total appropriation	9 050	10 282	10 140	8 549
Revenue from Crown	8 981	10 213	10 065	8 459
Revenue from Other	69	69	75	79

Description of Activities

The Ministry provides policy advice to the Minister on issues relating to fisheries and aquaculture. This covers the:

- > impact of changes in economic and environmental conditions on the fisheries and aquaculture sector and potential opportunities these changes present;
- > progress of the sector in implementing Fisheries 2030, particularly the overarching goal of “New Zealanders maximising benefits from the use of fisheries within environmental limits”;
- > delivery of the Crown's obligations to Māori for fisheries and aquaculture;
- > effective and efficient management of fisheries and aquaculture resources; and
- > impact of the International Fisheries Strategy on positive engagement of fisheries and aquaculture, particularly in the Pacific region.

Performance Information

Performance Indicator	Performance Standard	2010/11 Actual	2009/10 Actual	Comments
Outcome 2 Maximise Future Benefits				
Provide advice on aquaculture reform to enable the introduction of the aquaculture reform bill in 2010.	Advice provided such that a Bill is able to be introduced in 2010.	Achieved.	New measure.	Aquaculture reform bill was introduced November 2010 and passed 16 August 2011.
Work programme of regulations to be reviewed (based on the scan of regulations due to be completed by 30 June 2010) to be provided to the Minister by August 2010 within prescribed timeframes.	100% of work delivered as per the programme.	Achieved.	New measure.	The Minister has signed off the Annual Regulatory Plan and it was submitted to the Ministers of Finance and Regulatory Reform on time.

Performance Indicator	Performance Standard	2010/11 Actual	2009/10 Actual	Comments
Fisheries governance at a national and sub-regional level is improved through the capacity-building initiatives with Pacific Island countries.	Feedback provided by Pacific countries and NZAID (now MFAT IDG) indicates a satisfaction rating of at least 90%.	Pacific Islands Ministers have expressed to the New Zealand Minister of Fisheries and Aquaculture their satisfaction in the progress of the Fisheries capability initiatives. MFAT IDG has expressed satisfaction at progress in building capacity, noting the difficulty in recruiting people into relevant positions in a timely manner.	New measure.	Achieved. Minister interviewed as part of NZIER process. The assessment process does not lend itself to a qualitative rating.
Quarterly assessment of international engagement outcomes against set criteria to ensure that they maintain or advance New Zealand's interest.	At least 70% yes rating.	100%	New measure.	Achieved. More detail provided in Variances/Issues of Note below.
Outcome 3 Manage the Impacts of Fishing on the Aquatic Environment				
Standards progressed as per agreed work programme, including: ⁹				
> Seabird Standard completed	By 30 June 2011	Not achieved.	New measure.	Consultation on the draft Seabird Policy papers was completed in June 2011. As a result of issues raised by submitters the draft policy is being revised and will be further discussed with stakeholders.
> Benthic Impact Standard completed	By 30 June 2011	Not achieved.	New measure.	Work on the proposed Benthic Impact Standard has been set aside. The Minister of Fisheries has agreed for the Ministry and industry to work jointly on a review of Benthic Protection Areas in 2013.
Outcome 4 Delivery of Obligations to Māori				
Provide input and support related to achieving the Government's fisheries goals in relation to Treaty settlements. Continue to develop the framework for effective delivery of obligations to Māori.	Input provided in accordance with Ministry of Justice timeframes.	The Ministry has issued 12 fisheries protocols and 1 fisheries accord to date.	New measure.	Achieved. The Ministry's inputs are dependent on the work programme of the Office of Treaty Settlements (OTS) in the Ministry of Justice. OTS has had delays in completing some settlements. The Ministry's inputs are adjusted regularly to ensure that we effectively support the Government's settlement programme.

⁹ Delivery on the Research Standard is reported on under Outcome 5: Trusted and Effective Fisheries Management.

Performance Indicator	Performance Standard	2010/11 Actual	2009/10 Actual	Comments
		The Ministry is currently involved in negotiations with another 38 groups. Iwi/Forum Fisheries Plan framework completed.		Ongoing BAU to monitor, review and develop as necessary mechanisms to more effectively deliver obligations.
Outcome 5 Trusted and Effective Fisheries Management				
Standards progressed as per agreed work programme, including: > research standard completed.	By 30 June 2011	April 2011	New measure.	Achieved. The Research and Science Information Standard for New Zealand Fisheries was completed on 23 March 2011 and endorsed by the Minister of Fisheries on 13 April 2011.
Improvement in the quality of policy advice papers demonstrated through independent assessment (current baseline 6.4/10).	Improvement when compared with the 2009/10 rating (target of 7/10 by 2014).	7.4/10	New measure – baseline of 6.4/10 was set in NZIER review in 09/10.	Achieved. Review undertaken by NZIER in April 2011.
Responses to Parliamentary questions delivered error free/on time.	100%	98%	100%	Not achieved.
Responses to Ministerial correspondence delivered error free.	100%	100%	99%	Achieved.
Responses to Ministerial correspondence delivered within 15 days.	95%	90%	98%	Not achieved. The majority of late responses were outside of the timeline by one to two days. Business units did not complete draft replies within the prescribed timeframes. Turnover of key support staff may also have contributed. Increased follow up, communications and training by the Ministerial team is in place to reduce the number of late responses in future.
Active participation in the work of the Natural Resources Sector Network.	Develop joint discussion paper on marine issues for the NRS by November 2010.	Joint discussion paper on marine issues considered by the NRS chief executives in August 2010.	New measure.	Achieved. The Ministry also led aquaculture reforms; and supported the Fresh Start for Fresh Water programme, Phase Two reforms to the Resource Management Act 1991 (RMA), the New Zealand Coastal Policy statement, and development of legislation to regulate activities in the EEZ.

Explanation of Variances/Issues of Note

International Engagement

The success of international engagements was assessed against the Ministry's negotiating mandate (agreed objectives) as approved by Minister(s) in 2010/11. There were six international engagements with 28 objectives that required a Ministerial mandate:

- > Commission for the Conservation of Antarctic Marine Living Resources (Annual Commission meeting);
- > Commission for the Conservation of Southern Bluefin Tuna (Annual Commission meeting);
- > Western and Central Pacific Fisheries Commission (Annual Commission meeting);
- > South Pacific Regional Fisheries Management Organisation (Preparatory conference II);
- > Food and Agriculture Organization of the UN Committee on Fisheries;
- > Food and Agriculture Organization on the UN Technical Consultations on Flag State Performance.

The success of whether the 28 objectives were met was determined through analysis of reporting cables, meeting reports and known outcomes from the meetings.

■ OUTPUT CLASS – IMPLEMENTATION OF NEW ZEALAND FISHERIES POLICIES

Scope of appropriation

This multi-class output is composed of three outputs that contribute to the management of the sustainable use of New Zealand's fisheries. These outputs are:

- > **Aquaculture** – this output class is limited to implementing, supporting and monitoring the aquaculture strategy.
- > **Fisheries enforcement and monitoring** – this output class is limited to informing, assisting, directing and enforcing adherence to New Zealand fisheries laws.
- > **Operational advice on sustainability and management controls in fisheries** – this output class is limited to operational advice to the Minister on sustainability and management controls for New Zealand's fisheries.

Revenue and output expenses

Performance Indicators	Mains	Supplementary	2010/11 Actual	2009/10 Actual
Total appropriation	94 372	85 227	79 287	83 833
Revenue from Crown	91 788	82 488	76 730	83 871
Revenue from Other	2 584	2 739	2 621	2 830

Description of activities

This is the operational phase in the fisheries policy development and implementation cycle.

Aquaculture

Cabinet agreed in 2010 to the development of a National Aquaculture Strategy and Action Plan. The plan will guide the Government's overall investment in aquaculture and be an important step towards unlocking the potential economic growth of the aquaculture sector.

Fisheries enforcement and monitoring

The *Field Operations Service Delivery* model is an engagement and decision-making escalation process that aligns the seriousness of the enforcement response with the seriousness of the fisheries offence. The model assists the Ministry to achieve compliance with fisheries rules to maintain the integrity of the QMS. It also provides assurance that the information informing fisheries decisions is reliable and maintains a level playing field for all stakeholders by:

- > establishing a risk-based model to prioritise and allocate compliance resources;
- > collecting and analysing fisheries information for input into fisheries management decisions;
- > making effective use of the Honorary Fishery Officer (HFO) network; and
- > making effective use of media to maintain community support.

Operational Advice on Sustainability and Management Controls in Fisheries

The Ministry manages fisheries and aquaculture in accordance with the roles and responsibilities outlined in its legislation (see page 4). Key priorities for fisheries management in New Zealand include environmental sustainability, economic viability and the inclusion of stakeholders in decision-making processes.

Fisheries regulations set out the management measures in place for a specific fishing year and are generally divided by species (or group of species) and fishing area. Fisheries regulations may include:

- > opening and closing dates for the fishing year;
- > quota management allocations;
- > total allowable catch limits; and
- > fisheries plans.

All fisheries are to be managed from July 2011 through multi-year fish plans covering the five fisheries for which the Ministry has responsibility.

Performance Information

Performance Indicator	Performance Standard	2010/11 Actual	2009/10 Actual	Comments
Aquaculture				
Outcome 2 Maximise Future Benefits				
Develop the national aquaculture action plan.	Completed by 30 June 2011.	The national aquaculture action plan was not completed.	New measure.	Not achieved. Variance discussed in detail section below this table.
Outcome 3 Manage the Impacts of Fishing on the Aquatic Environment				
Total observer coverage days delivered.	7866 +/- 10%	6 906	New measure.	Not achieved. Variance discussed in detail section below this table.

Performance Indicator	Performance Standard	2010/11 Actual	2009/10 Actual	Comments
Observed instances where adverse fishing practices* are reported. * Discarding, non-reporting of quota bycatch, processing of undersized fish, recording issues, incorrect species identification, mealing issues and using incorrect conversion factors.	<15%	25%	New measure.	Not achieved. New Zealand vessels performed near target for this measure. However, there was a poorer performance by foreign charter vessels. The Ministry is working with fishing operators to address this. It is also expected that the Ministerial Inquiry will help identify options for improvement.
Outcome 4 Delivery of Obligations to Māori				
All settlement statutory obligations are being met.	All legislative obligations are met.	All legislative obligations were met.	New measure.	Achieved.
The Trustee is delivering on all its obligations both in terms of funding and performance of the statutory role.	As determined by quarterly and annual reports.	The Trustee delivered on all its obligations.	New measure.	Achieved. Discussed in more detail below table.
Fisheries Enforcement and Monitoring				
Outcome 5 Trusted and Effective Fisheries Management				
Prosecutions – prima facie case established for all prosecutions taken by the Ministry of Fisheries.	100%	100%	100%	Achieved.
The conduct of a prosecution results in an adverse finding against the Ministry.	Nil	Nil	New measure.	Achieved.
Number of complaints upheld against Field Operations relating to undertaking their activities.	Nil	Nil	New measure.	Achieved.
Number of commercial operations commenced.	25	39	17	Achieved. (Commercial Operations are distinct from day-to-day operational activities; in effect defined by a number of factors such as scope, management requirements and resourcing.)
Delivery of commercial vessel inspections.	Number of vessel inspections delivered each year according to Annual Operational Plans with a +/-10% variance.	1556 commercial vessel inspections of the planned 1500 were completed.	New measure.	Achieved.
Breaches found in commercial vessel inspections.	<225 in 1500 (<15%) inspections.	242 in 1556 (15.6%) inspections.	221 in 1471 (15%) inspections.	Not achieved. Exceeds standard by only 0.6%.

Performance Indicator	Performance Standard	2010/11 Actual	2009/10 Actual	Comments
Delivery of Licensed Fish Receiver inspections.	Number of Licensed Fish Receiver inspections delivered each year according to Annual Operational Plans with a +/-10% variance.	372 Licensed Fish Receiver inspections of the planned 200 were completed.	New measure.	Achieved. "Over-performance" as a result of needing to inspect "spontaneously" in response to intelligence gleaned from forensic analysis of returned forms, etc.
Breaches found in Licensed Fish Receiver inspections.	<30 in 200 (15%) inspections.	49 in 372 (13.0%) inspections.	New measure.	Achieved.
Breaches found in non-commercial vessel, vehicle and person inspections.	<3750 in 25 000 (15%) inspections.	1715 in 35 570 (5%) inspections.	1840 in 30 667 (6%) inspections.	Achieved. The Ministry has significantly exceeded the number of inspections, largely as a result of the increase in Honorary Fishery Officers. This has significantly improved the Ministry's capacity to monitor and manage recreational fishing activity. The Ministry has also adjusted its observed non-commercial compliance target to be a maximum of 5%.
Compliance Information Sheets released to commercial fishers.	10	8	New measure.	Not achieved. This measure is variable in nature as the development and publication of Compliance Information Sheets is on a needs-arising basis.
Stakeholder and public education activities delivered (e.g., school visits, public lectures, attendance at local events).	3000	4335	4986	Achieved. This measure is variable in nature as it is in part dependent on events and invitations.
Delivery of observer days consistent with the Ministry's Fisheries Plans (and associated Annual Operational Plans), and third party requirements.	At least 90% of required days are delivered.	84%	New measure.	Not achieved. Variance discussed in detail section below this table.
Cost-efficiency of delivering observer days.	To be within \$450 per day for deepwater fisheries.	\$605 per day for deepwater fisheries.	New measure.	Not achieved. Variance discussed in detail section below this table.

Operational Advice on Sustainability and Management Controls in Fisheries

Outcome 1 Maximise Current Benefits

Advice on sustainability and regulatory measures clearly covers the balancing of use, sustainability and environmental considerations, and contains robust analysis.	Advice meets the conditions of use set out in the Development of Fisheries Policy Advice output expense.	Advice for 1 October 2010 and 1 April 2011 sustainability rounds, and on regulatory measures, met quality standards.	New measure.	Achieved.
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Performance Indicator	Performance Standard	2010/11 Actual	2009/10 Actual	Comments
Advice on spatial management measures (e.g., marine reserves, mātaītai reserves, marine protected areas) clearly covers the balancing of use and environmental considerations, and contains robust analysis.	Advice meets the conditions of use set out in the Development of Fisheries Policy Advice output expense.	Advice on spatial management measures met quality standards.	New measure.	Achieved.
Outcome 2 Maximise Future Benefits				
The number of stocks of known status is increasing.	>117	123	New measure.	Achieved.
The 10 Year Research Programme plan for deepwater fisheries is implemented.	Research plan made operational by 30 June 2011.	Achieved.	New measure.	Long-term contracts to deliver 10 year research plan for deepwater fisheries are in place.
Catch reporting systems for amateur charter vessels implemented.	Systems operational by 30 June 2011.	Achieved.	New measure.	
Improved mechanisms for estimating amateur catch levels developed.	Mechanisms developed by 30 June 2011.	Achieved.	New measure.	An integrated amateur catch estimation methodology has been approved by the Minister.
Quota is allocated for new species coming into the quota management system.	New species are approved for introduction by 1 April or 1 October each year as required.	Quota successfully allocated for Patagonian toothfish and bladder kelp stocks 1 October.	New measure.	Achieved.
Outcome 4 Delivery of Obligations to Māori				
Iwi Fisheries Plans – 80% coverage of New Zealand by June 2014.	Finalise framework. Delivery of up to 10 integrated Iwi Fisheries Plans by 30 June 2011.	Framework has been developed. Two forum fisheries plans have been developed, one with the nine South Island iwi and one with the two Chatham Islands iwi/imi. At 30 June the respective iwi/imi were going through internal signing off processes prior to submitting to the Ministry.	New measure.	Achieved. Discussed in more detail in the section below this table.

Performance Indicator	Performance Standard	2010/11 Actual	2009/10 Actual	Comments
<i>Outcome 5 Trusted and Effective Fisheries Management</i>				
National Fisheries Plans and Annual Operational Plans fully developed in time to drive services from 1 July 2011, and judged to be effective in prioritising services.	Five Fisheries Plans and Annual Operational Plans to be developed by 30 June 2011.	Five Fisheries Plans and Annual Operational Plans were developed by 30 June 2011.	New measure.	Achieved.
All statutory requirements (public notifications and consultation timeframes) related to decisions on fisheries management measures are met.	100% delivery	100% delivery	New measure.	Achieved.

Explanation of Variances/Issues of Note

Aquaculture Strategy and Action Plan

The National Aquaculture Strategy and Action Plan is now on target to be completed for Cabinet approval in early 2012. The strategy is required to provide consistency, clear guidance and a unified programme of action for aquaculture development, and to ensure that national and regional economic benefits of aquaculture are considered in decision-making processes. This is particularly important given the significant efforts that have gone into reform and the need to ensure that the momentum generated by those reforms is maintained.

The delay has been caused by the need to complete the strategy after the aquaculture legislative reforms have been passed (legislation passed 16 August). Issues associated with the delay are being actively managed.

Monitoring Delivery of Trustee (TOKM) Obligations

The Trustee (Te Ohu Kaimoana Trustee Limited) has submitted its quarterly report for the third quarter ending 30 June 2011. The Ministry has since met with the Trustee to discuss the quarterly report and begun a process for agreeing the Trustee's funding for 2011/12. Consistent with the Funding Agreement, a 2011/12 business plan is requested from the Trustee. The Ministry planned to meet again with the Trustee to discuss funding matters by the end of August.

The Trustee has also supported iwi in the development and implementation of a new settlement mechanism to deliver the new space obligation. The Trustee continues to support iwi in negotiating regional agreements to complete pre-commencement space settlements in the remaining regions.

Observer Programme

Observer Coverage

The total number of observer coverage days delivered was significantly below the performance standard (by 12 percent). This was the result of a higher than anticipated requirement to cover Foreign Charter Vessels due to their risk classification. This resulted in having fewer observers available for other requirements. There was also a delay in the implementation of the Department of Conservation/Ministry of Fisheries Inshore Plan due to renegotiations with industry. Originally signed off by Ministers in July/August 2010, the renegotiations meant the revised plan was not signed off until 12 February 2011. By this date, some fisheries had already finished their season and therefore coverage was not able to be delivered.

Alignment with Fisheries Plans

The Ministry has introduced its new approach to National Fisheries Planning over the past 18 months. Completed Fisheries Plans have started to come on stream in recent months and, as such, have only been able to indirectly influence planning of observer coverage in this transition period. However, 82 percent of the observer days delivered were consistent with the Ministry's Fisheries Plans (and associated Annual Operational Plans) and third party requirements.

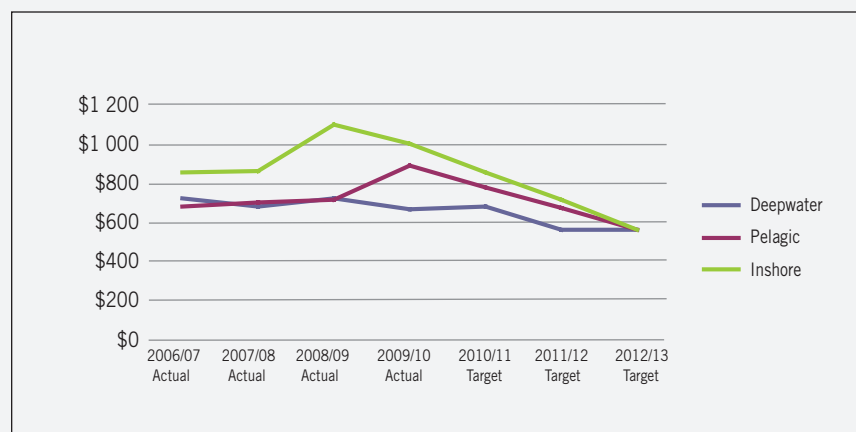


Figure 16: Cost per day by fisheries sector.

It is anticipated that, as the Fisheries Plans become embedded over the next 18 months, this figure will increase to 85 percent by the end of the 2011/12 financial year and consistently achieve the 90 percent performance standard of required days by 2012/13.

Cost Efficiency

The cost of Observer Services provision varies between fisheries. For example, in the inshore fishery, dispersed ports and greater weather dependency, which creates non-sea observer days and higher accommodation costs, means costs are higher than those for middle-depth and deepwater fisheries.

As part of the recently concluded Observer Services Review Project, the Ministry and industry have agreed a target maximum cost for observers of \$450 per day for deepwater fisheries.

The Ministry is now on target for achieving this performance standard in 2011/12.

Iwi Fisheries Plans

The final Iwi Fisheries Plan framework was completed in 2010/11. It modified the approach to delivering Iwi Fisheries Plans that was originally anticipated by the Performance Standard set for 2011 (according to which up to 10 integrated Iwi Fisheries Plans would be developed by 30 June 2011).

The focus is now more on first establishing Iwi Forum Fisheries Plans, bringing together a number of iwi/hapū to identify their commercial and non-commercial objectives and actions at Fishery Management Area (FMA) level. The Iwi Forum Fisheries Plans will also double as individual Iwi Fisheries Plans unless an iwi identifies otherwise.

The Ministry believes that this approach will be more effective for delivering the Crown's obligations for input and participation and be better positioned to successfully meet the 2014 target of 80 percent coverage of New Zealand by June 2014.

■ OUTPUT CLASS – SOUTH PACIFIC REGIONAL FISHERIES MANAGEMENT ORGANISATION INTERIM SECRETARIAT

Scope of appropriation

This appropriation is limited to administrative support for the Interim Secretariat of the South Pacific Regional Fisheries Management Organisation (SPRFMO).

Revenue and output expenses

Performance Indicators	Mains	Supplementary	2010/11 Actual	2009/10 Actual
Total appropriation	272	447	366	327
Revenue from Crown	83	148	149	236
Revenue from Other	189	299	159	148

Description of activities

New Zealand hosts the Interim Secretariat of SPRFMO. The Interim Secretariat provides support for the Preparatory Conference that oversees the work to establish the SPRFMO Commission.

The SPRFMO closes a management gap in respect of the non-highly migratory fish stocks of the high seas of the South Pacific Ocean. It enables South Pacific coastal and fishing states to develop binding international fisheries conservation and management measures. This improves sustainability and security of resource access (including for our own fishers) and contributes to enhanced regional stability and security in the region.

Its main activities are the receipt, compilation, storage and dissemination (where appropriate) of data; the receipt, storage and dissemination of reports and documents submitted by the participants; providing assistance to the relevant host in organising Preparatory Conference meetings and meetings of subsidiary bodies; and the management of the SPRFMO website content.

Performance Information

Performance Indicator	Performance Standard	2010/11 Actual	2009/10 Actual	Comments
Outcome 2 Maximise Future Benefits				
Collection and management of data received from member states.	100%	100%	100%	Achieved.
Oversight of New Zealand's financial contribution to the Interim Secretariat of the South Pacific Regional Fisheries Management Organisation (SPRFMO) Commission.	Expenditure and contribution reviewed through: <ul style="list-style-type: none"> > quarterly review; > SPRFMO's Interim Secretariat financial report to the Commission's preparation conference. 	Quarterly reviews and Secretariat financial report to the Commission's preparation conference demonstrate expenditure within and according to budget.	New measure.	Achieved.

Financial Statements

MINISTRY PERFORMANCE 2010/2011

This section of the report details the Output Expense service performance and financial performance of the Ministry's departmental activities. It also provides a report on the non-departmental funds managed by the Ministry of Fisheries.

The Ministry receives Parliamentary appropriations to cover all its activities. A portion of the costs of these activities is recovered through the cost recovery provisions of the Fisheries Act 1996, by way of cost recovery levies and departmental transaction charges.

The amount recovered through cost recovery levies is classified as Crown Revenue and is accounted for through the non-departmental financial schedules included later in this report.

FINANCIAL OVERVIEW

The Ministry spent \$89.794 million in the 2010/11 financial year against an annual budget appropriation of \$95.957 million after Final Supplementary Estimates. The annual budget after Final Supplementary Estimates reduced by \$7.737 million from the original Statement of Intent budget of \$106.694 million as a result of various adjustments detailed in note 24. When further transfers of \$6.163 million from 2010/11 into 2011/12 are included, the final audited out-turn for 2010/11 gives an effective break even position across all departmental output expenses.

The carry forward amounts represent \$4.796 million of work originally planned to be undertaken in 2010/11, which will now be carried out in 2011/12, and a further \$1.367 million of merger costs carried forward.

Unless otherwise specified, all figures in this report are in \$000 and GST exclusive. The following tables provide a high-level view of the Ministry's expenditure for the year.

Departmental Carry Forward by Output

Table 1 shows expenditure in the Ministry's departmental output expenses.

Table 1

	Main Estimates	Final Estimates	Actual Expenditure	Carry Forward	Underspend
	\$000	\$000	\$000	\$000	\$000
Development of fisheries policy	9 050	10 282	10 140	142	0
Operational advice on sustainability and management controls in fisheries	58 196	50 051	44 646	5 405	0
Fisheries enforcement and monitoring	33 392	31 966	31 923	43	0
Aquaculture	2 784	3 211	2 719	492	0
South Pacific Regional Fisheries Management Organisation	272	447	366	81	0
Total	103 694	95 957	89 794	6 163	0

Departmental Output Expense Profile

Table 2 shows the trend in expenditure in the Ministry's departmental output expenses over the past four years.

Table 2

	2007/08 Actual \$000	2008/09 Actual \$000	2009/10 Actual \$000	2010/11 Actual \$000
Development of fisheries policy	0	0	0	10 140
Operational advice on sustainability and management controls in fisheries	0	0	0	44 646
Fisheries enforcement and monitoring	0	0	0	31 923
Aquaculture	0	0	0	2 719
Fisheries policy advice	6 667	8 078	8 549	0
Fisheries information	26 466	28 131	30 735	0
Fisheries operations	23 599	24 929	20 011	0
Fisheries compliance	29 737	31 914	32 391	0
Aquaculture settlement	1 626	2 118	695	0
South Pacific Regional Fisheries Management Organisation	324	449	327	366
Total	88 419	95 619	92 708	89 794

Research Services

Table 3 provides a high-level view of the expenditure on fisheries research by fishery type and other marine-related research over the past four years. The figures shown are direct costs and do not include any Ministry indirect costs that are apportioned to the individual research projects under the Ministry's cost allocation system.

Research costs have reduced in financial year 2010/11 as a result of the finalisation of the 10-year Deepwater Research contracts due to extended negotiations with NIWA. In addition, the Trawl Survey was delayed by a year due to the NIWA research vessel *Tangaroa* being refitted in Singapore, and variations to two Paua projects resulting in some major milestones moving to the 2011/12 financial year.

Table 3

	2007/08 Actual \$000	2008/09 Actual \$000	2009/10 Actual \$000	2010/11 Actual \$000
Antarctic and deepwater	2 779	1 195	4 085	2 243
Hoki and middle depths	3 662	4 599	6 123	2 676
Inshore finfish, eel and snapper	2 011	2 033	1 162	2 338
Highly migratory	915	837	826	460
Shellfish and rock lobster	2 719	2 903	2 355	1 459
Non-commercial fisheries	1 353	889	1 229	1 997
Aquatic environment	1 403	1 514	1 899	1 866
Other research	1 513	1 310	1 584	1 059
Subtotal	16 355	15 280	19 263	14 098
Biodiversity research	1 269	1 447	1 759	1 583
International Polar Year	0	760	839	936
Total	17 624	17 487	21 861	16 617

Industry Charges

Table 4 shows final cost recovery levies, inclusive of the settlement credit and prior years' under and over recoveries, and departmental charges for the Ministry for the period from 2007/08 through to 2010/11.

Table 4

	2007/08 Actual \$000	2008/09 Actual \$000	2009/10 Actual \$000	2010/11 Actual \$000
Final cost recovery levies	31 289	33 460	29 614	30 578
Transshipment and Observer charges	1 120	1 309	1 707	1 368
Permit fees	76	101	97	97
Marine farming, license fees, transfer and lease fees	(134)	92	7	7
Other	0	137	207	207
Cost recovery levies and charges	32 351	35 099	31 632	32 257
Total output expenditure	88 419	95 619	92 708	89 794

Capital Expenditure

Table 5 shows the Ministry's capital expenditure over the past four years. This programme covers the routine replacement of motor vehicles, the replacement of fisheries vessels and provides for the building and upgrade of new and replacement information systems to support the Ministry's operating environment.

Table 5

	2007/08 Actual \$000	2008/09 Actual \$000	2009/10 Actual \$000	2010/11 Actual \$000
Building and leasehold improvements	222	464	413	86
Office plant and equipment including computer systems	717	2 501	1 197	1 229
Motor vehicles and vessels	879	1 144	298	1 950
Total	1 818	4 109	1 908	3 265

Departmental Property, Plant and Equipment, and Intangible Assets

Table 6 shows the net book value of departmental property plant and equipment at 30 June 2011. This table also provides the comparable figures from 2008 through to 30 June 2011.

Table 6

	2008 Actual \$000	2009 Actual \$000	2010 Actual \$000	2011 Actual \$000
Land, buildings and leasehold improvements	5 462	5 267	5 058	4 521
Office plant and equipment	1 229	1 536	1 399	1 484
IT software	2 864	3 625	3 260	2 587
Motor vehicles and vessels	2 425	2 817	2 503	3 994
Total	11 980	13 245	12 220	12 586

Output Class Service Performance

Table 7 lists departmental output expenses by output for the year ended 30 June 2011 and comparative out-turn for 2010.

Table 7

	2011 Final Estimates	2011 Actual	2011 Actual as % of Final Estimates	2010 Actual
	\$000	\$000		\$000
Development of fisheries policy				
New Zealand Strategy and Framework	5 686	5 690	100.07	0
International Strategy and Framework	2 875	2 775	96.52	0
Standards and regulations	1 185	1 095	92.41	0
Ministerial services	536	580	108.21	0
Sub total	10 282	10 140	98.62	0
Operational advice on sustainability and management controls in fisheries				
Sustainability and management information (including Observers)	39 743	34 854	87.70	0
Deed of Settlement	5 619	5 012	89.20	0
Registry services and permits	4 689	4 780	101.94	0
Sub total	50 051	44 646	89.20	0
Fisheries enforcement and monitoring				
Commercial compliance	10 946	11 493	105.00	0
Other fisheries	15 189	14 776	97.28	0
Prosecutions managed	5 831	5 654	96.96	0
Sub total	31 966	31 923	99.87	0
Aquaculture				
Aquaculture settlement	1 455	1 211	83.23	0
Aquaculture development	1 756	1 508	85.88	0
Sub total	3 211	2 719	84.68	0
Fisheries Policy Advice				
Policy advice	0	0	0	7 433
Ministerial servicing	0	0	0	1 116
Sub total	0	0	0	8 549
Fisheries Information				
Research	0	0	0	30 735
Sub total	0	0	0	30 735
Fisheries Operations				
Sustainability and management controls	0	0	0	9 740
Deed of Settlement implemented	0	0	0	5 470
Registry services managed	0	0	0	4 801
Sub total	0	0	0	20 011
Fisheries Compliance				
Commercial fisheries compliance	0	0	0	9 918
Other fisheries compliance	0	0	0	15 359
Prosecutions managed	0	0	0	7 114
Sub total	0	0	0	32 391

	2011 Final Estimates \$000	2011 Actual \$000	2011 Actual as % of Final Estimates	2010 Actual \$000
Aquaculture Settlement				
Aquaculture settlement implemented	0	0	0	695
Sub total	0	0	0	695
South Pacific Regional Fisheries Management Organisation				
Interim Secretariat	447	366	81.88	327
Sub total	447	366	81.88	327
Grand total	95 957	89 794	93.58	92 708

■ Statement of Accounting Policies for the year ended 30 June 2011

Reporting Entity

The Ministry of Fisheries is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand. In addition, the Ministry has reported on activity undertaken on behalf of the Crown 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. As the Ministry legally merged with the Ministry of Agriculture and Forestry on 1 July 2011, the financial statements were authorised for issue by the Director-General of the newly combined Ministry of Agriculture and Forestry on 30 September 2011.

Basis of Preparation

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

The financial statements have been prepared on a disestablishment basis where all assets and liabilities, along with their prior year comparatives, have been shown as current. The assets and liabilities of the Ministry of Fisheries will be transferred to, and be relevant to, the Ministry of Agriculture and Forestry. For that reason, while the financial statements have been prepared on a disestablishment basis, no adjustments have been made to the measurement of assets and liabilities because of the disestablishment basis of preparation, other than some accelerated depreciation on selected software assets.

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.

Use of Accounting Estimates and Judgements

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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment for the newly combined Ministry of Agriculture and Forestry in the next year are discussed in notes: 15 Provisions and 16 Employee entitlements.

■ Specific Accounting Policies

Changes in Accounting Policies

The accounting policies of the Ministry have not changed since the last audited financial statements. All policies have been applied on a basis consistent with the previous financial year, however, due to the merger with the Ministry of Agriculture and Forestry all assets and liabilities are reported on a disestablishment basis and presented as short term.

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

- > NZ IFRS 9 Financial Instruments – This standard is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.
- > The standard applies to financial assets, their classification and measurement. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value. This standard is effective for reporting periods commencing on or after 1 January 2013.
- > NZ IAS 24 Related Party Disclosures (Revised 2009) – This standard makes amendments to NZ IAS 24 Related Party Disclosures and is effective for reporting periods commencing on or after 1 January 2011.
- > The amendments simplify the definition of a related party and provide a partial exemption from the disclosure requirements for government-related entities.

The Ministry of Fisheries has not yet assessed the impact of these new standards and therefore they have not been adopted early.

Revenue

Rendering of Services

The Ministry derives revenue through the provision of outputs to the Crown and for services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

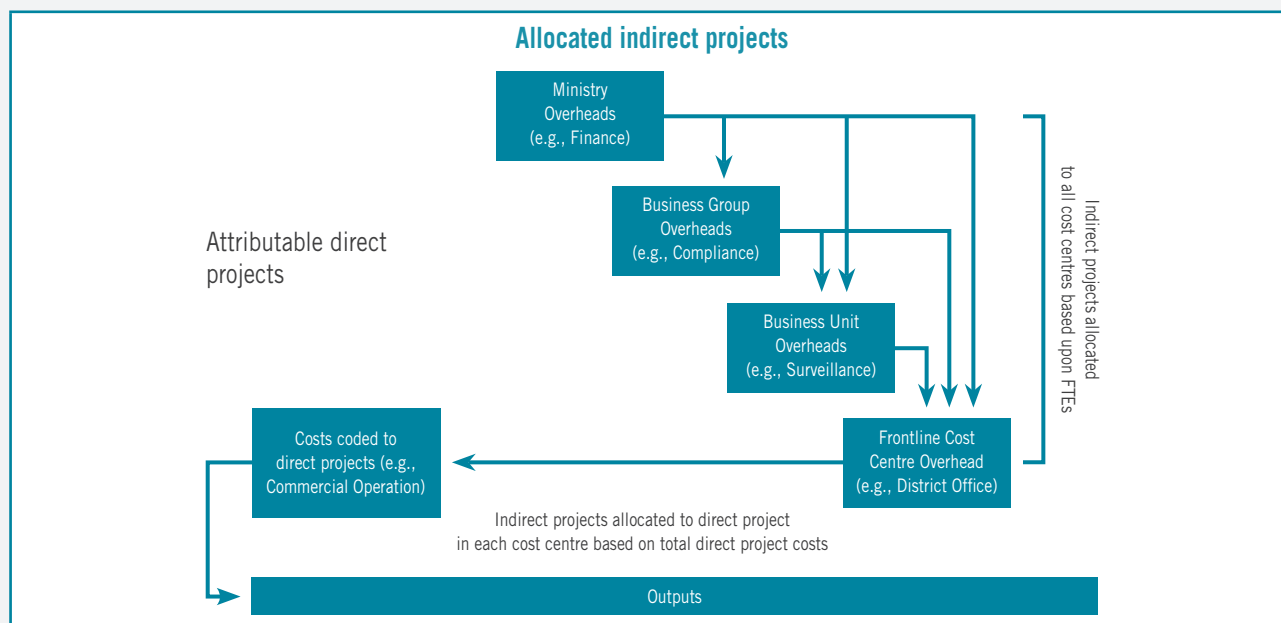
Capital Charge

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

Cost Allocation

The Ministry has determined the cost of outputs using a specific cost allocation system. Costs that can be specifically attributed to an output are charged directly to that output. All other costs are assigned using the methodology set out below.

The Ministry's cost accounting policies have remained unchanged since the date of the last audited financial statements.



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.

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.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Impairment of a debtor 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 debtor. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the debtor is impaired. Bad debts are written off when identified and approved.

Property, Plant and Equipment

Property, plant and equipment consist of land, buildings, leasehold improvements, plant and equipment, motor vehicles, vessels and capital work in progress.

Motor vehicles and plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

For the purposes of these financial statements, land and buildings, although owned by the Crown, are deemed as being owned by the Ministry as principal occupier or user.

Only property, plant and equipment with a cost in excess of \$5 000 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.

Disposals

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the comprehensive income statement.

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.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land and work in progress, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives have been estimated as follows:

Buildings	10–100 years
Motor vehicles	up to 10 years
Vessels	4–25 years
Plant and equipment	up to 10 years

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvement, whichever is the shorter.

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

Intangible Assets

Software

Research costs are expensed as incurred.

Costs associated with maintaining computer software and related staff training costs are recognised as an expense when incurred.

Software development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and operationally feasible, future service potential is probable and the Ministry intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Gains and losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the comprehensive income statement when the asset is derecognised.

Subsequent Costs

Subsequent expenditure is capitalised only when it increases the future service potential embodied in the specific asset to which it relates. All other expenditure is recognised in the comprehensive income statement 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 asset is amortised over the period of expected future benefit. The amortisation charge for each period is recognised in the comprehensive income statement.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Software development costs: up to 10 years.

The amortisation period for an intangible asset with a finite useful life is reviewed at each financial year end.

Impairment of Non-financial Assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The total impairment loss is recognised in the comprehensive income statement.

Creditors and Other Payables

Creditors and payables are paid within the following 12 months and, due to their short-term nature, they are recognised at their nominal value, unless the effect of discounting is material.

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 expenditure will be required to settle the obligation and a reliable estimate can be made.

Employee Entitlements

Provision is made in respect of the Ministry's liability for annual leave, long service leave, retirement leave and sick leave.

Short-term Employee Entitlements

Employee entitlements that the Ministry expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date and sick leave.

The Ministry recognises a liability for sick leave 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 the Ministry anticipates it will be used by staff to cover those future absences.

Long-term Employee Entitlements

Employee entitlements that are payable beyond 12 months, such as long service leave and retirement leave, are recognised for all employees on the basis of a six monthly actuarial valuation based on the present value of expected future entitlements.

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 in the comprehensive income statement as incurred.

Financial Instruments

Non-derivative Financial Instruments

The Ministry is party to financial instruments as part of its normal operations. These financial instruments include cash, debtors and other receivables and creditors and other payables. All financial instruments are recognised in the statement of financial position, and all revenues and expenses in relation to financial instruments are recognised in the comprehensive income statement.

Foreign Currency

Foreign currency transactions (including those for which forward exchange rate contracts are held) are translated into New Zealand dollars using the exchange rate 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 comprehensive income statement.

Statement of Cash Flows

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

Operating activities include cash received from all income sources of the Ministry and the cash payments made for the supply of goods and services.

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

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

Goods and Services Tax (GST)

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.

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 charge for income tax has been provided for.

Commitments

Expenses yet to be incurred on non-cancellable operating leases, fisheries and biodiversity research contracts and registry services contracts entered into on or before balance date are disclosed as commitments to the extent that they are equally unperformed obligations.

Contingent Liabilities

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

Taxpayers' Funds

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

Budget Figures

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates process and any transfers made by Order in Council under section 26A of the Public Finance Act 1989.

■ Statement of Comprehensive Income for the year ended 30 June 2011

	Notes	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Income					
Crown	1	100 785	93 070	86 944	92 566
Department	2	1 982	1 695	1 688	2 037
Other revenue	3	927	1 192	1 162	971
Gains on sales	4	0	0	5	49
Total income		103 694	95 957	89 799	95 623
Expenditure					
Personnel costs	5	46 030	44 083	42 826	44 318
Operating costs	6	53 753	48 237	43 116	44 610
Depreciation and amortisation expense	7	2 910	2 639	2 854	2 779
Capital charge	8	1 001	998	998	1 001
Total expenditure	24	103 694	95 957	89 794	92 708
Net surplus / (deficit) and total comprehensive income		0	0	5	2 915

These financial statements should be read in conjunction with the statement of accounting policies on pages 48 to 53 and the notes to the financial statements on pages 59 to 70.

■ Statement of Changes in Taxpayers' Funds for the year ended 30 June 2011

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Balance at 1 July	13 275	13 275	13 275	13 361
Net surplus / (deficit) and total comprehensive income	0	0	5	2 915
Repayment of surplus to the Crown	0	0	(5)	(2 915)
Capital contribution	60	60	60	0
Capital withdrawal	0	0	0	(86)
Balance at 30 June	13 335	13 335	13 335	13 275

■ Statement of Financial Position as at 30 June 2011

	Notes	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Current assets					
Cash		1 589	1 759	293	1 760
Debtors and other receivables	10	21 784	19 204	22 806	26 204
Prepayments		742	865	2 766	865
Property, plant and equipment	11	10 177	10 649	9 999	8 960
Intangible assets	12	4 386	5 717	2 587	3 260
Total current assets		38 678	38 194	38 451	41 049
Current liabilities					
Creditors and other payables	13	18 297	15 461	16 489	15 461
Repayment of surplus to the Crown	14	0	0	5	2 915
Provisions	15	2 133	2 530	1 411	2 530
Employee entitlements	16	4 659	6 708	6 919	6 708
Unearned revenue		254	160	292	160
Total current liabilities		25 343	24 859	25 116	27 774
Net assets		13 335	13 335	13 335	13 275
Taxpayers' funds					
General funds	9	13 335	13 335	13 335	13 275
Total taxpayers' funds		13 335	13 335	13 335	13 275

These financial statements should be read in conjunction with the statement of accounting policies on pages 48 to 53 and the notes to the financial statements on pages 59 to 70.

Statement of Cash Flows

for the year ended 30 June 2011

	Notes	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Cash flows from operating activities					
Receipts from revenue Crown		100 785	100 070	90 373	87 879
Receipts from revenue department		1 982	1 695	1 865	1 915
Receipts from revenue other		927	1 192	1 071	1 261
Payments to suppliers		(61 865)	(57 238)	(52 161)	(55 971)
Payments to employees		(37 918)	(35 082)	(37 040)	(33 632)
Payments for capital charge		(1 001)	(998)	(998)	(1 001)
Goods and services tax (net)		0	0	1 503	182
Net cash from operating activities	17	2 910	9 639	4 613	633
Cash flows from investing activities					
Receipts from sale of property, plant and equipment		0	0	40	203
Purchase of property, plant and equipment		(3 306)	(3 052)	(2 710)	(1 214)
Purchase of intangible assets		0	(3 733)	(555)	(709)
Net cash from investing activities		(3 306)	(6 785)	(3 225)	(1 720)
Cash flows from financing activities					
Capital contribution from the Crown		0	60	60	0
Capital withdrawal		0	0	0	(86)
Repayment of surplus to the Crown		0	(2 915)	(2 915)	(1 839)
Net cash from financing activities		0	(2 855)	(2 855)	(1 925)
Net increase/(decrease) in cash		(396)	(1)	(1 467)	(3 012)
Cash at the beginning of the year		1 985	1 760	1 760	4 772
Cash at the end of the year		1 589	1 759	293	1 760

These financial statements should be read in conjunction with the statement of accounting policies on pages 48 to 53 and the notes to the financial statements on pages 59 to 70.

■ 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 intangible assets that have not been paid for or recognised as a liability at 30 June 2011.

Operating Lease Commitments

The Ministry operates from premises that are leased on short-and long-term bases. The annual lease payments are subject to periodic review. The amounts disclosed below as future commitments are based on current agreements and rental rates.

Other Operating Commitments

There are fisheries and biodiversity research projects and registry services contracts that have been entered into in 2010/11 for which the service will be performed after 30 June 2011.

	2011 Actual \$000	2010 Actual \$000
Operating commitments		
Not later than one year	17 986	20 292
Later than one year and not later than two years	10 761	10 139
Later than two years and not later than five years	8 039	15 626
Later than five years	702	1 253
Total operating commitments	37 488	47 310
Capital commitments		
Property, plant and equipment	0	0
Intangible assets	0	0
Total capital commitments	0	0
Total commitments	37 488	47 310

The Ministry's operating leases have varying terms, escalation clauses and renewal rights.

■ Statement of Contingent Liabilities and Contingent Assets as at 30 June 2011

This statement discloses situations that exist at 30 June, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after 30 June 2011.

Quantifiable Contingent Liabilities

No quantifiable contingent liabilities exist at 30 June 2011 (2010: \$nil).

Unquantifiable Contingent Liabilities

No unquantifiable contingent liabilities exist at 30 June 2011.

Contingent Assets

The Ministry has no contingent assets (2010: \$nil).

■ Statement of Departmental Expenditure and Capital Expenditure against Appropriations

	2011 Appropriation* \$000	2011 Actual \$000	2010 Actual \$000
Vote Fisheries			
Appropriations for output expenses: annual appropriation			
Development of fisheries policy	10 282	10 140	–
Operational advice on sustainability and management controls in fisheries	50 051	44 646	–
Fisheries enforcement and monitoring	31 966	31 923	–
Aquaculture	3 211	2 719	–
Policy advice	–	–	8 549
Fisheries information	–	–	30 735
Fisheries operations	–	–	20 011
Fisheries compliance	–	–	32 391
Aquaculture settlement	–	–	695
Interim Secretariat – South Pacific Regional Fisheries Management Organisation	447	366	327
Total	95 957	89 794	92 708
Capital movement			
Capital injection	60	60	0
Capital withdrawal	–	–	(86)
Total capital movement	60	60	(86)

* Includes adjustments made in Supplementary Estimates and transfers under section 26A of the Public Finance Act 1989.

■ Statement of Departmental Unappropriated Expenditure for the year 30 June 2011

There has not been any unappropriated expenditure for the year ended 30 June 2011 (2010: \$nil).

Notes to the Financial Statements for the year 30 June 2011

1 Revenue Crown

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Development of fisheries policy	8 966	10 198	10 065	0
Operational advice on sustainability and management controls in fisheries	55 972	48 122	42 623	0
Fisheries enforcement and monitoring	32 915	31 394	31 393	0
Aquaculture	2 780	3 207	2 714	0
Policy advice	0	0	0	8 459
Fisheries information	0	0	0	30 044
Fisheries operations	0	0	0	19 908
Fisheries compliance	0	0	0	33 227
Aquaculture settlement	0	0	0	692
Interim secretariat SPRFMO	152	149	149	236
Total revenue Crown	100 785	93 070	86 944	92 566

2 Revenue Department

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Recovery of State Sector Retirement Savings Scheme costs	949	949	929	962
Observer charges	985	603	706	1 047
Other	48	143	52	28
Total revenue department	1 982	1 695	1 688	2 037

3 Other Revenue

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Marine farming, licence fees, transfer and lease fees	10	10	58	7
Trans-shipment and observer charges	627	714	847	660
Permit fees	170	170	70	97
Miscellaneous	120	298	187	207
Total other revenue	927	1 192	1 162	971

4 Gain on Sale of Property, Plant and Equipment

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Motor vehicles	0	0	1	30
Vessels	0	0	4	19
Net gain on sale of property, plant and equipment	0	0	5	49

5 Personnel Costs

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Salaries and wages	42 628	39 475	38 438	39 076
Other	3 402	4 608	4 388	5 242
Total personnel costs	46 030	44 083	42 826	44 318

6 Operating Costs

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Advertising, information and publicity	537	604	568	523
Asset operating costs	2 762	2 549	2 628	2 613
Communications	1 413	1 249	1 143	1 209
Computer consumables	1 541	1 391	1 529	1 041
Contract for services	36 365	32 536	27 498	29 776
Fees for audit of the financial statements	225	188	190	180
Fees to auditors for other services	0	9	8	2

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Legal	1 078	770	912	712
Operating lease rentals	4 034	3 707	3 703	3 856
Printed materials	713	552	448	453
Travel	3 974	4 137	3 753	3 834
Other operating costs	1 111	545	706	411
Total operating costs	53 753	48 237	43 116	44 610

7 Depreciation and Amortisation Expenses

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Buildings and leasehold improvements	618	621	623	622
Plant and equipment	311	542	243	614
Motor vehicles and vessels	932	500	433	469
Intangible assets (software)	1 049	976	1 555	1 074
Total depreciation expense	2 910	2 639	2 854	2 779

8 Capital Charge

The Ministry paid a capital charge to the Crown on its net taxpayers' funds as at 30 June 2011 and 31 December 2010. The capital charge rate for the year ended 30 June 2011 was 8.0 percent of net taxpayers' funds (2010: 7.5 percent).

9 Taxpayers' Funds

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Taxpayers' funds comprises				
General funds				
Balance at 1 July	13 275	13 275	13 275	13 361
Net surplus / (deficit) and total comprehensive income	0	0	5	2 915
Capital contribution	60	60	60	0
Capital withdrawal	0	0	0	(86)
Repayment of surplus to the Crown	0	0	(5)	(2 915)
General funds at 30 June	13 335	13 335	13 335	13 275

10 Debtors and Other Receivables

	2011 Actual \$000	2010 Actual \$000
Trade debtors	462	635
Less:		
Provision for doubtful debts	(125)	(109)
Net debtors	337	526
Receivables	407	188
Debtor: Crown funding	22 062	25 490
Total debtors and other receivables	22 806	26 204

Trade debtors are generally on 30 day terms. At 30 June 2011 and 2010, all overdue receivables have been assessed for impairment and appropriate provision applied, as detailed below.

	2011			2010		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	22 742	0	22 742	25 678	(5)	25 673
Past due 0–12 months	109	(53)	56	546	(23)	523
Past due 13–24 months	23	(21)	2	86	(78)	8
Past due 25–36 months	56	(50)	6	0	0	0
Past due > 36 months	1	(1)	0	3	(3)	0
Total	22 931	(125)	22 806	26 313	(109)	26 204

The provision for doubtful debts has been calculated based on forecast losses for the Ministry's pool of debtors. Forecast losses have been determined based on a review of specific debtors.

Movements in the provision for doubtful debts are as follows:

	2011 \$000	2010 \$000
Balance at 1 July	109	109
Additional provisions made during the year	16	3
Receivables written off during the period	0	(3)
Balance at 30 June 2011	125	109

11 Property, Plant and Equipment

	Land	Buildings and leasehold improvements	Plant and equipment	Motor vehicles and vessels	Total
	\$000	\$000	\$000	\$000	\$000
Deemed Cost					
Balance at 1 July 2009	147	6 871	3 878	4 183	15 079
Additions	0	413	488	298	1 199
Reclassification	0	0	0	0	0
Disposals	0	0	(84)	(391)	(475)
Balance at 30 June 2010	147	7 284	4 282	4 090	15 803
Balance at 1 July 2010	147	7 284	4 282	4 090	15 803
Additions	0	86	674	1 950	2 710
Reclassification	0	0	0	0	0
Disposals	0	0	(92)	(90)	(182)
Balance at 30 June 2011	147	7 370	4 864	5 950	18 331
Accumulated depreciation and impairment losses					
Balance at 1 July 2009	0	1 751	2 342	1 366	5 459
Depreciation	0	622	615	453	1 690
Reclassification	0	0	0	0	0
Disposals	0	0	(74)	(232)	(306)
Balance at 30 June 2010	0	2 373	2 883	1 587	6 843
Balance at 1 July 2010	0	2 373	2 883	1 587	6 843
Depreciation	0	623	584	433	1 640
Reclassification	0	0	0	0	0
Disposals	0	0	(87)	(64)	(151)
Balance at 30 June 2011	0	2 996	3 380	1 956	8 332
Carrying amounts					
At 1 July 2009	147	5 120	1 536	2 817	9 620
At 30 June 2010	147	4 911	1 399	2 503	8 960
At 30 June 2011	147	4 374	1 484	3 994	9 999

The total amount of property, plant, and equipment in the course of construction is \$2 196 000 (2010: \$84 000).

12 Intangible Assets

	Acquired software \$000	Internally generated software \$000	Total \$000
Cost			
Balance at 1 July 2009	5 233	7 052	12 285
Additions	106	603	709
Disposals	0	0	0
Balance at 30 June 2010	5 339	7 655	12 994
Balance at 1 July 2010	5 339	7 655	12 994
Additions	14	541	555
Disposals	(195)	(18)	(213)
Balance at 30 June 2011	5 158	8 178	13 336
Accumulated amortisation and impairment losses			
Balance at 1 July 2009	4 123	4 537	8 660
Amortisation expense	551	523	1 074
Disposals	0	0	0
Balance at 30 June 2010	4 674	5 060	9 734
Balance at 1 July 2010	4 674	5 060	9 734
Amortisation expense	427	787	1 214
Disposals	(192)	(7)	(199)
Balance at 30 June 2011	4 909	5 840	10 749
Carrying amounts			
At 1 July 2009	1 110	2 515	3 625
At 30 June 2010	665	2 595	3 260
At 30 June 2011	249	2 338	2 587

The total amount of intangible assets in the course of construction is \$202 000 (2010: \$493 000).

13 Creditors and Other Payables

	2011 Actual \$000	2010 Actual \$000
Creditors	9 937	9 131
Accrued expenses	6 552	6 330
Total creditors and other payables	16 489	15 461

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

14 Repayment of Surplus to the Crown

	2011 Actual \$000	2010 Actual \$000
Net surplus	5	2 915
Total creditors and other payables	5	2 915

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

15 Provisions

	2011 Actual \$000	2010 Actual \$000
Current provisions are represented by:		
Onerous lease	986	314
Organisational change	0	1 142
Restructuring	425	0
Total current portion	1 411	1 456
Non-current provisions are represented by:		
Onerous lease	0	1 074
Total non-current portion	0	1 074
Total creditors and other payables	1 411	2 530

Movements in Provisions

Movements in each class of provision during the financial year are set out below.

	Onerous lease \$000	Organisational change \$000	Restructuring \$000	Total \$000
Consolidated				
At 1 July 2010	1 388	1 142	0	2 530
Arising during the year	986	0	425	1 411
Utilised	238	558	0	796
Unused amounts reversed	1 150	584	0	1 734
At 30 June 2011	986	0	425	1 411
Current 2011	986	0	425	1 411
Non-current 2011	0	0	0	0
At June 2011	986	0	425	1 411
Current 2010	314	1 142	0	1 456
Non-current 2010	1 074	0	0	1 074
At June 2010	1 388	1 142	0	2 530

Onerous Lease

In June 2009, the Chief Executive made a decision to release two floors of the Ministry's Head Office building at 101 The Terrace Wellington. In June 2011 the onerous lease was recalculated to reflect new information at hand. The following discount rates have been used to recalculate the present value of the cost of the onerous lease:

Year 1	2.84%	(3.48% for Year 1 in 2010 statements)
Year 2	3.81%	(4.45% for Year 2 in 2010 statements)
Year 3+	6.00%	(6.00% for Year 3+ in 2010 statements)

Organisational Change

At 30 June 2010, a provision of \$1.1 million was made to cover costs arising from internal restructuring within a number of the Ministry's business units which was announced and planned prior to balance date. It was anticipated that in all cases restructuring would be completed within 12 months of that balance date, however, during the period the merger between the Ministries of Fisheries and Agriculture and Forestry was announced that superseded all previous restructuring plans. The remainder of the provision was backed out during the period and a new provision for restructuring created.

Restructuring

As the merger between the Ministry of Fisheries and the Ministry of Agriculture and Forestry was announced during the reporting period, a new provision for restructuring was created at 30 June 2011 to account for known redundancies following an initial review of high level positions. Redundancy payments are expected to occur around November to December 2011 upon the completion of tier three appointments. Any displaced tier two personnel will be held in supernumerary positions until the outcome of tier 3 is finalised. The amounts provided for across the two organisations are expected to be very close in total to the final payments.

16 Employee Entitlements

	2011 Actual \$000	2010 Actual \$000
Current employee entitlements are represented by:		
Annual leave/TOIL/Sea & Alternate leave	2 661	2 625
Long service leave	608	347
Retirement leave	2 653	229
Sick leave	30	30
Payroll accrual	967	972
Total current portion	6 919	4 203
Non-current employee entitlements are represented by:		
Long service leave	0	176
Retirement leave	0	2 329
Total non-current portion	0	2 505
Total employee entitlements	6 919	6 708

Retirement Leave: Employees are entitled to retirement leave or approved early retirement, providing they have completed ten or more years of service and the retirement is the permanent cessation of regular paid employment with the Ministry.

Long Service Leave: Applies to those persons who have not had long service leave rolled into annual leave as at 30 June 2011. There are four possible options available to employees:

- > 10 working days after ten years and then a further 10 days after 20 years' service;
- > 5 working days after 5 years, then 1 day per year for 5 years and then 5 days every five years;

- > 5 days after 5 years, then 1 day per year for every subsequent year;
- > 10 days after 10 years, then 5 days for every 5 years.

Employee entitlements to long service leave and retirement leave are valued actuarially. The valuation at 30 June 2011 was completed using an actuarial calculation model supplied by the New Zealand Treasury. The present value of the retirement and long service leave obligations depends on several economic and demographic factors that are determined on an actuarial basis using a package of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any change to these assumptions is likely to impact on the carrying amount of the liability.

In determining the appropriate discount rate, the Ministry considered the interest rates on New Zealand government bonds which have terms to maturity that match, as far as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and on advice from an independent actuary. If the discount rate were to differ by plus/minus 1 percent from the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$210 000 lower/\$239 000 higher. If the salary inflation factor were to differ by plus/minus 1 percent from the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$257 000 higher/\$229 000 lower.

17 Reconciliation of Net Surplus to Net Cash from Operating Activities for the Year Ended 30 June 2011

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Net surplus	0	0	5	2 915
Add non-cash items:				
Depreciation and amortisation expense	2 910	2 639	2 854	2 779
Total non-cash items	2 910	2 639	2 854	2 779
Movements in working capital items:				
(Increase)/decrease in:				
– debtors and other receivables	0	7 000	3 398	(4 422)
– prepayments	0	0	(1 901)	(123)
Increase/(decrease) in:				
– creditors and other payables	0	0	1 028	1 153
– provisions	0	0	(1 119)	(1 457)
– employee entitlements	0	0	211	(84)
– unearned revenue	0	0	132	(94)
Net increase/(decrease) in working capital items	0	7 000	1 749	(5 027)
Add/(less) investing activity items:				
Net (gain)/loss on sale of property, plant and equipment and software	0	0	5	(34)
Total investing activity items	0	0	5	(34)
Net cash from operating activities	2 910	9 639	4 613	633

18 Related Party Transactions and Key Management Personnel

Related Party Transactions

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

The Ministry enters into transactions with other government departments, Crown entities and state-owned enterprises on an arm's length basis. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Ministry would have adopted if dealing with that entity at arm's length in the same circumstance are not disclosed.

Key Management Personnel Compensation

	2011 Actual \$000	2010 Actual \$000
Salaries and other short-term employee benefits	1 621	1 615
Termination benefits paid during the financial year	0	0
Total key management personnel compensation during the financial year	1 621	1 615
Other benefits existing as at balance date for key management personnel	0	0

Key management personnel include the Chief Executive, five Deputy Chief Executives and the Manager of the Office of the Chief Executive. The merger with Ministry of Agriculture and Forestry was announced 10 March from which point the Acting Chief Executive's pay was recognised in the financial accounts of MAF. The 2010 comparatives included the Chief Executive, five Deputy Chief Executives and the Manager of the Office of the Chief Executive.

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.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, credit risk arises from debtors and transactions with financial institutions. There is no collateral held as security against these financial instruments with financial institutions the Ministry deals with, as these entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

Fair Value

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

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's foreign exchange management policy requires the Ministry to manage material currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts. 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 significant exposure to either currency risk or interest rate risk.

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 draw downs from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

The table below analyses the Ministry's financial liabilities that will be settled based on the remaining period at 30 June 2011 to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Not Past Due	Less than 6 months	Between 6 months and one year	Total
	\$000	\$000	\$000	\$000
2010				
Creditors	8 807	324	0	9 131
Accrued expenses	6 330	0	0	6 330
Total	15 137	324	0	15 461
2011				
Creditors	9 675	262	0	9 937
Accrued expenses	6 552	0	0	6 552
Total	16 227	262	0	16 489

20 Categories of Financial Instruments

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

	2011 Actual \$000	2010 Actual \$000
Loans and receivables		
Cash	293	1 760
Debtors and other receivables	22 806	26 204
Total loans and receivables	23 099	27 964
Financial liabilities measured at amortised cost		
Creditors and other payables	16 489	15 461

21 Capital Management

The Ministry's capital is its equity (or taxpayers' funds), which comprise general funds. 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.

The objective of managing the Ministry's equity is to ensure the Ministry effectively achieves its goals and objectives for which it was established and maintains these whilst the merger process works to determine the combined organisation's aims and targets.

22 Events after the Balance Date

On 24 August 2011, the newly combined Ministry of Agriculture and Forestry released proposals for consultation in relation to phase two of the newly combined organisation's merger reorganisation plan. The proposal included a net reduction of 241 employment positions from across the two entities, 97 of which were vacant at the time. At the time of completion of these financial statements, the outcome of the proposal was uncertain and the associated financial effects unquantifiable.

23 Segment Information

The Ministry undertakes fisheries management activities throughout New Zealand.

24 Major Budget Variations

Comprehensive Income Statement

The variations from the initial 2010/11 Budget Night (Main) Estimates to Supplementary Estimates were due to:

	\$000
1 The carry forward of fisheries research funding from 2009/10 into 2010/11	4 600
2 The carry forward of aquaculture funding from 2009/10 into 2010/11	1 080
3 The carry forward of development of fisheries policy funding from 2009/10 into 2010/11	650
4 An increase in funding for the Interim Secretariat – South Pacific Regional Fisheries Management Organisation	178
5 An increase in funding for Pacific fisheries development (funded from NZ Aid)	95
6 An increase in funding for international travel under the Trade Negotiation Fund	42
7 A decrease in funding for observer and research costs	(5 110)
8 A transfer in funding from 2010/11 to 2011/12	(6 226)
9 Baseline Alignment Proposal – Aquaculture transfer from 2010/11 to 2011/12, 2012/13 and 2013/14	(3 000)
10 A transfer to Vote Customs for an automated information system	(46)
Total	(7 737)

These movements are shown in the table below.

	Development of Fisheries Policy \$000	Operational advice on sustainability and management controls in fisheries \$000	Fisheries Enforcement and Monitoring \$000	Aquaculture \$000	SPRFMO \$000	Total \$000
Main Estimates	9 050	58 196	33 392	2 784	272	103 694
Expense transfers from 2009/10 into 2010/11	650	4 600	0	1 080	0	6 330
Interim Secretariat – SPRFMO	0	0	0	0	178	178
Pacific fisheries development	0	0	95	0	0	95
Trade Negotiation Fund	42	0	0	0	0	42
Return of observer & research costs	0	(5 110)	0	0	0	(5 110)
Expense transfers from 2010/11 into 2011/12	(242)	(5 984)	0	0	0	(6 226)
Aquaculture transfer from 2010/11 to 2011/12, 2012/13 and 2013/14	(345)	(1 433)	(1 151)	(71)	0	(3 000)
Transfer to Vote Customs for an Automated Information system	0	0	(46)	0	0	(46)
Ministry internal realignments	1 127	(218)	(324)	(582)	(3)	0
Total appropriations	10 282	50 051	31 966	3 211	447	95 957
Actual expenditure	10 140	44 646	31 923	2 719	366	89 794

■ Report on Vote Fisheries Non-departmental Funds Managed by the Ministry of Fisheries

These public funds include revenues received from the commercial fishing industry through cost recovery levies that recover the costs of fisheries-related conservation services and fisheries services.

The cost of fisheries services provided by the Ministry of Fisheries during the period 1 July 2010 to 30 June 2011 is being recovered from the commercial fishing sector over the period 1 October 2010 to 30 September 2011.

These costs are accounted for through the departmental financial statements included earlier in this report. Expenditure on conservation services is reported separately by DOC.

The following table shows actual cost recovery levies and departmental charges as a proportion of total departmental output expenditure for the period from 2007/08 through to 2010/11 and what is planned for 2011/12.

	2007/08	2008/09	2009/10	2010/11	2011/12
	\$000	\$000	\$000	\$000	\$000
1 October cost recovery levies planned for each year (excluding the settlement credit and prior year's under and over recoveries)	32 785	35 686	34 121	34 574	33 625
Amount recoverable through levies after the application of the settlement credit and under and over recoveries from previous years	32 560	34 821	31 000	32 458	30 500

The following non-departmental statements and schedules record the income, expenses, assets, liabilities, contingent liabilities, contingent assets and trust accounts that the Ministry manages on behalf of the Crown.

■ Statement of Non-departmental Accounting Policies for the year ended 30 June 2011

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 NZ IFRS as appropriate for public benefit entities.

Budget Figures

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates and any transfers made by Order in Council under section 26A of the Public Finance Act 1989.

Revenue

Fines and Penalties

Revenue from fines and penalties are recognised when the infringement notice is issued.

Cost Recovery Levies

Cost recovery levies recover the costs of fisheries-related conservation services and fisheries services:

- > provided to manage the harvesting or farming of fisheries resources; or
- > provided to avoid, remedy, or mitigate a risk to, or an adverse effect on, the aquatic environment or the biological diversity of the aquatic environment.

The cost of fisheries services provided by the Ministry of Fisheries during the period 1 July 2010 to 30 June 2011 is primarily recovered from the commercial fishing sector over the period 1 October 2010 to 30 September 2011. Such revenue is reported in the financial period to which the revenue relates.

Deemed Value Charges

Revenue from deemed value charges is recognised three months after the end of the fishing year after completion of review processes.

Debtors and Other Receivables

Debtors and other receivables are recognised and carried at original invoice amount less 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.

Creditors and Other Payables

Creditors and other payables are stated at cost and, due to their short-term nature, they are not discounted.

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.

Schedule of Non-departmental Revenue and Expenditure

	Notes	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Revenue					
Cost recovery levies	1	34 326	32 402	26 040	33 729
Deemed value charges		2 500	4 300	3 808	2 724
Other revenue	2	425	4 205	4 347	2 049
Total revenue	3a	37 251	40 907	34 195	38 502
Expenditure					
Operating	4	1 110	12 608	1 605	3 266
Total expenditure	3b	1 110	12 608	1 605	3 266

These schedules should be read in conjunction with the notes on pages 75 to 78.

Schedule of Non-departmental Assets and Liabilities as at 30 June 2011

	Notes	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
ASSETS					
Current assets					
Cash	5	2 028	2 028	1 182	2 027
Debtors and other receivables	6	11 085	10 374	11 529	11 085
Prepayments	7	192	192	198	192
Total non-departmental current assets		13 305	12 594	12 909	13 304
LIABILITIES					
Current liabilities					
Creditors and other payables	8	9 368	9 368	9 539	9 368
Over and under recovered costs	9	7 922	7 922	14 005	7 922
Total current liabilities		17 290	17 290	23 544	17 290
Term liabilities	10	140	140	0	140
Total non-departmental liabilities		17 430	17 430	23 544	17 430

These schedules should be read in conjunction with the notes on pages 75 to 78.

■ Statement of Non-departmental Expenditure against Appropriations for the year ended 30 June 2011

	2011 Appropriation* \$000	2011 Actual \$000	2010 Actual \$000
Appropriations for other expenses incurred by the Crown: annual appropriation			
Settlements	11 473	625	2 449
Provision for bad debts/bad debt write off	0	0	200
Deemed value debt adjustment	0	0	238
Subscriptions to international organisations	400	391	373
Bad debt write off	711	578	5
Quota share/ACE administration costs	24	11	1
GST on expenses	0	0	0
Total	12 608	1 605	3 266

* Includes adjustments made in Supplementary Estimates and transfers under section 26A of the Public Finance Act 1989.

■ Statement of Non-departmental Unappropriated Expenditure for the year ended 30 June 2011

There has not been any unappropriated expenditure for the year ended 30 June 2011 (2010: \$nil).

■ Statement of Non-departmental Contingent Liabilities and Contingent Assets

This statement discloses situations that exist at 30 June 2011, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after 30 June 2011.

Quantifiable Contingent Liabilities

	2011 Actual \$000	2010 Actual \$000
Legal proceedings	0	100
Total quantifiable contingent liabilities	0	100

There are no quantifiable contingent liabilities as at balance sheet date. The prior year's balance related to legal proceedings in connection with a Ministry decision on the Tasman Interim Aquaculture Management Areas, which was subject to appeal and judicial review (\$0.100 million). This issue has been resolved during the period.

Unquantifiable Contingent Liabilities

The Ministry has contingent liabilities that cannot be quantified at 30 June 2011. These arise primarily from:

- a judicial review;
- a permitting decision relating to non-commercially harvested species;
- a Treaty of Waitangi claim.

Contingent Assets

The Ministry on behalf of the Crown has no contingent assets (2010: \$nil).

Notes to the Non-departmental Schedules for the year ended 30 June 2011

1 Cost Recovery Levies

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Fisheries services	33 273	30 523	24 167	32 357
Conservation services	1 053	1 879	1 873	1 372
Total	34 326	32 402	26 040	33 729

2 Other Revenue

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Sale of quota/ACE	100	2 320	2 358	110
Forfeitures and redemptions	150	1 700	1 765	1 371
Fisheries research catch	0	0	0	201
Infringement notices	125	125	150	222
Interest	30	60	73	94
Other	20	0	0	51
Total	425	4 205	4 347	2 049

3 Major Budget Variations

The variations from the initial 2010/11 Budget Night (Main) Estimates to Supplementary Estimates were due to:

	\$000
(a) Revenue	
Forfeitures and redemptions	1 550
Investment Income – trust account interest earned	30
Infringement notices Issued	0
Deemed values	1 800
Other revenue	(20)
Total	3 360
(b) Non-departmental expenditure	
Subscriptions to international organisations	25
Settlements	11 473
Total	11 498

4 Operating Expenditure

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Settlements	0	11 473	625	2 449
Increase/(decrease) in provision for bad/doubtful debts	0	0	0	200
Deemed value debt adjustment	0	0	0	238
Subscriptions to international organisations	375	400	391	373
Bad debt write-offs	711	711	578	5
Quota share/ACE administration costs	24	24	11	1
GST on expenses	0	0	0	0
Total operating expenditure	1 110	12 608	1 605	3 266

5 Cash

This comprises balances of the Crown bank accounts managed by the Ministry of Fisheries on the Crown's behalf pursuant to section 4 of the Public Finance Act 1989.

These balances represent funds drawn down from the New Zealand Debt Management Office at the Treasury for payments to be made on behalf of the Crown but not yet paid, proceeds from asset sales, revenue receipts not yet transferred to the Crown and GST payable to the Department of Inland Revenue on revenue invoiced on behalf of the Crown.

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Infringement receipts	0	0	203	27
Receipts on behalf of the Crown	0	0	191	120
Funding for payments on behalf of the Crown	2 028	2 028	788	1 880
Total cash	2 028	2 028	1 182	2 027

6 Debtors and Other Receivables

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Trade debtors	16 013	16 013	8 689	7 826
Less:				
Provision for doubtful debts	(4 928)	(5 639)	(5 636)	(4 772)
Net debtors	11 085	10 374	3 351	3 054
Accrued revenue	0	0	8 178	8 031
Total debtors and other receivables	11 085	10 374	11 529	11 085

Trade debtors are generally on 30 day terms. As at 30 June 2011 and 2010, all debtors have been assessed for impairment and appropriate provisions applied, as detailed below.

	2011			2010		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	11 332	0	11 332	10 870	0	10 870
Past due 1–12 months	996	(799)	197	722	(670)	52
Past due 13–24 months	0	0	0	2 011	(1 848)	163
Past due 25–36 months	2 037	(2 037)	0	2 143	(2 143)	0
Past due over 37 months	2 502	(2 502)	0	111	(111)	0
Total	16 867	(5 338)	11 529	15 857	(4 772)	11 085

The provision for doubtful debts has been calculated based on forecast losses for the Crown's pool of debtors. Forecast losses have been determined based on a review of specific debtors.

Movements in the provision for doubtful debts are as follows:

	2011 \$000	2010 \$000
Balance at 1 July	4 772	4 572
Additional provisions made during the year	566	200
Receivables written off during period	0	0
Balance at 30 June	5 338	4 772

7 Prepayments

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Subscriptions to international organisations	192	192	198	192
Total prepayments	192	192	198	192

8 Creditors and Other Payables

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Creditors	1	1	0	0
GST payable on receipts on behalf of the Crown	306	306	394	306
Accrued expenses	0	0	202	188
Commercial Aquaculture	9 061	9 061	8 943	8 874
Total prepayments	9 368	9 368	9 539	9 368

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 approximates their fair value.

The Maori Commercial Aquaculture Claims Act 2004 provides a full and final settlement of Māori contemporary claims to commercial aquaculture space created since 21 September 1992.

The Act establishes the Crown's obligation to provide iwi with the equivalent of 20 percent of the aquaculture space created between 21 September 1992 and 31 December 2004 (pre-commencement space) plus an additional obligation to provide 20 percent of all new space created. If the settlement cannot be achieved through a transfer of "space", then it must be resolved through a financial transfer to iwi.

During 2010/11, the Crown paid \$695 000 of this settlement to the Chatham Islands and the Kaipara Harbour iwi of the Crown's pre-commencement aquaculture space obligations.

On behalf of the Crown, the Ministry of Fisheries engaged Mr Lex Hayward to provide a valuation of the pre-commencement space obligations as at 30 June 2010. The previous year's valuations were used as a basis for the settlement provision as at 30 June 2011 with adjustments made inhouse based on the history of actual settlement payments since.

9 Over and Under-recovered Costs

Section 265 of the Fisheries Act 1996 creates a mandatory obligation on the Minister of Fisheries and Aquaculture to have regard to under- and over-recovery of costs of any conservation service or fisheries service in a previous financial year when recommending a cost recovery levy order for a current/future year.

This provision reflects the balance of the net over-and under-recovery of cost recovery levies for the period 1 October 1995 to 30 June 2011 to be applied against future cost recovery levy orders.

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Net over-recovery of costs	7 922	7 922	14 005	7 922
Total net over-recovered costs	7 922	7 922	14 005	7 922

10 Term Liabilities

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Transfer of quota	140	140	0	140
Total term liabilities	140	140	0	140

■ Statement of Trust Monies for the year ended 30 June 2010

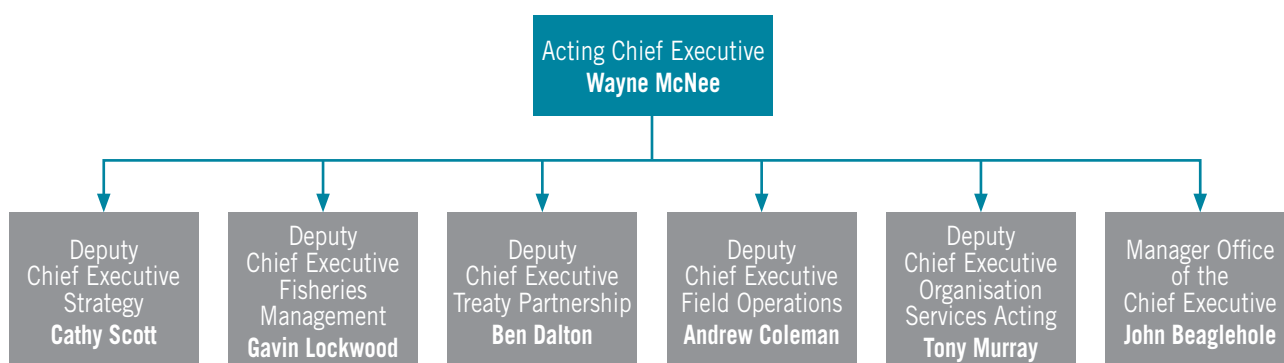
	Declared Overfishing Account ¹	Forfeit Property Account ²	Total
	\$000	\$000	\$000
Balance at 1 July 2010	1 213	1 112	2 325
Plus:			
– Contribution	3 197	798	3 995
– Revenue	37	20	57
Less:			
– Distribution	(3 332)	(1 789)	(5 121)
– Expenses	0	(57)	(57)
Balance at 30 June 2010	1 115	84	1 199

1. Funds held in relation to the deemed value of fish taken in excess of quota under the quota management system.
2. Proceeds received from the sale of seized/forfeited property that is disposed of in accordance with Ministerial/Court direction.

Appendices

APPENDIX 1: MINISTRY INFORMATION

The Strategic Leadership Team (as at 30 June 2011)



APPENDIX 2: KEY STAFF PERFORMANCE STATISTICS

Staff Demographics	Proposed Target	As at 30/06/11	As at 30/06/10	As at 30/06/09
Total staff count (FTEs)		428.31	427.03	446.5
> Male		283.9	286.85	298.3
> Female		144.4	140.18	147.1
Gender ratios % (Headcounts)				
> Male		65	66	66
> Female		35	34	34
Total staff count (Headcount)		441	437	457
Māori participation (%)		15	14	12.2
Staff on IEAs %		60	59	59
Staff on CEAs %		40	41	41
Management and Remuneration				
Remuneration:				
> Average base salary (\$)		78 905	78 077	75 437
> Red-circled positions (no.)	<5%	2 (0.4%)	6 (1.4%)	5 (1.1%)
Staff with annual leave balance > 7 weeks	0	45	50	76

Staff Demographics	Proposed Target	As at 30/06/11	As at 30/06/10	As at 30/06/09
Average length of service (yrs)		8.6	8.6	8
Annualised gross staff turnover (%)		19.7	19.2	12.2
Annualised unplanned staff turnover rate (%)	<15%	11.8	7.5	6
Turnover rate of new (permanent) recruits – where recruit = < 6 months service (%)		0	0.2	0.2
Health and Safety				
Number of accidents	0	3	2	2
Days lost through sickness		728.9	785	821
Days lost through sickness as % of total work days		2.6	2.8	2.8
Training				
Total number of training days ¹⁰		1 462.7	1 150.3	2 855.3
Average days per FTE (quarterly)	> 5/year	3.3	2.7	6.2

Salary Bands

Range	2008/09	2009/10	2010/11
Under \$40 000	7	3	2
\$40 000–\$59 999	155	139	123
\$60 000–\$79 999	152	134	153
\$80 000–\$99 999	65	80	69
Over \$100 000	78	81	81
Total	457	437	428

¹⁰ The quarterly trend fluctuates from year to year depending on the timing of major training initiatives such as Fishery Officer intakes.

APPENDIX 3: MINISTRY STRATEGIC RISKS AND MITIGATING ACTIONS

Specific risk	Mitigating actions
1. Our frameworks, strategies or tools are insufficient to maximise current or future benefits.	<p>Develop and implement key strategies and frameworks including:</p> <ul style="list-style-type: none"> > National Fisheries Plans and Iwi/Forum Fisheries Plans; > Aquaculture Strategy; > International Strategy. <p>Review key programmes including:</p> <ul style="list-style-type: none"> > regulatory review; > review of the Observer Programme and Research Services Strategy. <p>Monitor performance against Fisheries 2030 and Ministry outcomes.</p>
2. Our organisational performance falls through poor capability, information or value-for-money activities.	<p>Undertake the Performance Improvement Framework.</p> <p>Implement the Information Services Strategy Programme.</p> <p>Update the capability strategy.</p>
3. We are unable to deliver services, or the services are not effective, or the services are not of sufficient quality.	<p>Improve governance arrangements around project management, risk management and monthly business monitoring.</p> <p>Improve the prioritisation of services through National Fisheries Plans and Annual Operational Plans.</p> <p>Monitor delivery of registry services provided by commercial fisheries services.</p>
4. We lose the influence necessary to effectively manage fisheries.	<p>Ensure quality of our policy and fisheries management advice to the Minister and Cabinet.</p> <p>Engage with the wider public service through the Natural Resources Sector.</p>
5. We fail in our part of managing the adverse effects of fishing on the environment or changes in the environment on fishing.	<p>Increase understanding through developing and delivering the biodiversity research plan and monitoring fishing's impact on the environment.</p> <p>Establish an Environmental Advisory Group for deepwater fisheries.</p> <p>Set and monitor environmental limits including the:</p> <ul style="list-style-type: none"> > seabird policy; > National Plan of Action for Sharks; > compliance programme for Maui's and Hector's dolphins and sea lions.
6. Our performance prevents benefits from the aquaculture reforms being achieved.	<p>Deliver the Aquaculture Strategy and Action Plan.</p> <p>Develop performance measures to be monitored.</p>
7. We fail to realise, or are perceived not to realise, obligations to Māori.	<p>Delivery of Iwi/Forum Fisheries Plans to capture iwi expectations.</p> <p>Improve awareness around the Ministry's obligations to Māori.</p> <p>Deliver on our settlement obligations.</p>
8. One or more fisheries collapse.	<p>Continue to implement the Harvest Strategy Standard.</p> <p>Ensure the quality of science through implementation of the Research and Science Information Standard.</p> <p>Ensure the quality of fisheries management advice.</p>
9. The merger between the Ministry and MAF impacts on the Ministry's ability to deliver its services.	<p>Restructure the newly merged Ministry to generate effective and efficient management methods through greater economies of scale from an integrated approach.</p> <p>Ensure appropriate governance and programme management to manage the merger.</p> <p>Early and effective communication and consultation with staff and stakeholders.</p> <p>Maintain a Vote Fisheries.</p>

■ APPENDIX 4: GLOSSARY

ACE: Annual Catch Entitlement. An entitlement to harvest a quantity of fish, aquatic life, seaweed or other stock, taken in accordance with a fishing permit and any conditions and limitations imposed by or under the Fisheries Act 1996.

Aquatic environment: The natural and biological resources comprising any aquatic ecosystem and including all aquatic life and the oceans, seas, coastal areas, intertidal areas, estuaries, rivers, lakes, and other places where aquatic life exists.

CCAMLR: Commission for the Conservation of Antarctic Marine Living Resources.

CCSBT: Commission for the Conservation of Southern Bluefin Tuna – an RFMO responsible for the protection of southern bluefin tuna.

Fisheries plan: A plan approved by the Minister of Fisheries under section 11A of the Fisheries Act 1996. Fisheries plans specify what the government, tangata whenua and stakeholders want to achieve for specific fisheries (the objectives), and associated implementation strategies and services (including research, regulations and compliance) to achieve the objectives.

Fisheries stakeholders: Those groups who derive value from the use of fisheries resources or have a strong interest in the sustainable use of fisheries resources, including commercial and recreational fishers, and environmental interests.

Fish stock: a species of fish, shellfish or other marine life within a particular area of the country that is treated as one “unit” by the fisheries management system. Catch allowances are set for commercial, recreational and customary fishers for each fish stock (area).

IUU: Illegal, Unreported and Unregulated fishing – illegal fishing activity.

Kaitiaki: A person appointed under the customary fishing regulations who can authorise customary non-commercial food gathering. The term includes Tangata Tiaki/Kaitiaki under the Fisheries (South Island Customary Fishing) Regulations 1999, and Tangata Kaitiaki/Tiaki under the Fisheries (Kaimoana Customary Fishing) Regulations 1998.

Mātaitai reserve: An identified traditional fishing ground established as a reserve under either the Fisheries (Kaimoana Customary Fishing) Regulations 1998 or the Fisheries (South Island Customary Fishing) Regulations 1999. A mātaitai reserve may be managed by tangata whenua for non-commercial purposes through bylaws approved by the Minister.

Outcome: A desirable future condition of all or part of the social or physical environment towards which fisheries management effort is directed.

QMS: Quota Management System – the term applied to New Zealand’s fishery management system that works by allocating rights to fish certain species as individual transferable quotas. A limit is set on the amount of each fish stock that may be taken in a given year.

RFMO: Regional Fisheries Management Organisation is the term used to describe multi-lateral organisations with responsibility for coordinating the management of highly migratory fish stocks (fish that travel through several national management boundaries) and fish stocks that straddle national fisheries management boundaries.

TAC: Total Allowable Catch – this is the total amount (in tonnes) of fish stocks within the QMS that can be caught by fishers each year, whether they are recreational, customary or commercial fishers.

TACC: Total Allowable Commercial Catch – the portion of the TAC for each fish stock allocated to commercial fishers.

Tangata whenua: In relation to a particular area, means the hapū or iwi that is Māori and holds mana whenua (customary authority) over that area.

SPRFMO: South Pacific Regional Fisheries Management Organisation, which will manage non-highly migratory species in the high seas of the South Pacific Ocean.

Standard: A performance level required to be achieved by fishers or fisheries managers.

WCPFC: Western and Central Pacific Fisheries Commission.

