



Department of Conservation Te Papa Atawhai

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2017



Department of
Conservation
Te Papa Atawhai

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ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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Foreword from the Director-General

We have come a long way

The Department of Conservation (DOC) shared celebrations for its 30th anniversary in April with the people and partners who have helped build the Department over the past 30 years, including whānau, hapū and iwi, commercial partners, community groups and individuals by the thousands.

Reversing New Zealand's biodiversity decline

Although the challenges are great, there have been successes in halting the decline in biodiversity – some things are getting better.

Hihi/stitchbird recovery: Hihi were confined in the 1980s to Te Hauturu-o-Toi/Little Barrier Island, hihi are now spread across the North Island in six reintroduced populations with more than 400 birds.

Black stilt breeding programme: The kakī/black stilt breeding programme at Twizel is benefiting from a significant contribution of \$500,000 from Global Wildlife Conservation. In 1991, there were 93 adult birds left; today the captive breeding facility can rear 100 chicks per year.

North Island kōkako: In 1999 the North Island kōkako was one of the most threatened species in New Zealand, with only 400 pairs remaining. Through a determined predator control programme, there is now an estimated 1,600 pairs across 22 pest-managed sites.

Responding to emergencies

The past year has also presented several unexpected challenges to test our policies and procedures – both immediately and for the years ahead.

The earthquakes centred near Kaikoura in November 2016 had major implications for our day-to-day activities in the upper South Island, while in Wellington the need to find alternative departmental accommodation to enable building safety upgrades caused disruption.

The Port Hills fires in February consumed more than 11,000 hours of DOC staff time supporting the New



Lou Sanson on the Okarito trig station with daughter Stephanie.
Photo: Georgia Sanson

Zealand Fire Service and regional rural fire authorities (Christchurch City and Selwyn District), as well as Defence, Police and Civil Defence agencies.

Emerging problems

That 6 weeks of sustained effort on the Port Hills was closely followed by the arrival of myrtle rust in May. Discovered on Raoul Island in the Kermadec Group in April, the disease that affects our native myrtle trees species, including pōhutukawa and mānuka, then showed up at Kerikeri in early May, quickly being found in other locations in Taranaki, Bay of Plenty and the King Country.

Restoring biodiversity – in trouble

The bad news stories of some of our species continue to remind us of the significant and important task ahead of us.

Antipodean wandering albatross: While numbers of this threatened species were improving in the 1990s, since 2004 there has been a rapid and dramatic decline of female birds of 11% a year.

Bartlett's rata: There are very few Bartlett's rata remaining in the wild in just three forest remnants in Northland. Now with myrtle rust in New Zealand, there is a huge risk to their survival.

Dr Jan Wright, Parliamentary Commissioner for the Environment, in the report 'Taonga of an island nation'

recently outlined the state of our native species and the urgent need to look at all the tools and strategies at our disposal.

This year saw for the first time, one million hectares of pest treatment undertaken against three key threats: goats, rats/mustelids, and wilding conifers.

This performance is possible through adequate resourcing, working with others, and applying internal operating discipline. The resulting increase in output delivery is also reflected in increased revenue, which is available to drive further performance.

Our performance has also been recognised externally with the Randstad Award for the most attractive employer in the Public Service for the third year running.

The Battle for our Birds programme

Our operational programme Battle for our Birds links to the Government's inspirational goal of a Predator Free New Zealand by the year 2050. The 2016 Battle for our Birds programme was in response to the massive 2016 beech mast event, which led to rat population irruptions. In a non-mast year the weight of red beech seed is around 10 kg per hectare. In the 2016 mast year the seed weight was a massive 355 kg per hectare.

In 2012, 80 pāteke/brown teal were released in the Arthur Valley in Fiordland: 50 percent were lost to stoat predation within 1 month and only 17 percent survived the first year. Following the 2016 Battle for our Birds operation in Arthur Valley, a further 40 birds were released, and the survival rate after 4 months was 95 percent.

When the Predator Free 2050 (PF2050) concept was explained to an international audience at the IUCN's 'Honolulu Challenge' in Hawaii last November, it drew great applause from the 33 global organisations represented in the audience, and promises by other countries to adopt similar aspirations.

We have also funded community groups through the DOC Community Fund to help us tackle invasive weeds, and are driving more collaboration with regional councils, community groups and government agencies.

Wilding conifer control

Wilding conifers, self-sown from introduced conifers, are a major threat to our ecosystems, competing with native plants and animals and severely altering natural landscapes. Wilding conifers reduce water yields and affect water quality. This impacts on freshwater biodiversity, as well as kai and taonga species important to iwi.

The government pledged \$16 million over 4 years for the first phase of the National Wilding Conifer Control Programme, which has controlled wilding conifers over more than one million hectares across 14 priority areas in its first year.

Reversing the spread of wilding conifers is crucial. If we do nothing, with a rate of spread of 5 percent a year wildings will cover 20 percent of New Zealand in 20 years.

Working with others

Working with others is the way of the future for DOC as we cement partnerships with iwi, and business and community groups to meet our common goals.

The signing of a Memorandum of Understanding with the Northland Regional Council earlier this year was a notable achievement, as we work together on issues including kauri dieback, Waiora Northland Water and the Warawara Whakaora Ake restoration project. This agreement solidifies an already strong relationship as we work together on these shared projects.

Taranaki Mounga He Kawa Ora – Back to Life is another significant project which involves the NEXT Foundation, iwi partners, local councils, communities

and DOC. This project also links to PF2050 and aims to return many bird and other species long absent from the Mouna.

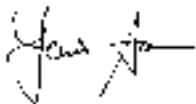
Commercial partnerships

Commercial partnerships continue to grow in number and importance as we seek an all-of-New Zealand response to preserving and restoring our nature. Kiwibank and Fulton Hogan joined us this year, while both Mitre 10 and Dulux renewed their commitment; We really value the strong, enduring support from our nine national partners, together with the hundreds of businesses across New Zealand that are playing their part.

The year also marked the 25th anniversary of our longest-running major commercial partnership agreement, signed with the then Electricity Corporation of New Zealand, and began operations in 1991. Through the continued support of Meridian Energy and Genesis Energy, this partnership remains in effect to restore and protect the braided river ecosystems and black stilt/kakī habitat in the upper Waitaki basin.

I believe these accomplishments, challenges and relationships reflect the collective effort made in the past year by staff, volunteers and partners to achieve our vision for New Zealand to be the greatest living space on earth.

Thank you all for your tireless dedication to growing conservation and engaging others in the task of preserving our unique natural and cultural heritage.



Lou Sanson
Director-General
Department of Conservation
25 September 2017

DOC's outcome

New Zealanders gain environmental, social and economic benefits from healthy functioning ecosystems, from recreation opportunities, and from living our history.

An important foundation for achieving this outcome is people's attitudes – having respect for the environment and being supportive of conservation. We believe this will result from people having a wider understanding of how conservation makes a difference to their wellbeing.

*Toitū te marae a Tāne-Mahuta,
Toitū te marae a Tangaroa,
Toitū te tangata.*

*If the land is well and the sea is well,
the people will thrive.*

PERFORMANCE INDICATOR

Tracking trends in the benefits New Zealanders seek and receive from the natural, historic and cultural heritage managed by DOC

DOC has surveyed a sample of New Zealanders for a number of years to determine the benefits people believe they gain from having DOC manage natural, historic and cultural heritage. The types of benefit reported have been similar across the years, although the proportions of each have changed a little between years. This survey was not undertaken for 2016/17, and options are being sought for determining the nature of these benefits in more detail.¹

PERFORMANCE INDICATOR

Tracking the relative value of conservation as an indicator of support for conservation

As with the previous performance indicator, DOC is looking at how to report on the relative value of conservation in more tangible ways than simply by responding to a survey. Investigations into the economic benefits of outdoor recreation and tourism are being initiated, as part of the response to growing international tourism to New Zealand.

There are examples of such research completed overseas, such as the 2016 US study looking at how much America's national parks are worth, which estimates that National Parks Service's parks and programmes are together worth about \$92 billion.²

¹ The annual Ipsos Survey of New Zealanders was conducted in its current form from 2013 to 2016. It was not conducted in 2017 as DOC considers whether a biennial or triennial survey should be used. Experience with similar surveys indicates trends change little on an annual basis. Available at www.doc.govt.nz/survey-of-new-zealanders.

² Haefele, M.; Loomis, J.; Bilmes, L. 2016: Total economic valuation of the National Park Services lands and programs: results of a survey of the American public. Harvard Kennedy School Faculty Research Working Paper Series RWP16-024, available at www.nationalparks.org/sites/default/files/NPS-TEV-Report-2016.pdf. 48 p.

Performance summary

The Department measures progress towards long-term goals in five core business streams, including within seven capability categories and seven 10-year stretch goals.

Intermediate outcomes – 50-year focus

Natural heritage

The diversity of our natural heritage is maintained and restored.

Historic heritage

Our history is brought to life and protected.

Recreation

New Zealanders and our visitors are enriched by outdoor experiences.

Engagement






New Zealanders connect and contribute to conservation.

Capability

Our business is supported by a capable workforce and sound systems.

The table below and banners throughout the report show the Department's performance this year.

Key

| | |
|--|---|
| Performance maintained |  |
| Performance improving |  |
| Performance declining |  |
| Between reporting cycles |  |
| Performance measures yet to be developed |  |

One or more of the conditions listed may apply. These results for some outcomes, notably natural heritage, reflect a composite of indicators and measures which may individually be improving or declining and the performance rating is thus a generalisation.

Definitions

Improving – Progress towards the outcome described is positive; overall conditions are improving; numbers are increasing; targets are being met or exceeded.

Maintained – The state of the outcome described is stable; overall conditions are neither improving nor declining; numbers are stable; the outcome is being achieved if targets are being met.

Declining – Progress towards the outcome described is negative; overall conditions are degrading; numbers are decreasing; targets are not being met.

Between reporting cycles – Procedures for monitoring this indicator are not annual but cyclical, repeated each 2–3 years. This year is between data-gathering years, and previous trends are not stable enough to warrant a rating of maintained performance.

Performance measures yet to be developed – The foundation aspects of planning to determine a logical pathway ahead and establishing clear milestones/targets is under way.

Stretch goals

DOC has identified a series of 10-year stretch goals that can be progressed through engaging with and working alongside others. These are described in each outcome section.

Department of Conservation performance indicators

Table 1: National performance indicators

| | Status | |
|--|-------------|---|
| Our overall outcome | | |
| Trends in the benefits that New Zealanders seek and receive from the natural, historic and cultural heritage managed by DOC | ● | |
| The relative value of conservation to New Zealanders as an indicator of support for conservation | ● | |
| 50-year outcomes | | |
| Natural heritage | | |
| Indigenous dominance – ecological processes are natural | ➡ | |
| Species occupancy – the species present are the ones you would expect naturally | ➡ | |
| Ecosystem representation – the full range of ecosystems are protected somewhere ³ | terrestrial | ➡ |
| | freshwater | ⬇ |
| | marine | ⬇ |
| Historic heritage | | |
| The condition of actively conserved historic places (seeking a stable and not deteriorating condition) | ➡ | |
| The trend in New Zealanders' awareness of the Department as a manager of historic places | ➡* | |
| The trend in visitor participation at historic sites | ● | |
| The trend in visitor satisfaction with the quality of the experience provided at historic places | ➡* | |
| Recreation | | |
| The trend over time in New Zealanders' awareness of DOC as a recreation provider | ➡* | |
| The trend in participation in recreation on public conservation lands and waters | ⬆ | |
| The trend in visitor satisfaction with the quality of the experience and opportunities provided | ➡* | |
| Engagement | | |
| Change in the satisfaction of tangata whenua with the Department's activities to help them maintain their cultural relationships with taonga | ○ | |
| Change in the importance of conservation to New Zealanders | ➡* | |
| Change in the quality of the Department's engagement with key associates | ● | |
| Increase in engagement of the commercial sector in conservation partnerships | ⬆ | |
| Change in the level of investment in conservation from the commercial sector | ⬆ | |
| Improvement in level of return on investment for key DOC products and services | ⬆ | |
| Organisational capability | | |
| Leadership: the Department has the leaders it needs to perform well now and in the future | ⬆ | |
| Relationships: the Department identifies, builds and manages relationships critical to achieving results | ➡ | |
| Culture: the Department has the type of culture it needs to achieve results now and in the future | ● | |
| People: the Department has the skills and competencies to achieve its results in collaboration with others | ➡ | |
| Information and communications technology (ICT): the Department has the ICT it needs to achieve results and contribute to others | ⬆ | |
| Asset management: the Department's asset-related decisions support current and future service delivery | ➡ | |
| Structure: the Department's structure is linked to its results and future business needs | ➡ | |

³ This indicator is made up of the terrestrial, freshwater and marine components. The terrestrial component has met its first milestone of more than 400 ecosystem management units under active management. The marine and freshwater components will be progressed through the stretch goals established during the 2014/15 year, with implementation being reflected by the stretch goal milestones and priorities in the Statement of Intent.

* Performance ratings with this symbol relate to measures where data gathering is cyclical, not annual, and the reporting year is between cycles. No factors have been identified indicating a change from the trend previously reported.

Summary of output performance

Table 2: Performance trend by financial year

| Significant output measures | Actual 2012/13 | Actual 2013/14 | Actual 2014/15 | Actual 2015/16 | Actual 2016/17 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Predators | | | | | |
| Beech mast response – hectares under restoration | | | 681,004 | 59,545 | 867,904 |
| Possums – hectares sustained | 1,010,770 | 939,395 | 975,620 | 773,233 | 800,168 |
| Possums – hectares treated | 184,179 | 180,069 | 375,316 | 164,459 | 205,037 |
| Possums – hectares treated by others | | | | | 22,011 |
| Rats and/or mustelids- hectares treated | | | | 190,385 | 1,045,291 |
| Rats and/or mustelids- hectares treated by others | | | | | 117,666 |
| Other animal pests | | | | | |
| Goats – hectares sustained | 2,310,738 | 2,156,704 | 2,125,628 | 2,025,397 | 1,952,627 |
| Goats – hectares treated | 1,353,319 | 1,222,053 | 1,103,331 | 1,190,949 | 1,049,453 |
| Deer – hectares sustained | 549,638 | 540,756 | 522,714 | 615,648 | 645,115 |
| Deer – hectares treated | 376,010 | 372,458 | 456,757 | 444,777 | 415,808 |
| Weed pests | | | | | |
| Weeds ecosystem – hectares sustained | 1,752,995 | 1,851,778 | 1,220,980 | 1,335,633 | 1,378,570 |
| Weeds ecosystem – hectares treated | 492,263 | 454,074 | 525,469 | 555,168 | 380,187 |
| Weeds ecosystem – wilding conifer hectares treated | | | | | 1,168,037 |
| Weeds ecosystem – wilding conifer hectares treated by others | | | | | 54,395 |
| Species and ecosystems | | | | | |
| Threatened Species – improved security | 212 | 196 | 258 | 346 | 259 |
| Threatened Species – managed for persistence | 111 | 104 | 159 | 407 ⁴ | 338 ⁵ |
| Ecosystems – managed for ecological integrity | 151 | 185 | 480 | 497 | 517 |
| Historic resources | | | | | |
| Historic assets – remedial work to standard | 27 | 17 | 17 | 6 | 9 |
| Historic assets – maintenance work to standard | 962 | 984 | 1,387 | 1,382 | 1,370 |
| Recreation facilities | | | | | |
| Recreation assets – huts to standard (percent) | 87 | 70 | 90 | 93 | 89 |
| Recreation assets – tracks to standard (percent) | 58 | 47 | 56 | 57 | 60 |
| Recreation assets – structures to standard (percent) | 93 | 92 | 94 | 96 | 97 |
| Community engagement | | | | | |
| Engagement – volunteer workday equivalents | 35,135 | 35,149 | 34,789 | 37,556 | 36,018 |
| Engagement – partnerships | 595 | 605 | 901 | 887 | 777 |
| Capability | | | | | |
| Injury Frequency Rate ⁶ | 66.5 | 64 | 63.7 | 57.1 | 34.1 |

^{4,5} This result represents threatened species managed for persistence in at least 1 site.

⁶ The Injury Frequency Rate is the TRIFR (Total Recordable Injury Frequency Rate) per million hours worked.

Natural heritage



The diversity of our natural heritage is maintained and restored

LONG-TERM OUTCOME GOAL

The diversity of our natural heritage is maintained and restored

PERFORMANCE INDICATORS

- ➔ Indigenous dominance – ecological processes are natural
 - ➔ Species occupancy – the species present are the ones you would expect naturally
- Ecosystem representation – the full range of ecosystems is protected somewhere:
- ➔ Terrestrial
 - ⬇ Freshwater
 - ⬇ Marine

STRETCH GOALS

- ➔ 50% of New Zealand's natural ecosystems are benefiting from pest management.
- ➔ 50 freshwater ecosystems are restored from 'mountains to the sea'.
- ➔ A nationwide network of marine protected areas is in place, representing New Zealand's marine ecosystems.

New Zealand's special species and places are our taonga and are at the heart of what it means to be Kiwi. New Zealanders are rightly proud of the diverse and distinctive range of natural heritage this country offers. Around 70 percent of our native birds, 80 percent of our plants, and all of our native land reptiles, frogs and bats are found nowhere else in the world. However, New Zealand's natural heritage has greatly reduced in diversity and extent over the past 700 to 800 years and is continuing to be degraded by introduced animals and plants, human activities and the impacts of climate change. Not only is this a real loss to the heritage of this and future generations, it also affects the services that ecosystems provide, such as clean water and healthy soils, and reduces the flow-on benefits to New Zealand's prosperity.

The information required to understand these things comes from the Biodiversity Monitoring and Reporting System. This is providing DOC and others with consistent, comprehensive information about biodiversity on public conservation lands, and, potentially, across New Zealand. The system measures ecological integrity, or ecological 'health', which comprises ecological processes, species occupancy and ecosystem representation. The aim is for a balance in monitoring at different levels of scope and spatial coverage to enable DOC to report on gains and losses in biodiversity across conservation lands, whether managed intensively or not.

Information arising from this monitoring is being published as updatable and, in some cases, interactive factsheets on the DOC website at www.doc.govt.nz/our-work/monitoring-reporting. Several of these are referred to in this Annual Report.⁷

PERFORMANCE INDICATOR

Dominance – ecological processes are natural

Current state: Performance maintained



The aim through management of conservation areas is to have ecosystems that are dominated by native plants and animals and shaped by natural ecological processes.

A number of introduced species are having an impact on our natural ecosystems. Brushtail possums, goats and deer, predators, and non-woody weeds were reported on in the 2016 Annual Report. (See 2015–16 Factsheets 2–6⁷ and 2016–17 Factsheets 12–15⁷.)

Declines have been well documented for some of our rarer forest-dwelling birds. The Parliamentary Commissioner for the Environment has made this issue a focus of her recent report 'Taonga of an island nation: saving New Zealand's birds'.⁷

⁷ Taonga of an island nation: saving New Zealand's birds. 2017: Parliamentary Commissioner for the Environment, Wellington. Available at www.pce.parliament.nz/publications/taonga-of-an-island-nation-saving-new-zealands-birds.



In woody ecosystems,
native bird species are **4 times more numerous**
than introduced species



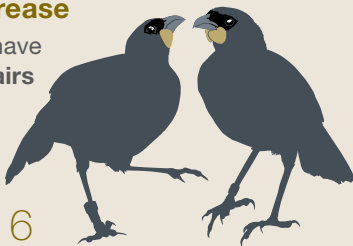
In non-woody ecosystems,
native and introduced bird species are
equally abundant



Population increase

Kōkako numbers have grown from **400 pairs** in 1999 to

1,600
pairs in 2016



Population decline
The female population of the **antipodean wandering albatross** is declining by

11%
per year



Our monitoring shows that native plant species continue to dominate throughout most of New Zealand's public conservation land. (See 2015-16 Factsheet 5;⁸ and Department of Conservation biodiversity indicators: 2015 assessment at www.doc.govt.nz/biodiversity-indicators.)

STRETCH GOAL

50 freshwater ecosystems are restored from 'mountains to the sea'

Ki uta ki tai – Our estuaries – journey's end for freshwater

Estuaries are an important component of 'mountains to the sea' systems. The constant collision of fresh and salt waters creates rich ecosystems that support abundant wildlife: plants, fish, birds, reptiles, crabs and more. But these special places are under increasing pressure. A new report 'Estuarine systems in the lower North Island/Te Ika-a-Māui' provides information about 48 diverse estuarine sites and sets out current and potential conservation activities.⁸

This is a unique approach to status reporting, and is the culmination of a decade of collaboration between DOC, local and regional authorities and many community groups, landowners and other interested individuals.

Web-use analysis shows almost 3,000 different individuals visited the Our Estuaries hub website at www.doc.govt.nz/estuaries hub in its first year. Between 60% and 70% of these were return users, and interest is growing. People have accessed the brochure that promotes the report as well as the publication itself. New data added to the interactive maps this year includes 79 Ornithological Society of New Zealand wader sites, 4 new wetland and 9 catchment restoration groups, and 6 more sites monitored by regional councils. This resource is evolving through engagement with New Zealanders actively restoring estuaries and catchments around the country.

⁸ Todd, M.; Kettles, H.; Graeme, C.; Sawyer, J.; McEwan, A.; Adams, L. 2016: Estuarine systems in the lower North Island/Te Ika-a-Māui. Department of Conservation, Wellington. Available at www.doc.govt.nz/estuaries

STRETCH GOAL

50% of New Zealand's natural ecosystems are benefiting from pest management

DOC undertakes pest and weed control across New Zealand. Current reporting is for pest programmes undertaken by the Department. Information is being gathered to begin reporting on the treatment undertaken by others as we collaborate to achieve this 10-year stretch goal. It is anticipated this reporting will commence in 2017/18.

Battle for our Birds – Beech mast response

Heavy seeding in our native forests this year again drove higher than normal rodent and stoat numbers that prey on endangered birds.

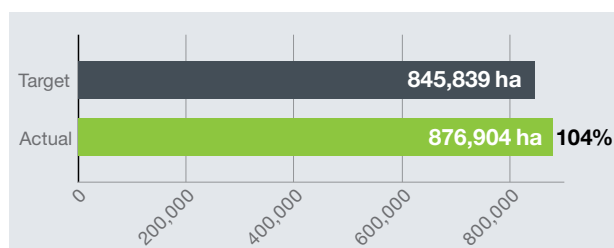


Figure 1: Beech mast response – hectares under restoration.

The 876,904 hectares treated this year represent the largest control response to date to deal with the periodic beech mast (exceptionally large beech seedfall) and rats and mustelid population irruptions resulting from this. Climatic conditions also triggered this event 2 years ago when 681,004 hectares were treated to control pests. (See 2016-17 Factsheet 3.)⁹

'Battle for our Birds' is a programme to protect our native wildlife from predators. A range of tools is used to manage pest populations: 1080 poison aerial drops, bait stations and traps.

In 2016/17, 23 Battle for our Birds operations and 6 Kahurangi blocks have been completed; Haast Arawhata, Abbey Rocks, Arthur, Ōkārīto, Kepler, Clinton, Eglinton, Waipapa, Dart Routeburn Caples, Waikaia, Waitutu, Southern Ruapehu, Mokihinui, Hawdon Andrews, Poulter, Te Maruia, Beresford, Landsborough, Haast True Left, Makarora, South Branch Hurunui, Tararua Range (Project Kākā), and Taranaki.

On the DOC website we give the planned hectares for each treatment area; reported in this Annual Report is the actual area treated. These figures will differ due to particular operational conditions.⁹

Unfortunately, another widespread forest mast event has occurred and a third Battle for our Birds operation is now under way, focused in the central, eastern and lower North Island, the northern South Island and areas of western Otago. We are collaborating with OSPRI on their TBfree possum control programme to maximise areas under predator control and the benefits for wildlife, and are also working with iwi and community predator control programmes.

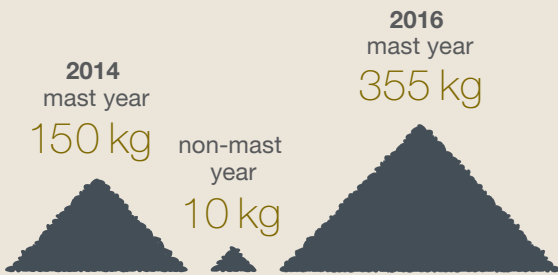
The benefits of such large-scale pest control operations are now being reported in peer-reviewed science publications, providing robust evidence for such relatively new approaches to saving threatened species and improving ecosystem health. The Battle for our Birds operations undertaken in 2014 and the nesting success of four native bird species (mohua, rifleman, rock wren and South Island robin) are reported by Elliott and Kemp (2016) in an internationally peer-reviewed journal in a paper titled 'Large-scale pest control in New Zealand beech forests'.¹⁰

Two key predator groups targeted in the Battle for our Birds operations and as part of general pest control throughout New Zealand are rats/mustelids, and possums.

⁹ See www.doc.govt.nz/our-work/battle-for-our-birds/pest-control-operations-in-2016.

¹⁰ Elliott, G.; Kemp, J. 2016: Large-scale pest control in New Zealand beech forests, *Ecological Management & Restoration* 17:3: 200-209. <http://onlinelibrary.wiley.com/doi/10.1111/emr.12227/abstract>

Red beech seeding rates (kilograms per hectare)



Hectares treated for pests


1,045,000
rats and mustelids


1,049,000
goats


380,000
weeds


205,000
possums



▲ 2016/17 △ 2015/16

Rats and mustelids

Rat and mustelid (weasel, stoat and ferret) control was achieved across an extra 333,376 hectares of public conservation land than was originally planned. This was mainly because more Battle for our Birds sites reached trigger points for these pests than anticipated.

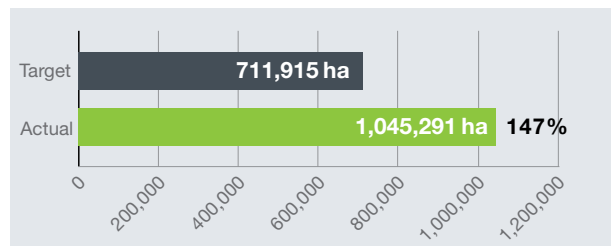


Figure 2: Rats and mustelids – hectares treated.

Possums

Possum treatment was ahead of target as a result of integration of some operations with rat/mustelid treatment.

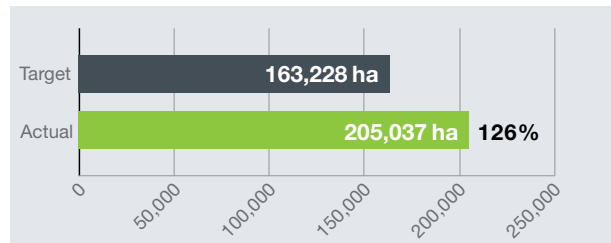


Figure 3: Possums – hectares treated.

Sustained possum control was on target for the year.

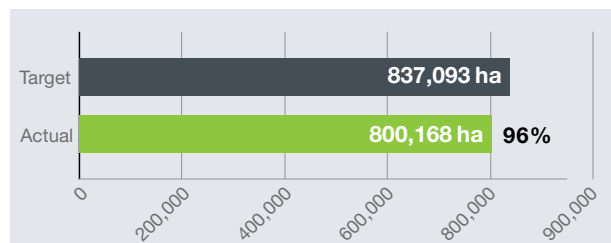


Figure 4: Possums – hectares sustained.

Goats

Goat treatment being reported is 156,120 hectares less than planned, because lands across Te Urewera are now administered by the Te Urewera Board, and the natural heritage conservation work previously reported through the Department’s output reporting is now part of the Te Urewera Board’s work programme and excluded from the ‘actual’ performance data. Exclusion from the Department’s actual reporting is also influencing the total reported sustained goat control reported below.

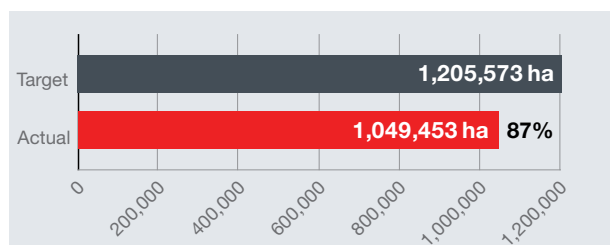


Figure 5: Goats – hectares treated.

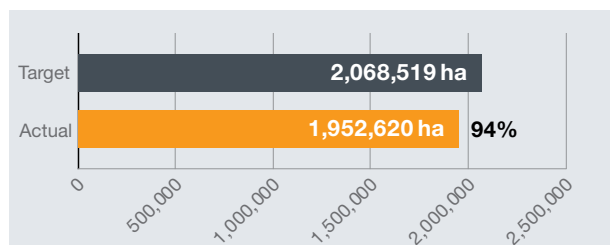


Figure 6: Goats – hectares sustained.

Deer

Deer treatment and the area under sustained management was on target for the year.

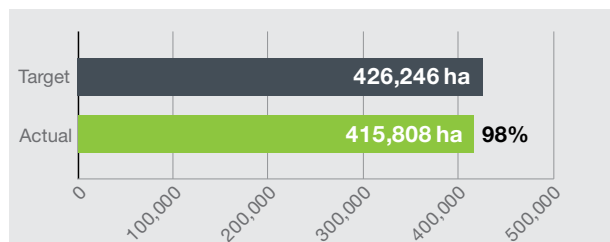


Figure 7: Deer – hectares treated.

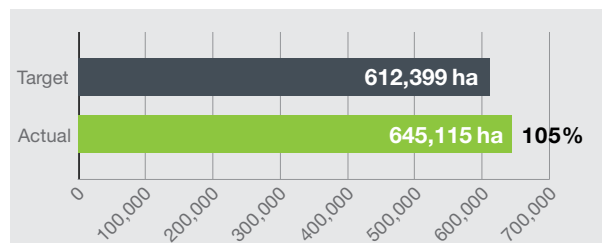


Figure 8: Deer – hectares sustained.

Weeds

Weed control was 40,297 hectares less than planned, mainly because poor weather in the lower South Island led to a number of operations being postponed.

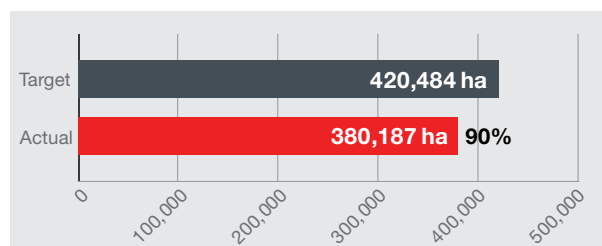


Figure 9: Weed control – hectares treated.

The extent of land now under sustained weed control is 82,011 hectares less than planned, as a result of a review in the Buller district, where weed control is not needed across the all of the management units as had previously been planned.

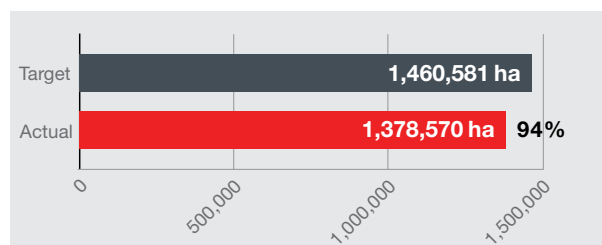


Figure 10: Weed control – hectares sustained.

Wilding conifers

The DOC wilding conifer control programme has benefited from being included in the joint Ministry of Primary Industries/Regional Authorities/DOC programme.

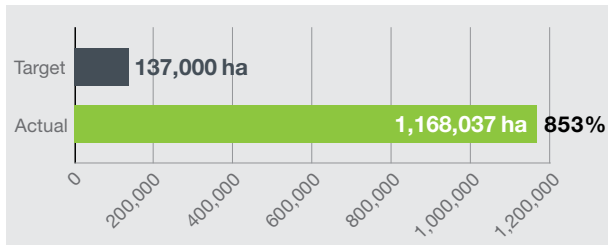


Figure 11: Wilding conifers – hectares treated.

In its first year the programme has successfully carried out control across more than 1 million hectares of wilding conifers, removing sources of ongoing seed spread. As a result, large areas of New Zealand’s most vulnerable and iconic lands are free from seeding wildings, with additional funding enabling 1.03 million more hectares to be treated than planned. Control areas include Kaimanawa in the Central North Island, and Molesworth, Lewis Pass, Porters Pass, Central Otago and the Remarkables in the South Island.¹¹

Aquatic pests

None of the three planned aquatic pest eradication operations went ahead. Planning related to obtaining the appropriate consents, coupled with reprioritisation of work, meant that the operations were not undertaken this year and are planned to proceed in 2017/18.

Island biosecurity programmes

Islands are some of our most important sites for biodiversity protection, with many species now confined to islands unable to survive on the mainland. Invasive pests, especially rodents and mustelids, are a major threat to many of the vulnerable native species living on our islands. These island biosecurity programmes are the last line of defence in place aimed at keeping the islands predator free.

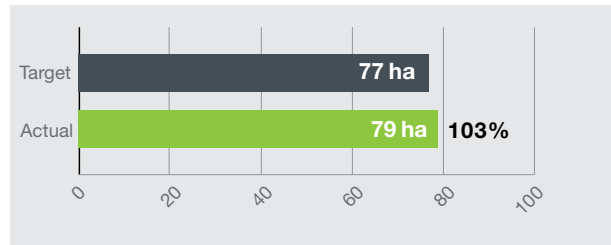


Figure 12: Island biosecurity programmes – hectares treated.

PERFORMANCE INDICATOR

Species occupancy – the species present are the ones you would expect naturally

Current state – performance maintained

Native birds are most abundant, as well as being most species-rich (ie, having the greatest range of different species) in New Zealand’s indigenous forests and shrublands, especially those at low- to mid-altitude. To maintain and enhance native bird abundances, these habitats should remain a focus for conservation management. (See 2016-17 Factsheet 4.)^D

In addition, the vulnerability of New Zealand’s native species can be understood through two characteristics: endemism and human-induced pressure on species. New Zealand has a high proportion of endemic native species – species found nowhere else on earth. The other characteristic is the level of human-influenced pressure on species, and along with habitat loss and change, New Zealand has many pests and weeds that are widespread and cause harm to our native species. (See 2015-16 Factsheet 6.)^D

Some important regions of endemic native plants are under high pressure from invasive species (including invasive conifers), in particular, in Marlborough and inland Otago. (See 2015-16 Factsheets 5 and 6.)^D

¹¹ See the Ministry of Primary Industries webpage: Wilding conifers at www.mpi.govt.nz/protection-and-response/long-term-pest-management/wilding-conifers.

Predator Free 2050

On 25 July 2016 the Government announced its goal to make New Zealand predator free by 2050 through growing and coordinating predator-control efforts by iwi, the community, and the public and business sectors.

This is an historic opportunity for New Zealanders to collectively achieve what the late Sir Paul Callaghan described as our ‘moon shot’ – ridding the country of rats, stoats and possums. This is a hugely ambitious goal, but one for which New Zealanders are showing a strong connection and determination.

Predator Free 2050 will deliver major benefits – for our threatened native species, for the cultural and social links with our environment and for our regional economies through primary industries and tourism.

The Government is allocating an additional \$7 million a year to accelerate activity, including investing in large-scale collaborative predator-control initiatives and high-value scientific research, and supporting community-led predator control projects.

DOC has the role of facilitating the relationships and actions leading to Predator Free 2050 and has formed a small team to do this. The team’s initial focus is on establishing the new company announced by the Government to invest in high-value, large-scale

predator control initiatives and scientific research into predator control, and to attract investment from other sources.

There has been widespread international and national media interest since the launch of Predator Free 2050, with generally positive uptake of the key messages around the programme. There has also been considerable momentum at the community level. Regions such as Wellington, Nelson and most recently Dunedin, are working on their own predator-free projects. At a local level, other communities are developing their own strategies to rid their communities of predators. See www.predatorfree.nz.org/category/profiles/volunteers.

DOC is developing a toolkit to support community participation that will link with sector initiatives in this area and is also working with a range of trap makers and other parties to facilitate the supply of traps and provide support for using them. See www.doc.govt.nz/predator-free-2050.

Since the launch, there have been two significant scientific workshops. A workshop with the small mammal research collective decided that tools to assist with marketing, planning and monitoring, and technology transfer could be co-funded by the collective’s members.

The other workshop looked at refining the gaps within landscape-scale pest control that can be built into the Taranaki Mounga Project.



Predator Free 2050: Initial key agencies

| Predator Free 2050 Ltd (Crown-owned company) | Predator Free Trust (currently PFNZ Trust) | Department of Conservation (Crown’s lead agency) |
|---|---|---|
| <ul style="list-style-type: none"> › Attract investment › Invest in projects › Invest in science | <ul style="list-style-type: none"> › Central role Community Network | <ul style="list-style-type: none"> › Landscape scale development, planning and delivery (with others) › Facilitates collaborative programme › Community networks › Collaborative science investment |

Figure 13: Structure of Predator Free 2050.

Current and predicted trends in abundance and distribution of Threatened and At Risk taxa (as per to the New Zealand Classification System), are used to guide management. (See 2016-17 Factsheets 4-8.)¹²

DOC hosted a summit in May 2017 to discuss the management of our threatened species. This has led to the release of a draft Threatened Species Strategy that sets out the key elements we need to fulfil to protect our precious unique species. Submissions closed on 31 July 2017.¹²

STRETCH GOAL

90% of our threatened species across New Zealand’s ecosystems are managed to enhance their populations

Threatened species management

DOC’s current approach is to ensure threatened species are managed at sufficient sites to ensure their persistence into the future.

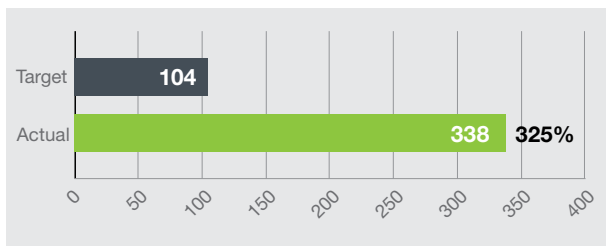


Figure 14: Threatened species – managed for national persistence.

More detail on the management status of New Zealand’s threatened species can be found in supporting 2016-17 Factsheet 9: ‘Indigenous species under management’¹² and a comprehensive description of New Zealand’s threatened species and issues associated with their management are contained in the Parliamentary Commissioner for the Environment’s

report ‘Taonga of an island nation: saving New Zealand’s birds’.¹³

The following two measures report on species with populations being managed to improve understanding and to ensure security of that population at the site.

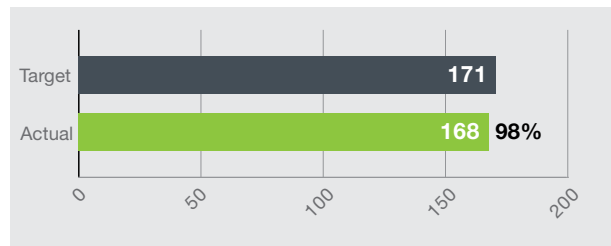


Figure 15: Threatened species managed to improve understanding.

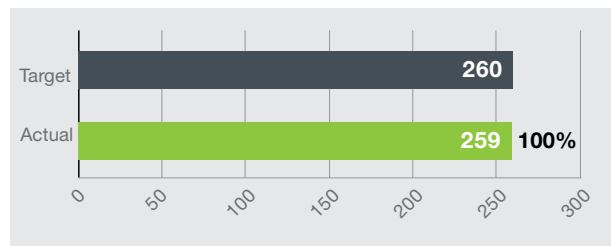


Figure 16: Threatened species managed to ensure local security.

Conservation Services Programme – working with the fishing industry to protect our marine species.

The work that was delivered by the Conservation Services Programme in 2016/17 included a wide range of interactions, population, and mitigation projects. Some of these are still under way as they are multi-year projects.

Interactions projects involve examining the interactions between protected species and commercial fisheries. The largest of these is the Observer Programme, organised jointly with the Ministry for Primary Industries. Observer coverage is still under way for 2016/17, and observers are continuing to monitor protected species interactions in both inshore and

¹² Draft Threatened Species Strategy at www.doc.govt.nz/threatened-species-strategy.

¹³ Taonga of an island nation: saving New Zealand’s birds. 2017: Parliamentary Commissioner for the Environment, Wellington. Available at www.pce.parliament.nz/publications/taonga-of-an-island-nation-saving-new-zealands-birds.

offshore fisheries. In 2015/16, 9,454 days of observer coverage was achieved across a range of fisheries.¹⁴

Population projects in 2016/17 involved examining the population dynamics of protected species such as basking sharks, New Zealand sea lions and a wide variety of seabird species. New projects delivered by the Conservation Services Programme during 2016/17 were three projects looking at the indirect effects of fishing (ie, food availability) on Buller's shearwater, red-billed gulls, and yellow-eyed penguins. Once completed, final reports on these projects are available to the public and can be found on the DOC website at www.doc.govt.nz/csp.

Mitigation projects focused on inshore and offshore bottom longline and surface longline fisheries, as well as an investigation into whale entanglements in pot/traplines and set nets. Fisheries seabird liaison roles were funded jointly with the Ministry for Primary Industries to help fishers reduce their risk of seabird bycatch in and around the Hauraki Gulf/Tikapa Moana.

Kaikoura earthquake report


DOC has been assessing the impact on local biodiversity of the destructive 7.8 earthquake centred near Kaikoura on 14 November 2016. Large slips and sea-level rises have obviously affected many natural habitats and the species found within them.


South Marlborough is an area with a high number of endemic and extremely localised native plant species. An aerial reconnaissance of key terrestrial ecosystems has determined that most ecosystems appear intact, including those of the small fathen (*Dysphania pusilla*), slender button daisy (*Leptinella filiformis*), an endemic aniseed (*Gingidia* aff. *enysi*), and the weeping tree broom (*Carmichaelia stevensonii*) in the Clarence valley. Likewise, there has been only minor damage to the population of coastal tree broom (*Carmichaelia muritai*) which occurs on only three coastal cliff systems.

The greatest impact has been on the coastal forest south of the Ure River and the limestone communities of Isolated Hill. The scale of this impact will not be known until the areas can be safely visited on the ground, however it is likely that the population of one of the Marlborough rock daisy species (*Pachystegia minor*) may have been reduced, and that a number of the limestone endemic species in Isolated Hill may have been impacted. Concerns are held for one species, the chalk cress (*Pachycladon fasciarium*), which is a long-lived species that occurs on limestone bluffs and has very long tap roots which may have been damaged by the earthquakes.

PERFORMANCE INDICATOR

Ecosystem representation – the full range of ecosystems are protected somewhere

Current state – terrestrial: performance maintained 

Current state – freshwater: performance declining 

Current state – marine: performance declining 

The concept of representativeness highlights the ability of a set of sites or reserves to represent the full range of biological values of a landscape, either historically or potentially. This helps fulfil the provisions of the Reserves Act 1977; legislation which includes ensuring “... the preservation of representative samples of all classes of natural ecosystems and landscape ...” (s3(1)(b)).

DOC manages a selected network of ecosystem management units to ensure the full range of ecosystems is protected to a healthy functioning state. Implementation of management at around 500

¹⁴ The reporting of the collated observer coverage is available each year after the Annual Report is published, hence reporting is for the previous year's result.

places is regularly reviewed with the aim of improving the representation of this range, and extent of implementation, to increase overall ecological integrity. (See 2016–17 Factsheet 10.)¹⁴

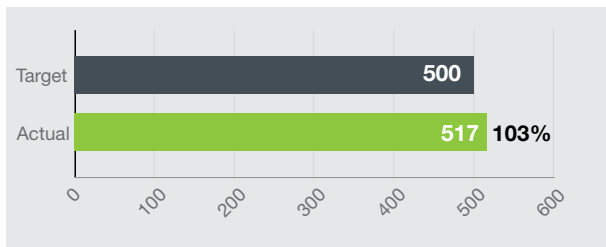


Figure 17: Ecosystems under active management through optimised ecosystem prescriptions.

DOC has been working to identify and prioritise the ecosystem management units that contain priority freshwater ecosystems, which will help focus further work towards the stretch goal *50 freshwater ecosystems are restored from ‘mountains to the sea’*.

Because many river catchments cross public conservation lands and water boundaries, this information will also be useful in determining priority locations for finding multi-landowner solutions to improve the integrity of freshwater ecosystems, protect the species within them, and also improve water quality.

Further legal protection activity

Legal protection of New Zealand’s ecosystems continues as opportunities arise. Most of the additional land protected for conservation purposes during 2016/17 was through the Crown Pastoral Lease Tenure Review programme led by Land Information New Zealand.¹⁵

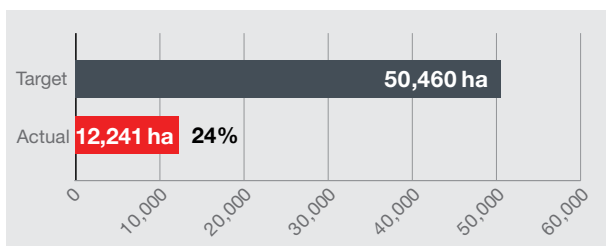


Figure 18: Hectares of terrestrial environment legally protected during the year.

Considerably less land was given legal protection than planned, attributed to the introduction of the new land valuation process which is still bedding down, adding additional time to processing current Tenure Review projects.

STRETCH GOAL

A nationwide network of marine protected areas is in place, representing New Zealand’s marine ecosystems

New Zealand has 44 marine reserves covering 17,697 km², with 3.5% of this area situated around the mainland coasts. Many of New Zealand’s coastal marine biogeographic regions are significantly under-represented. New Zealand also has 8 marine mammal sanctuaries (see Appendix 5).

- Approximately 9.8% or 17,697 km² of New Zealand’s marine area inside the 12 nautical mile territorial limit is protected within 44 marine reserves. However, almost all of this area (96.5% or 17,083 km²) lies within the ecologically important offshore island marine areas of the Kermadec and Subantarctic groups, with 3.5% (615 km²) existing around the New Zealand mainland coasts. Most of New Zealand’s 14 coastal marine biogeographic regions remain significantly under-represented in marine reserves. (See 2016–17 Factsheet 11.)¹⁶
- New Zealand has eight marine mammal sanctuaries. Five of these around mainland New Zealand have primarily been established to help protect Hector’s dolphin (*Cephalorhynchus hectori*, including the Māui dolphin subspecies *Cephalorhynchus hectori maui*), while the Auckland Islands sanctuary mainly aims to protect the southern right whale (*Eubalaena australis*) and the New Zealand sea lion (*Phocarctos hookeri*). In addition, two sanctuaries occur near Kaikoura: one to protect whales and one to protect a New Zealand fur seal (*Arctocephalus forsteri*) breeding colony.

¹⁵ LINZ High Country Tenure Review information at www.linz.govt.nz/crown-property/crown-pastoral-land/tenure-review-process-and-properties.

- No new marine reserves or marine mammal sanctuary areas were established in the 2016/17 year.
- Completion of the MPA planning processes for all regions of New Zealand remains a high priority, and DOC and the Ministry for Primary Industries are leading the implementation of the MPA policy

to enable this. As part of this work, the South-East Marine Protection Forum is working to produce MPA recommendations in 2017 for an area of the southern biogeographic region. DOC is also involved in a review of the marine protected areas legislation that is being led by the Ministry for the Environment.

Output class operating statement 2016/17: Management of natural heritage

| | Actual 30/06/16 \$000 | Budget 30/06/17 \$000 | Revised budget 30/06/17 \$000 | Actual 30/06/17 \$000 |
|--------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------|
| Revenue | | | | |
| Crown | 169,112 | 146,090 | 169,511 | 169,511 |
| Other | 15,503 | 14,549 | 26,240 | 22,345 |
| Total revenue | 184,615 | 160,639 | 195,751 | 191,856 |
| Expenses | 181,936 | 160,639 | 195,751 | 194,190 |
| Surplus/(deficit) | 2,679 | 0 | 0 | (2,334) |

Statement of service performance 2016/17: Regional pest management strategies

2016/17 Performance measures and targets

National commentary

Crown pest/weed exacerbator costs

13 regional pest management strategies with completed Crown exacerbator weed and pest programmes.

The Department continued exacerbator weed and pest programmes for 15 regional councils and unitary authorities.

Achieved

Output class operating statement 2016/17: Regional pest management strategies

| | Actual 30/06/16 \$000 | Budget 30/06/17 \$000 | Revised budget 30/06/17 \$000 | Actual 30/06/17 \$000 |
|--------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------|
| Revenue | | | | |
| Crown | 3,191 | 3,191 | 3,191 | 3,191 |
| Other | 4 | 100 | 100 | 4 |
| Total revenue | 3,195 | 3,291 | 3,291 | 3,195 |
| Expenses | 2,831 | 3,291 | 3,291 | 2,887 |
| Surplus/(deficit) | 364 | 0 | 0 | 308 |

Historic heritage



Our history is brought to life and protected

LONG-TERM OUTCOME GOAL

Our history is brought to life and protected

PERFORMANCE INDICATORS

- ➔ The condition of actively conserved historic places (seeking a stable and not deteriorating condition)
- ➔ The trend in New Zealanders' awareness of the Department as a manager of historic places
- The trend in visitor participation at historic sites
- ➔ The trend in visitor satisfaction with the quality of the experience provided at historic places

STRETCH GOAL

→ The stories of 50 Historic Icon sites are told and protected

DOC manages the single largest portfolio of historic places in New Zealand. When visitors experience these heritage places, they connect more deeply with New Zealand's stories, life and culture. Our aim is to help our visitors enjoy, share and care for the places that tell New Zealand's stories. By creating engaging experiences at heritage sites, we will help secure New Zealand's heritage legacy.

To do this, we focus our management of heritage on:

- Providing top-quality visitor experiences at 20 Historic Icon destinations by telling engaging and memorable stories about New Zealand's identity
- Ensuring a representative sample of heritage is conserved and the visitor experience is improved at 589 Actively Conserved Historic Places
- Safeguarding heritage from avoidable harm at more than 13,000 Protected Historic Places.

STRETCH GOAL

The stories of 50 Historic Icon sites are told and protected

This Stretch Goal is helping DOC to share our most exceptional heritage with visitors. DOC manages some of New Zealand's top heritage sites that play a critical part in our national identity and also in tourism. They offer the opportunity to bring New Zealand's history to life and provide visitors with a powerful connection to Kiwi identity, life and culture.

Heritage Icons

Twenty-three exceptional heritage sites managed by DOC have been identified across the country. Working with communities to tell the stories of these sites has resulted in an increase in the number of sites being promoted. Three new sites were confirmed as heritage icons in 2016. The 'leap in Kiwi ingenuity' has been recognised with Kawarau Bridge – home of the bungy and innovative engineering. Brunner Mine is a site for recognising the paramount importance of staying safe at work, a sombre commemoration of lives lost in New Zealand's worst workplace disaster. Rangihoua Heritage Park is a place to celebrate accord – where Māori and Pākehā marked New Zealand's first Christmas together more than two centuries ago.

Landmarks Whenua Tohunga programme

Landmarks was launched in 2016 to make it easier for people to enjoy New Zealand's heritage. Landmarks is a joint initiative by DOC, Heritage New Zealand Pouhere Taonga and the Ministry for Culture and Heritage. DOC contributed significantly to the establishment of the Landmarks programme. DOC was the lead agency supporting the implementation of the pilot programme this year in Northland and participated in the Landmarks Steering Group and Technical Working Group.

Landmarks identifies and showcases places that tell our stories – exceptional sites such as Waitangi Treaty Grounds and Kororipo Heritage Park. Research found that visiting one Landmark site made people value New Zealand heritage more – and made it more likely they would visit other Landmark sites in the future.

Historic Heritage Icon sites



The programme was a success and the pilot will continue in Otago. In 2016/17, four of DOC’s significant heritage sites in Northland were included in this prestigious programme. They now form part of the brand connecting uniquely New Zealand stories with great places to visit.

PERFORMANCE INDICATOR

The condition of actively conserved historic places (seeking a stable and not deteriorating condition)

Current state: Performance maintained ➔

The majority (74%) of actively conserved historic places are stable and not deteriorating. DOC aims to maintain a level of stability for the heritage places it cares for. This is achieved through a programme of regular maintenance to ensure that these important places and their associated stories are sustained, and able to be enjoyed by visitors. Remedial work has also been undertaken on vulnerable heritage fabric, to stabilise it and ensure its longevity.

Table 3: The number of key heritage sites that are categorised as stable or deteriorating.

| | 2012 /13 | 2013 /14 | 2014 /15 | 2015 /16 | 2016 /17 |
|---------------|----------|----------|----------|----------|----------|
| Stable | 269 | 293 | 432 | 445 | 436 |
| Deteriorating | 338 | 311 | 163 | 148 | 153 |

The remedial work programme has resulted in nine projects being completed, four more than planned. The remedial programme is expected to be relatively small because it reflects places where the regular maintenance programme has been unable to continue to protect the assets to the standard determined through the heritage assessment process.

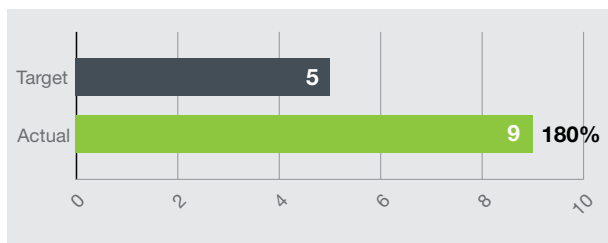


Figure 19: Historic assets – remedial work to standard.

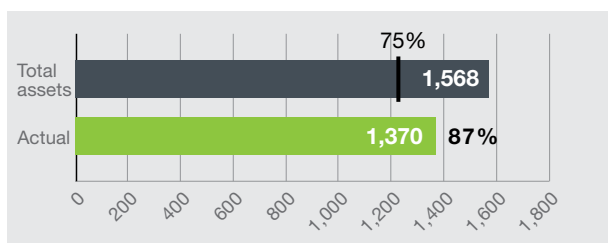


Figure 20: Historic assets – maintenance work to standard.

Heritage assessment reports have now been completed for 346 of the 589 actively conserved historic places being managed. Heritage assessment reports have been completed for 1,125 assets, with a target of 1,106 for 2016/17.

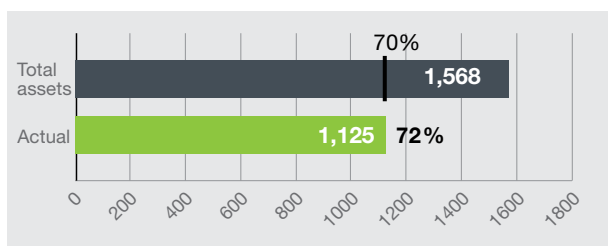


Figure 21: Historic assets – heritage assessment reports completed to standard.

PERFORMANCE INDICATOR

The trend in New Zealanders’ awareness of the Department as a manager of historic places

Current state: performance maintained



Hakaterere stone cottage

When cutting-edge 21st century earthquake strengthening technology meets community willpower, amazing outcomes can be achieved. Built in 1862, the Hakaterere stone cottage was once the heart of high country life in the Ashburton gorge, housing the shearers and musters that worked on Hakaterere Station. Using European engineering technology new to New Zealand, the rock-walled structure was stabilised by drilling, then pinning the rock work together, and finally injecting grout to make it resilient to future seismic events. Hakaterere Trust volunteers helped remove wall cladding, painted and cleaned and rebuilt an associated killing shed and bitches’ box, as well as supporting the project financially.

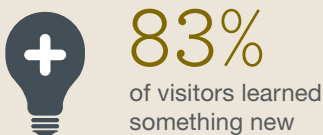
Public awareness of DOC’s role in managing heritage and archaeological sites is a measure of our success in promoting and making accessible New Zealand’s cultural heritage. The level of awareness reported in 2015/16 was 69%, slowly climbing for several years. No survey was completed for this measure for 2016/17. Previous results show that awareness tends to be higher among males, people living in provincial towns and rural areas, and who are aged 50-64 years and 65 years and older. People living in Auckland are most likely to be unaware of DOC’s role in managing cultural heritage sites.¹⁶

¹⁶ Ipsos. 2012, 2013, 2015 and 2016: Survey of New Zealanders. At www.doc.govt.nz/survey-of-new-zealanders.

What do we know about visitors to our historic heritage places?



What do our visitors think of DOC-managed heritage sites?



PERFORMANCE INDICATOR

The trend in visitor participation at historic sites

Current state: between reporting cycles



Although no survey was completed for this measure for 2016/17, previous results have shown a steady increase, with up to 58% of New Zealanders participating in historic heritage on public conservation land and waters.

PERFORMANCE INDICATOR

The trend in visitor satisfaction with the quality of the experience provided at historic places

Current state: performance maintained



Having positive experiences at heritage sites is a crucial step in engaging people in New Zealand's history. Visitor satisfaction with their experiences at DOC heritage sites has trended upwards in recent years. This year, DOC carried out new research focusing on our heritage sites to discover what visitors enjoy about these. By better understanding the effectiveness of promotion, storytelling and appeal of these sites, DOC can attract visitors to a more diverse range of sites and use evidence-based decision-making to promote, care for and enhance New Zealand's heritage.

The results showed:

- 96% of visitors rated DOC-managed heritage sites as 'good' or 'amazing'
- 92% of visitors would recommend a visit to friends and family
- 83% of visitors learned something new
- 70% of visitors would share their experience on social media.



Photo: DOC

Ship Cove

Ship Cove in Queen Charlotte Sound was Captain James Cook's favourite New Zealand base during his three voyages of exploration between 1769 and 1777. Today it is an important place for visitors to discover stories about early encounters between Māori and Captain Cook. DOC's research showed visitors value these stories:

"When I visited Ship Cove with Outward Bound, and nearby Motuara Island, the history of the area, such as how Captain Cook used the stream to water his ships, awakened my curiosity greatly. I realised how little I knew about our own history and I have been fascinated by New Zealand history and history in general, ever since..."

(Male, aged 18–24)



Photo: DOC

Kororipo Pā

Kororipo Pā is central to the story of early relationships between Māori and Pākehā in New Zealand. Through the patronage of Ngāpuhi leader Hongi Hika, the Stone Store and Kemp House in Kerikeri were built. Today, the pā and New Zealand's oldest standing buildings form part of a new Landmarks site in Northland. This year, DOC worked with iwi and the community to restore the visual connection between this nationally significant pā and the heritage buildings by clearing vegetation and exotic trees from the pā and surrounding area. The work removed a direct threat to the pā and vastly improved access for visitors.

Output class operating statement 2015/16: Management of historic heritage

| | Actual 30/06/16 \$000 | Budget 30/06/17 \$000 | Revised budget 30/06/17 \$000 | Actual 30/06/17 \$000 |
|--------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------|
| Revenue | | | | |
| Crown | 4,663 | 5,365 | 5,805 | 5,805 |
| Other | 42 | 414 | 475 | 53 |
| Total revenue | 4,705 | 5,779 | 6,280 | 5,858 |
| Expenses | 5,584 | 5,779 | 6,280 | 5,458 |
| Surplus/(deficit) | (879) | 0 | 0 | 400 |

Recreation



Paparoa Track, DOC's newest Great Walk, is due to open in 2019. *Photo: Stewart Nimmo*

New Zealanders and our visitors are enriched by outdoor experiences

LONG-TERM OUTCOME GOAL

New Zealanders and our visitors are enriched by outdoor experiences

PERFORMANCE INDICATORS

- The trend over time in New Zealanders' awareness of DOC as a recreation provider
- ↑ The trend in participation in recreation on public conservation lands and waters
- The trend in visitor satisfaction with the quality of the experience and opportunities provided

STRETCH GOALS

- 90% of New Zealanders' lives are enriched through their connection to our nature
- 50% of international holiday visitors come to New Zealand to connect with our natural places

STRETCH GOAL

90% of New Zealanders' lives are enriched through connection to our nature

New Zealanders and our visitors are enriched by outdoor experiences. DOC provides for and manages New Zealand's largest recreation network of over 14,000 km of walking and biking tracks, 330 campsites and 960 backcountry huts. DOC plays a major role in tourism, both in attracting international visitors to New Zealand to connect with our nature, and in enriching the lives of New Zealanders and international visitors by providing memorable outdoor experiences.

The changing face of recreation and tourism for DOC

There are large increases in both New Zealanders¹⁷ and international visitors using public conservation land for recreation and tourism (see 2016-17 Factsheets 1^D and 16^D). While not surveyed this year, over the past 3 years there has been a 9 percent increase in visitation to DOC recreation areas by New Zealanders. At the same time, where people are taking part in recreation, the activities they are participating in and how long they are spending on public conservation land is changing. To meet the changes in demand, the Department's portfolio of experiences is becoming more diverse.

Changing types and periods of recreational use

In the past 5 years DOC has:

- Increased the number of booked huts, to encourage more people with young families to undertake overnight trips.
- Increased the number of dual-use walking/cycling tracks, to enable more mountain biking on public conservation land.
- Allowed private accommodation on some cycle trails, to add a different type of experience.

Growing population

New Zealand's population is currently growing at its fastest rate in over a decade, and these changes have implications for DOC.

- Most of the growth is from net migration, and a growing proportion of our population (over 25 percent) was born overseas.
- Visits by New Zealanders to DOC-managed recreation areas have grown by 9 percent over the past 3 years, based on last year's survey.
- The population is concentrating around the big cities, away from public conservation lands and waters. Most of this growth is in Auckland, a region that contains only 2 percent of New Zealand's public conservation land.
- New Zealand is becoming more culturally diverse, and different cultures enjoy the outdoors differently. Some cultural groups are growing at a faster rate

¹⁷ Ipsos. 2016: Survey of New Zealanders.

The most common recreation activities on conservation land (2015/16)



58% Short walk (less than 3 hours)



51% Sightseeing



34% Outing with friends or family



15% Day walk (3 hours or more)

Great Walks survey

91% of survey respondents rated their Great Walk experience as 'very' or 'extremely' satisfying

'Beautiful' was the most common word chosen by survey respondents to sum up their Great Walks experience

challenging
spectacular breathtaking relaxing
stunning great wet fun
beautiful peaceful
awesome enjoyable scenic
fantastic amazing rewarding
nature easy

than the overall population – primarily Asian, Indian and Pacific Islands peoples. These groups often take part in recreation on public conservation land with less confidence, or sometimes not at all. Connecting them with nature brings new opportunities and challenges.

- The population structure is ageing. Over the next 30 years, the number of people aged 65 years+ will roughly double from about 700,000 now to between 1.3 million and 1.5 million in 2046. These people may still want to use the outdoors, but differently to the way they do now.

Growing tourism

New Zealand has been experiencing significant international growth in tourism since 2013.

- The growth is expected to continue, with visitor arrivals set to reach 4.9 million by 2023.¹⁸
- The growth in new visitors from different cultures has introduced fresh perspectives on how visitors would like to engage with and experience nature.
- As visitors' length of stay is becoming shorter, their travel patterns on average are less dispersed.

Visitor Experience Strategy

This growth presents DOC with an opportunity to carefully consider the needs of all user groups over the medium term, and to work alongside our key external partners and stakeholders to identify where resources and efforts should be focused for the greatest gains in the future.

While there is a greater opportunity to connect both New Zealanders and international visitors to conservation in a way that encourages them to contribute towards it, there are also concerns about the pressure that the growth in numbers may place on the environment, communities and infrastructure, and how this will be addressed in the future. The approach will be to establish better ways of managing the destinations that are already popular, but also relieve

¹⁸ Statistics New Zealand, MBIE, New Zealand Tourism Forecasts 2017-2023 www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/international-tourism-forecasts/documents-image-library/forecasts-2017-report-final.pdf.



Photo: Jason Blair

Paparoa Track

Planning for and design of the new Paparoa Track, New Zealand's 10th Great Walk, was completed in June 2017 with construction of the track, huts and structures scheduled to begin early in the 2017/18 financial year. The 56 km track traverses the central Paparoa Range, connecting Blackball and Punakaiki townships. It will be the only Great Walk to provide for shared use year-round mountain biking and walking, and includes two new 20 bunk huts and numerous visitor structures. The track traverses a spectacular and diverse range of landscapes across the Paparoa National Park not previously accessible to most people – podocarp/beech rainforests, open tussock tops and nikau- and rātā-forested limestone gorges. The area is geologically diverse (including some of New Zealand's oldest rocks) and is rich in pre- and

post-European history. It intersects with the new 10 km Pike29 Memorial Track, which climbs from the Pike River Mine Site to meet the Paparoa Track on the crest of the Paparoa Range. The track is scheduled to open to the public in April 2019.

The Paparoa Track, including the Pike29 Memorial Track, was proposed by the Pike River Families as an enduring memorial to the 29 men who lost their lives in the Pike River Mine disaster. It is intended to bring economic benefits to West Coast communities, and to thank the people of the West Coast and New Zealand for the support received by the Pike River Families in the wake of the disaster.

Planning for a memorial site and interpretation centre at the Pike River Mine Site is under way and this is also expected to be open to the public in April 2019.

pressure on hotspots by focusing on locations that could easily support more visitors, and spreading the regional economic benefits of tourism more widely.

Planning for these changes includes developing a Visitor Experience Strategy that will set the strategic direction for the management of DOC's tourism and recreation activities to 2025.

Announced in Budget 2017, the Government will invest \$76 million on new and upgraded tourism infrastructure on public conservation land to help manage the impact of the forecasted growth in visitor numbers.

PERFORMANCE INDICATOR

The trend over time in New Zealanders' awareness of DOC as a recreation provider

Current state: Performance maintained



For New Zealanders to venture into nature and gain the associated benefits, they must first be aware of the outdoor opportunities available. A population-

based survey of New Zealanders undertaken by DOC shows that in 2015/16, 73 percent of New Zealanders were aware that DOC provides facilities and services for people participating in outdoor recreation opportunities. Overall awareness levels change very little from year to year.

Those who are unaware of DOC services are more likely to live in Auckland and Gisborne, be aged between 18 and 34, and to be of Māori, Pacific or Asian ethnicity.¹⁹ This survey was not conducted in 2016/17.

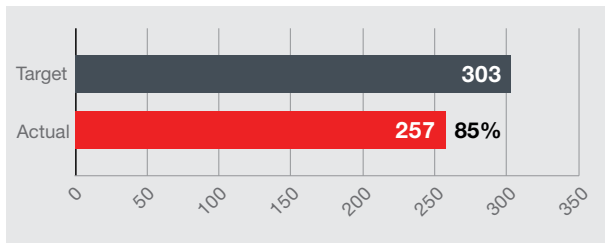


Figure 22: Recreation and interpretation publications meeting publication standards (target 90% to standard).

The target was not met due to an administrative error of overstating the target in western South Island, and a recent review of publications in the lower North Island, identifying 18 not to standard.

PERFORMANCE INDICATOR

The trend in participation in recreation on public conservation lands and waters

Current state: performance improving



From 2012 to 2016 the proportion of New Zealanders participating in recreation on public conservation lands and waters continued to increase, reaching 80 percent in 2016. Analysis of DOC’s track counter network confirmed this trend. In 2016/17, there were positive increases in the use of 56 percent of DOC’s monitored recreation network across the country by



Photo: Lizzy Sutcliffe

Tourism New Zealand and DOC – opportunities to deliver experiences to New Zealanders and international visitors

In December 2016, DOC and Tourism New Zealand began a partnership to better understand the needs of New Zealanders and international visitors and deliver valuable experiences that provide greater opportunities to connect with nature. The work supports the Government’s Tourism 2025 Strategy to encourage regional dispersal to both alleviate high-use sites and make use of underutilised sites. The first project for the partnership is to identify and promote existing day walks and short walks that meet visitor expectations. Quantitative research and consultation with iwi and stakeholders were undertaken regarding the suitability of walks.

both New Zealand and international visitors. More generally, greater than 60 percent of destinations are seeing positive growth over time, in line with increased international visitors at key sites (see 2016–17 Factsheet 17).²⁰ Both the western and northern South Island had higher than usual visits in 2016/17, a likely result of the Kaikoura earthquake that occurred in November 2016, leading touring holidaymakers to visit other destinations.

¹⁹ Source: 2015/16 annual report (National Survey of New Zealanders).

PERFORMANCE INDICATOR

The trend in visitor satisfaction with the quality of the experience and opportunities provided

Current state: Performance maintained ➔

More targeted research on DOC’s great walks over 2016/17 reinforces the previous survey results showing high levels of satisfaction reported. More than 91 percent of survey respondents were very or extremely satisfied with their overall Great Walk experience. Both the condition of the facilities along with experiencing natural soundscapes/tranquillity contributed to their satisfaction (see 2016–17 Factsheet 18). ▢

Facilities to standard

The number of huts specified in the target includes huts on land now administered by the Te Urewera Board. DOC and Tūhoe Te Uru Taumatua are currently working on a system for visitor asset management. Until a system is implemented, huts now administered under the authority of the Board have been excluded from the final actual performance data. This affects 39 huts of the total of 962 huts.

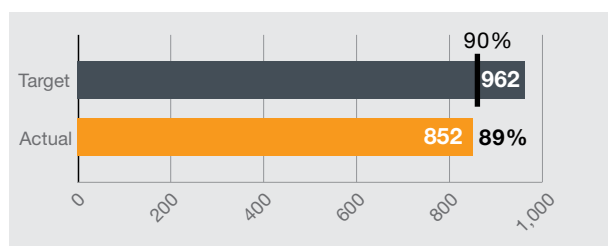


Figure 23: Number of huts to standard (target 90% to standard).

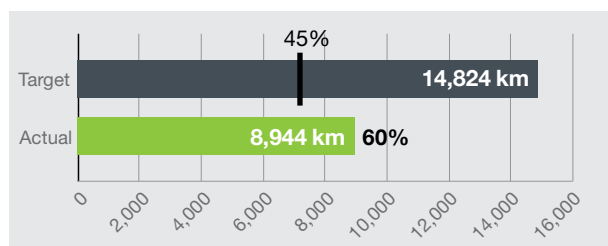


Figure 24: Kilometres of track to standard (target 45% to standard).

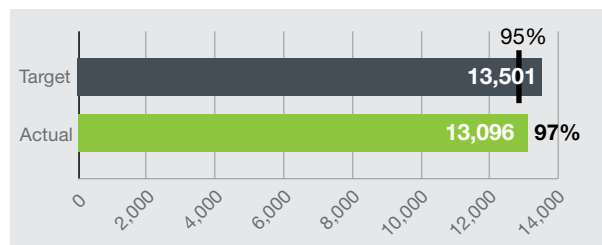


Figure 25: Number of structures to standard (target 95% to standard).

STRETCH GOAL

50% of international holiday visitors come to New Zealand to connect with our natural places

The number of international visitors visiting at least one New Zealand national park increased from 1.52 million in 2015/16 to 1.67 million in 2016/17, representing a 10 percent increase. In 2016/17, just over half of international visitors (52 percent) visited at least one national park (see Table 4), indicating this stretch goal has been achieved. International visitors include: international holidaying visitors, visiting for business and visiting friends and family. An even larger percentage of international holiday visitors (70 percent) visited a national park. These national park visitors contribute significantly to the economy, staying longer than average for international visitors and spending more money (on average \$4,354 per trip). (See 2016–17 Factsheet 1). ▢

Table 4: Percent of International visitors visiting national parks

| | 2014/15 | 2015/16 | 2016/17 |
|--------------------------------------|---------|---------|---------|
| Percentage of International Visitors | 47% | 52% | 52% |

DOC is responding to the continued increase in tourism numbers to New Zealand, which is projected to continue for the next few years. The key areas of focus are the Tongariro Alpine Crossing, car parks and toilets associated with day walks, and scenic sites along the

main tourism pipeline (Rotorua, Aoraki/Mount Cook, Franz Josef Glacier/Kā Roimata o Hine Hukatere and Fox Glacier/Te Moeka o Tuawe and Milford Sound/Piopiotahi).

The Department is also concerned about the perception of increasing tensions between traditional backcountry users and international visitors, and managing freedom camping at key tourist locations across New Zealand. The perceived conflict does not yet appear to be affecting people’s access overall to conservation land, with the trend of more New Zealanders enjoying the outdoors continuing in the summer months, but it is likely to be affecting the choice of location that some New Zealanders are making (where they are going, and at what time).



Old Ghost Road – one year on

The Old Ghost Road, a collaborative effort between DOC, the Mokihinui-Lyell Backcountry Trust, and Nga Haerenga, the New Zealand Cycle Trail, is New Zealand’s longest continuous single track for backcountry riders and trampers. Strong visitor growth was evident with 11,136 individual users in 2016/17, an increase of 56 percent on the 2015/16 period. More than 1,000 predators were also caught in 2016/17, the first full year of predator control efforts along the trail. A new cost-recovery structure was launched in April 2017 to support the Old Ghost Road to become financially sustainable.

Output class operating statement 2016/17: Management of recreation opportunities

| | Actual 30/06/15 \$000 | Budget 30/06/16 \$000 | Revised budget 30/06/16 \$000 | Actual 30/06/16 \$000 |
|--------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------|
| Revenue | | | | |
| Crown | 120,945 | 117,747 | 121,653 | 121,653 |
| Other | 25,001 | 23,598 | 26,119 | 29,137 |
| Total revenue | 145,946 | 141,345 | 147,772 | 150,790 |
| Expenses | 143,066 | 143,345 | 149,772 | 148,410 |
| Surplus/(deficit) | 2,880 | (2,000) | (2,000) | 2,380 |

Engagement

This year's Conservation Week theme encourages people to get involved in their backyard. *Photo: Alana McCrossin*

New Zealanders connect and contribute to conservation

LONG-TERM OUTCOME GOAL

New Zealanders connect and contribute to conservation

PERFORMANCE INDICATORS

- Change in the satisfaction of tangata whenua with the Department's activities to help them maintain their cultural relationships with taonga
- ➔ Change in the importance of conservation to New Zealanders
- Change in the quality of the Department's engagement with key associates
- ↑ Increase in engagement of the commercial sector in conservation partnerships
- ↑ Change in the level of investment in conservation from the commercial sector
- ↑ Improvement in level of return on investment for key DOC products and services

STRETCH GOALS

- 90% of New Zealanders' lives are enriched through connection to our nature.
- Whānau, hapū, and iwi are able to practise their responsibilities as kaitiaki of natural and cultural resources on public conservation lands and waters

DOC's engagement and partnerships model is strongly focused on achieving two interrelated outcomes:

- Connecting New Zealanders to conservation and its social, cultural, economic and environmental values and benefits.
- Shifting our society towards taking personal responsibility for conservation and contributing towards it.

DOC works hard to ensure that New Zealanders can access and enjoy conservation experiences that enrich their lives and wellbeing, as well as contributing to the protection and restoration of the country's natural, historical and cultural heritage. When people see our nature as being an integral part of their lives, and experience its benefits in a range of ways, they will be more driven to contribute to its conservation. This is as much the case for the commercial sector as it is for individuals and organisations with an environmental focus. DOC is looking for ways to remove barriers to participation, such as raising awareness about practical conservation action that suits people's lifestyles and skills.

PERFORMANCE INDICATOR

Change in the importance of conservation to New Zealanders

Current state: performance maintained



The annual Survey of New Zealanders was conducted in its current form from 2013 to 2016. It was not conducted in 2017 as DOC considers whether a biennial or triennial survey should be used. Experience with similar surveys indicates trends change little on an annual basis.

A high proportion of New Zealanders has consistently rated conservation as important to them and annual tracking of this is no longer considered necessary.²⁰ This indicator will be reviewed in the 2017/18 year.

The current focus is to encourage people to be more active in conservation. One opportunity for promoting active participation in conservation is Conservation Week. A particular strategy of Conservation Week 2016 was to target families that have young children by aligning with the Early Childhood Education sector.

²⁰ Ipsos. 2016: Survey of New Zealanders.

Specific initiatives for Conservation Week included promotion by the:

- Playcentre Federation
- New Zealand Kindergartens Incorporated and Whanau Manaaki Kindergartens (Wellington Kindergartens)
- The Early Childhood Council (representing daycare)
- Ministry of Education

More than 170 events were promoted around the country, 30 more than last year. Of the 170 events, approximately 30 of these were run by DOC with the remaining 140 managed by partners. Eleven stories about Conservation Week featured on national television, 6,732 children were involved in registering for the Habitat Heroes competition and 865 children sent in entries, 13,680 people played the Whio Boot Camp online game, 2,504 entered the online competition and more than 3,000 entered the colouring competition. Billboards and posters were installed at various community centres, libraries, youth hostels and visitor centres around the country.

PERFORMANCE INDICATOR

Change in the quality of the Department’s engagement with key associates

Current state: between reporting cycles ●

This research has been carried out every 2 years since 2006, and is due this year. However, the survey did not proceed because the Department is in the process of developing a new relationship management system, with an initial focus on its top strategic relationships. The system includes a review of how DOC gathers feedback about its engagement with key partners and stakeholders. Feedback will be obtained in 2018 when the Department’s new system is in place.

DOC is continuing to develop a Predator Free 2050 community toolkit which will include a regional network of rangers and a single multi-agency website

Conservation Week 2016

Of the **170 events** promoted for Conservation Week last year:



30 were managed by DOC

140 were managed by partners



Conservation dogs

In September 2016, **Kiwibank** joined forces with DOC to support the Conservation Dogs Programme.

Of the 83 conservation dogs:


47  are trained to find protected species

36  are trained to find unwanted pests

that will house all relevant information such as best practice guides. We are also working closely with OSPRI and the regional councils to better integrate our Predator Free 2050 control activities in the coming years.

PERFORMANCE INDICATOR

Change in the satisfaction of tangata whenua with the Department’s activities to help them maintain their cultural relationships with taonga


Current state: performance measures yet to be developed 

DOC has investigated a research approach to inform this measure that is acceptable to representatives of tangata whenua. This will be incorporated in a revised approach to gathering feedback from Treaty Partners and will be aligned with DOC’s new relationship management system for priority relationships.

In the meantime, DOC is working closely with Tuhoē Te Uru Taumatua in relation to Te Urewera, Ngāi Tahu on conservation management strategies and national park management plans, iwi involvement in Taranaki Mounga, and Senior Leadership Team conversations with iwi leaders are continuing.

PERFORMANCE INDICATOR

Increase in engagement of the commercial sector in conservation partnerships

Current state: performance improving 

The value of commercial partnerships

Building strong and enduring partnerships is at the heart of DOC’s strategy to restore New Zealand’s unique and threatened nature. The Department is committed to a future in which every business restores our nature, as a core part of operating sustainably.

The Department wants to work with New Zealanders to create a future in which our natural environment is purposefully positioned and restored as the foundation for our economic, cultural and social success.

DOC’s work with business partners is focused on outcomes that include:

- Using our collective channels to tell the conservation and business win/win story, together with the urgency of the issues we face
- Inspiring and engaging every New Zealand business to operate sustainably and in doing so, to contribute to ecological restoration in a large-scale, considered and planned way
- Steering businesses towards conservation priorities, such as Predator Free 2050 and War on Weeds
- Reaching and influencing audiences (through marketing and other means) beyond DOC’s normal channels, including other business leaders
- Increasing the number of people taking part in recreation as our partners promote and support the public engaging in outdoor activity
- Significantly increasing biodiversity outcomes across New Zealand
- Acknowledging and celebrating those businesses already doing ‘above and beyond’ conservation work.

To gain further insight into how DOC’s commercial partnerships, public sector/community work, and large collaborative landscape projects are accelerating progress towards multiple stretch goals, a measurement project is under way. A preliminary assessment detailed in Table 5 depicts how partnership activity contributes to DOC’s stretch goals.

Table 5: National conservation partnerships and projects

| | 90% of New Zealanders' lives are enriched through connection to our nature. | Whānau, hapū and iwi are able to practise their responsibilities as kaitiaki of natural and cultural resources on public conservation lands and waters. | The stories of 50 Historic Ikon sites are told and protected. | 90% of our threatened species across New Zealand's ecosystems are managed to enhance their populations. | A nationwide network of marine protected areas is in place, representing New Zealand's marine ecosystems. | 50 freshwater ecosystems are restored from 'mountains to the sea'. | 50% of New Zealand's natural ecosystems are benefiting from pest management. | 50% of international holiday visitors come to New Zealand to connect with our natural places. |
|--|---|---|---|---|---|--|--|---|
| STRETCH GOALS | | | | | | | | |
| Commercial Partnerships | | | | | | | | |
| Air New Zealand <i>Great Walks, Marine Science, Coastal Gems, Translocations</i> | ★ | ★ | | ★ | ★ | | ★ | ★ |
| Fulton Hogan <i>Takahe Recovery Programme</i> | ★ | ★ | | ★ | | | ★ | |
| Dulux <i>Protecting our Place</i> | ★ | | | | | | | ★ |
| Mitre 10 <i>Takahē Recovery Programme</i> | ★ | | | | | | ★ | |
| Meridian <i>Kākāpō Recovery Programme</i> | ★ | ★ | | ★ | | | | |
| Genesis <i>Whio Forever, Taupo for Tomorrow</i> | ★ | ★ | | ★ | | ★ | ★ | |
| Toyota <i>Toyota Kiwi Guardians</i> | ★ | | | | | | | |
| Kiwibank <i>Conservation Dogs</i> | ★ | | | ★ | | | ★ | |
| Fonterra <i>Living Water</i> | ★ | ★ | | ★ | | ★ | | |
| Partners | | | | | | | | |
| Department of Corrections <i>Good to grow</i> | ★ | | ★ | ★ | | | | |
| Mental Health Foundation <i>Healthy Nature Healthy People</i> | ★ | | | | | | | ★ |
| Multiple partners <i>Nature Space</i> | ★ | | | | | | ★ | |
| Landscape scale projects | | | | | | | | |
| Next Foundation, Abel Tasman Birdsong Trust, Ngati Rarua, Te Atiawa, Ngati Tama Wakatu <i>Project Janszoon</i> | ★ | | | ★ | | ★ | ★ | ★ |
| Next Foundation, Taranaki Iwi Chairs <i>Taranaki Mounga</i> | ★ | ★ | | ★ | | ★ | ★ | ★ |

PERFORMANCE INDICATOR

Change in the level of investment in conservation from the commercial sector

Current state: performance improving ↑

Commercial activity on public conservation lands and waters reflects businesses benefitting from this direct association, and New Zealanders benefitting from concession fees and the associated conservation initiatives concessionaires may become involved with. The results reported for these associated measures vary between years, as the demand for concessions is outside DOC's control.

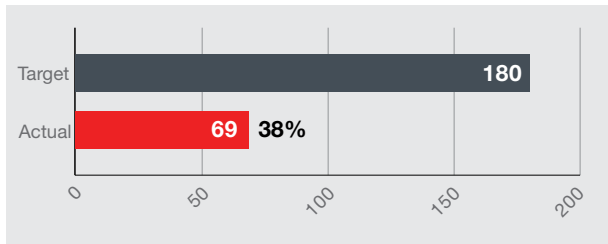


Figure 26: Active one-off recreation concessions managed.

The number of active one-off recreation concessions managed was 111 less than planned.

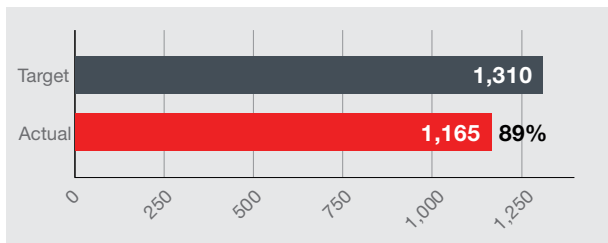


Figure 27: Active longer-term recreation concessions managed.

The number of active longer-term recreation concessions was 145 less than planned.

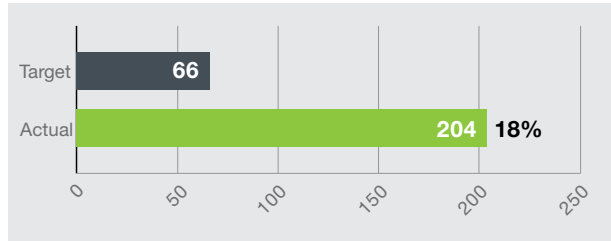


Figure 28: Active longer-term recreation concessions monitored (target 5%).

The Department has increased its monitoring effort around tourism activity, in response to tourism operator concerns that improvement in compliance is needed given the growth being experienced in the industry.

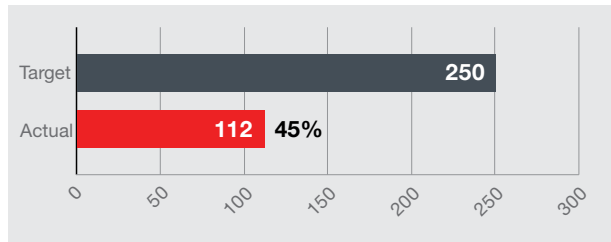


Figure 29: Active one-off other resource use concessions managed.

The number of active one-off other resource use concessions managed was 138 less than planned.

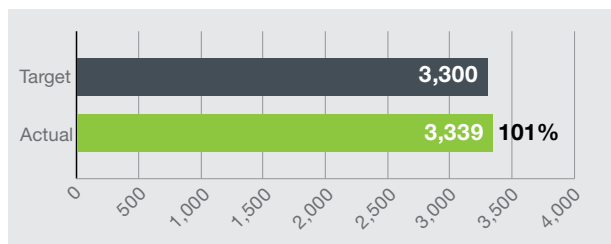


Figure 30: Active longer-term other resource use concessions managed.

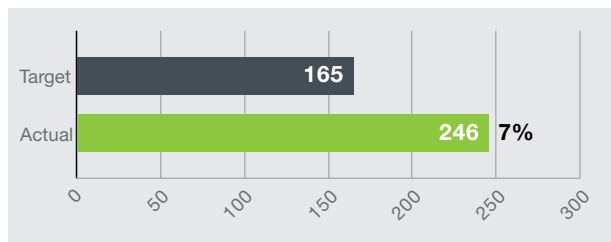


Figure 31: Active longer term other resource use concessions monitored (target 5%).



Toyota NZ

In November 2015 Toyota NZ and DOC announced a 5-year partnership to launch the conservation outreach programme 'Toyota Kiwi Guardians'. This programme aims to increase Kiwi kids' connection to nature, with a focus on 6–10 year olds. By December 2017 our goal is to have 100 Kiwi Guardian sites in New Zealand, and 20 action medals in rotation. Our target is 230,000 medal redemptions by 2020.

The programme focuses on easy, entry-level experiences at locations close to where New Zealanders live.

Toyota Kiwi Guardians results

| | March – June 2016 | July 2016 – June 2017 | Total |
|-----------------|-------------------------|-----------------------------|--------|
| Sites | 20 | 42 | 62 |
| Actions | 5 | 3 | 8 |
| Medals rewarded | 1,024 | 10,093 | 11,117 |

There continues to be growth in the investment in conservation through commercial use of public conservation lands and waters, and through partnerships.

Table 6: Department of Conservation concession and partnership revenue

| | 2012/13 Actual | 2013/14 Actual | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | Change from 2015/16 (%) |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------------------|
| Source of financial contribution | (\$000) | (\$000) | (\$000) | (\$000) | (\$000) | (%) |
| Concessions, leases and licenses | 13,360 | 13,777 | 15,262 | 16,951 | 19,874 | 17.2 |
| Sponsorship/partnership revenue | 5,238 | 6,473 | 7,088 | 9,303 | 12,380 | 33.1 |

Table 7: Revenue from key DOC products and services

| | 2012/13 Actual | 2013/14 Actual | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | Change from 2015/16 (%) |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------------------|
| Revenue received | (\$000) | (\$000) | (\$000) | (\$000) | (\$000) | (%) |
| Backcountry huts | 1,588 | 1,606 | 1,751 | 2,025 | 2,095 | 3.5 |
| Conservation campsites | 4,222 | 4,738 | 5,201 | 5,910 | 6,931 | 17.3 |
| Great Walks | 4,806 | 5,293 | 5,605 | 6,261 | 6,481 | 3.5 |
| Visitor centre network – gross retail | 2,052 | 2,213 | 2,367 | 2,624 | 2,900 | 10.5 |

PERFORMANCE INDICATOR

Improvement in level of return on investment for key DOC products and services

Current state: performance improving ↑

Participation in conservation and enjoying our natural and historic heritage brings many benefits to people, the economy and our nature.

With changing markets, patterns of use and increasing visitor numbers, we are paying particular attention to visitor safety and preparedness information. Domestic marketing has a focus on encouraging New Zealanders to experience our nature, across the range of experiences including short walks, and less-visited regions.

Revenue from DOC products and services continues to see growth. Notable is the increase in revenue from conservation campsites, which coincides with an increase in campsite fees.

There is a continuing focus on promoting those Great Walks with unused capacity.

DOC Community Fund – enriching community contribution

The DOC Community Fund is the Department’s largest funding commitment to community conservation. The 2016 funding round allocated more than \$4.2 million to support 97 community groups in a range of conservation efforts. One example was the Yellow-eyed Penguin Trust, with \$80,000 available for conservation tasks at Okia Reserve on Otago peninsula, to restore a significant wetland adjacent to hoiho habitat, and undertake management of this threatened penguin species.

STRETCH GOAL

90% of New Zealanders’ lives are enriched through connection to our nature

Growing conservation skills – enabling a richer conservation experience

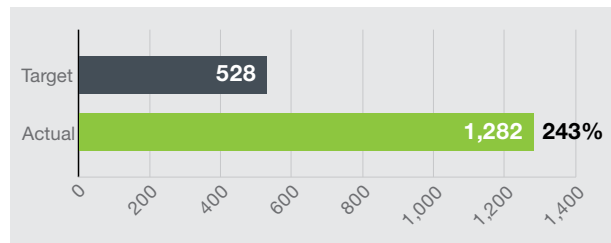


Figure 32: Knowledge and skill-sharing initiatives.

From these knowledge and skill-sharing initiatives, 1,602 participants were surveyed and 1,132 (71 percent) rated the initiative as ‘effective’ or ‘partly effective’ at meeting its objectives (the target was 70 percent).

Volunteering – people connecting with our nature in a practical way

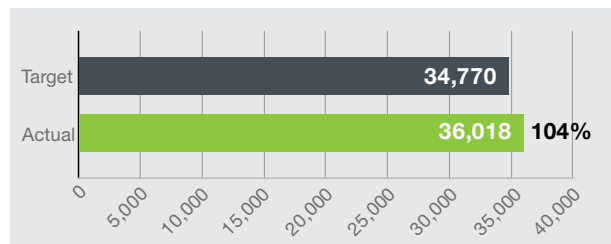


Figure 33: Engagement – volunteer workday equivalents.

The volunteer workday equivalent effort continues to support conservation delivery. Volunteers are involved in many of DOC’s conservation activities, and also support partnership initiatives. In future, we are looking to separate conservation outputs delivered by volunteers at place from conservation awareness and skill-raising initiatives delivered via volunteers. This will be useful information for our engagement planning.

Partnering with DOC to connect with our nature

DOC seeks to deliver more conservation through partnering with others. A partnership represents the joint commitment by DOC and the partner to put time and resources towards a common conservation goal.

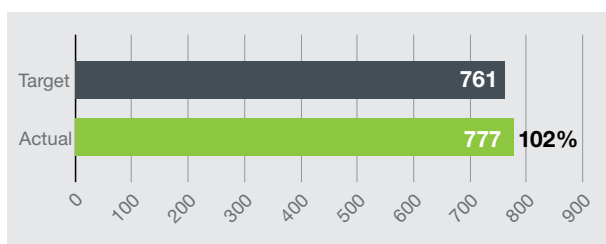


Figure 34: Engagement – number of partnerships.

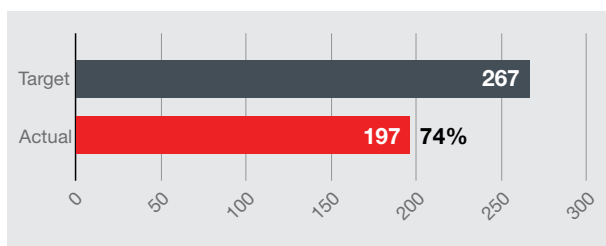


Figure 35: Engagement – number of partnerships involving tangata whenua.

Partners are surveyed to gain an understanding of their view on contributing to conservation. Of the 777 partners, 261 were invited to respond to a standard survey, and 175 (67 percent) of them rated their contribution to conservation as moderate or significant. The target for a moderate or significant rating is 80 percent. The lower than target rating is similar to the result from 2015/16.

STRETCH GOAL

Whānau, hapū, and iwi are able to practise their responsibilities as kaitiaki of natural and cultural resources on public conservation lands and waters

The purpose of the Department’s work with tangata whenua and Māori is to achieve positive conservation outcomes.



Photo: Trees That Count

Trees That Count

Trees That Count is a partnership between the Project Crimson Trust, the Tindall Foundation, Pure Advantage and DOC. It aims to mobilise New Zealanders to plant millions of native trees to help mitigate climate change. Trees That Count is connecting with community groups, councils and all planting groups to get them to register with their website. Trees That Count report 3.1 million trees planted in 2016, and are aiming to have 4.7 million planted in 2017; one for each New Zealander.*

* Trees That Count at www.treesthatcount.co.nz.

Ngāti Kuri has been developing a vision for Te Paki in Northland based on ‘Te Ara Whanui’, the many pathways. This includes four pathways:

- Protected Pathways with a focus on biodiversity
- Connected Pathways with a focus on empowering hapū
- Spiritual Pathways with a focus on Cape Reinga/Te Rerenga Wairua
- Global Pathways, linking with opportunities overseas.

DOC is exploring opportunities to support this vision; in particular the ‘protected pathways’ objectives.

DOC has been meeting monthly with Te Roroa to progress the Working Together Agreement, as per Treaty Settlement obligations. This has included a meeting with Te Roroa, the Northland Regional Council and DOC to plan how we move forward together on

Te Toa Whenua project. This is a 900-ha forest and river restoration project running approximately 17.4 km along one side of the Waipoua River out to the sea, being led by Te Roroa, with a funding contribution through the DOC Community Fund.

Output class operating statement 2016/17: Conservation with the community (engagement)

| | Actual 30/06/16 \$000 | Budget 30/06/17 \$000 | Revised budget 30/06/17 \$000 | Actual 30/06/17 \$000 |
|--------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------|
| Revenue | | | | |
| Crown | 29,716 | 29,669 | 28,732 | 28,732 |
| Other | 1,928 | 2,085 | 4,131 | 1,345 |
| Total revenue | 31,644 | 31,754 | 32,863 | 30,077 |
| Expenses | 29,117 | 31,754 | 32,863 | 29,016 |
| Surplus/(deficit) | 2,527 | 0 | 0 | 1,061 |

Well-served government and citizens



Photo: Jimmy Johnson

Well-served government and citizens

Policy advice

DOC contributes to government priorities and the intermediate outcomes through effective policy advice on major initiatives. This includes policy advice and practical and scientific expertise to whole-of-government policy processes for natural resources, particularly those relating to freshwater, climate change, bioprospecting, biosecurity and biodiversity, minerals and petroleum, and aquaculture. These contributions are often made within the context of the Government's Natural Resources Sector agencies.

DOC provides ongoing advice to the Minister of Conservation to support the Minister's coastal responsibilities under the Resource Management Act 1991 and the Marine and Coastal Area (Takutai Moana) Act 2011. Advice is provided on proposals for amending legislation and regulations.

DOC works in support of the Government's commitment to achieving just and durable settlements of all historic Treaty of Waitangi claims.

This workstream also includes Ministerial services, statutory and ministerially appointed bodies, and management planning.

Management planning

Conservation management planning is governed by a hierarchy of planning documents established by the following conservation legislation; the Conservation Act 1987; the National Parks Act 1980; and various Treaty of Waitangi Settlement Acts.

The requirement and process for preparing 10-year conservation management strategies (CMS), national park management plans (NPMP) and conservation management plans (CMP) follows a public process set out in the relevant legislation.

During the 2016/2017 financial year, the following statutory plans were approved:²¹

- Canterbury (Waitaha) CMS
- Otago CMS
- Southland Murihiku CMS
- Paparoa NPMP
- Kahurangi NPMP (partial review)
- Whirinaki Te Pua-a-Tāne CMP

These statutory plans identify what the Department intends to manage and why, and includes criteria for making decisions about activities on public conservation land that require authorisation.

It should be noted that the Whirinaki Te Pua-a-Tāne CMP is the first co-governance process between the Department and a Treaty partner to develop a CMP for the North Island.

More information about DOC's statutory management planning activity can be found in Appendix 7.

Outputs that contribute to this output class

Policy outputs contribute to all four intermediate outcomes as set out in Appendix 2. These are reported on below.

²¹ See published conservation management strategies and management plans on the DOC website at www.doc.govt.nz/statutory-plan-publications.

Table 8: Policy advice and services performance

| 2016/17 performance measures and targets | National commentary |
|--|--|
| Policy advice | |
| The satisfaction of the Minister of Conservation with the policy advice, as per common satisfaction survey (target at least 80 percent). | There has not been an assessment by the Minister of the Department's policy advice for 2016/17. |
| Technical quality of policy advice papers, assessed by a survey and robustness assessment. | Technical quality score 63 percent. |
| The total cost per hour of producing outputs will be at most \$95/hour. | Total cost per output hour \$54.49 |
| Ministerial servicing | |
| It is expected that the Department will send 800–900 ministerial briefings to the Minister. | The Department sent 848 ministerial briefings to the Minister. |
| Number of Official Information Act requests received and actioned within statutory requirements, both Ministerial and Departmental. | The Department received 593 Official Information Act requests, of which 43 were withdrawn, and 497 were actioned within the SSC deadline (90% of all actioned OIAs). |
| It is expected that the Department will receive 150 to 200 Parliamentary Questions with 100 percent meeting the ministerial deadline. | The Department received 323 Parliamentary Questions. The number meeting the deadline was not assessed this year. |

Output class operating statement 2016/17: Policy advice and services

| | Actual 30/06/16 \$000 | Budget 30/06/17 \$000 | Revised budget 30/06/17 \$000 | Actual 30/06/17 \$000 |
|--------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------|
| Revenue | | | | |
| Crown | 11,221 | 12,359 | 11,010 | 11,010 |
| Other | 121 | 566 | 566 | 115 |
| Total revenue | 11,342 | 12,925 | 11,576 | 11,125 |
| Expenses | 9,744 | 12,925 | 11,576 | 7,970 |
| Surplus/(deficit) | 1,598 | 0 | 0 | 3,155 |

Capability



The team involved in eradicating the great white butterfly from New Zealand celebrates the community's success. *Photo: DOC*

Our business is supported by a capable workforce and sound systems

LONG-TERM OUTCOME GOAL

Our business is supported by a capable workforce and sound systems

PERFORMANCE INDICATORS

- ➦ Leadership: the Department has the leaders it needs to perform well, both now and in the future
- ➡ Relationships: the Department identifies, builds and manages relationships critical to achieving results
- Culture: the Department has the type of culture it needs to achieve results now and in the future
- ➡ People: the Department has the skills and competencies to achieve its results in collaboration with others
- ➦ Information and communications technology (ICT): the Department has the ICT it needs to achieve results and contribute to others
- ➡ Asset management: the Department's asset-related decisions support current and future service delivery
- ➡ Structure: the Department's structure is linked to its results and future business needs

A capable and safe Department of Conservation is the foundation for supporting the DOC vision, and underpins the achievement of our stretch goals and our intermediate outcomes. There are six focus areas for investment in people capability under the Conservation Outcomes Model - leadership, core management disciplines, working with Māori, partnering and collaborating, safety and wellbeing, plus a newly refreshed focus on diversity. Collectively these focus areas made up the people component of DOC's transformation programme to 'grow people to grow conservation' in 2016/17.

Leadership

The leadership intervention to improve the speed and quality of decision-making by training and embedding quality team process and task assignment models is in its second year of implementation. Having trained most of the managers last year, this year those leaders began training their teams; 23 leaders and 276 staff. Two improvement projects have also now included this team process approach; one for statutory processes and the other working on improving the connection between Operations and Science and Policy. A total of 879 people have been trained since the programme started in December 2014. The methods and behaviours of quality team process and task assignment are becoming increasingly embedded in our people systems such as monthly operating reviews and leadership team meetings. Peer to peer coaching is

increasing and symbols such as posters, pocket cards and control boards are prevalent within the workplace. Work will continue in the year ahead to embed team process into core business systems within DOC.

Embedding the public sector's leadership success profile (LSP) and talent management framework in DOC continued this year. Milestones included the alignment of role descriptions for all leadership roles as vacancies arose, an introduction to these frameworks and how they work for all managers as part of the Core People Management training programme (see below) and the placement of all deputy director-generals, directors and managers on the talent map. Integrating these frameworks within DOC's people management system will continue in 2017/18.



Photo: DOC

Core management disciplines

This year we introduced a new Core People Management intervention to strengthen DOC's people management capability across all people managers.

DOC has a relatively new cohort of middle managers and feedback through recent workforce surveys and from key partners such as the PSA suggested our people management capability is not as strong as it needs to be. Furthermore, DOC's people management system and tools could be simpler and more user-friendly for employees and managers. This work has been a joint project with the PSA and started with a redesign of our people system.

Improvements to the people system focused on three key elements:

- Simplification of processes and tools
- Separation of development from performance assessment
- Better connecting organisational work with individual work.

A new workshop-based training package was introduced to complement the system improvements. Two three-day workshops were developed and delivered several months apart, which allowed for practice on the job after the first workshop and refresher in the second workshop. A total of 546 leaders across all tiers and business groups were trained in workshops this year.

Peer-to-peer coaching groups have been established in workplaces nationwide to provide ongoing support and embed the training after workshops.

“You three [facilitators] were awesome in facilitating the training workshop; there were insightful comments and practical examples and bit of laughter (actually quite a lot!). As a result, the whole group were highly engaged and learnt a lot from the three of you and from one another. Core People Management is a key underpinning system to enable the Partnerships Group to achieve its purpose and is significant to DOC as a whole. Looking forward to round 2 later on in the year!”

(Quote from participant)



Working with Māori

The Pukenga Atawhai programme is a fundamental base skill for all DOC staff to work with Māori. It involves a three-day residential marae-based learning wānanga that builds culture capability in tikanga, whaikōrero, mihi, karakia and mātauranga or Māori knowledge. It includes understanding our obligations of working with our Treaty partner under the Conservation Act 1987. The real essence of this wānanga is interacting with Māori on their home marae. National Treaty Settlements, along with the desire of whānau, hapū and iwi to connect with and manage our nature, means the appetite for genuine partnership between DOC and Māori is huge. We are responding to new and different relationships with iwi, as we learn how to work best together.

This year 238 people participated in eight Pukenga held across regional New Zealand. This included a new innovation delivered at Whakatu marae in Nelson where 15 senior leaders from Air New Zealand joined the same number of senior leaders from DOC in a joint Pukenga. This was a great opportunity for partnering between the two organisations and iwi.

“Had an amazing, life-changing experience. I wish I had done this earlier, I feel as though a huge lightbulb has been illuminated for me. Ngā mihi.”

(Quote from Air New Zealand participant)

Partnering and collaborating



Photo: DOC

1. High Performance Engagement

During 2015 collective agreement bargaining, DOC and the Public Service Association (PSA) agreed to refresh the relationship and work together in a more collaborative way. The concept behind High Performance Engagement (HPE) is simple – the leadership of both organisations work together to improve the ability of DOC staff to deliver more conservation while enjoying better working conditions.

The HPE approach recognises that the leadership of both organisations have compatible goals, and we both have high aspirations across our core capability areas.

The PSA wants its members to work in a great workplace – one where they have the resources and support they need to do the job, where their health and wellbeing are looked after, and where they are getting real job satisfaction every day. DOC wants to deliver more conservation, and knows that the key to doing that is using its limited resources effectively by having highly productive staff. An approach is now being rolled out for managers and staff to facilitate this higher engagement approach in the workplace.

A key to improving productivity and working lives is to allow those affected by problems to develop the solutions to those problems. A good example of that was starting the Statutory Process Improvement (SPI) project, where staff involved in permissions work identified the process issues that most needed to be addressed, and came up with new approaches that will make their jobs easier, and improve the service we deliver to concessionaires.

2. Growing our capability to partner with others

The cutting edge of growing our capability to partner is ‘adaptive learning by doing’ in a broad range of partnership initiatives that are being led by the Partnership Group across the country. Large landscape-scale conservation management initiatives with multiple stakeholders are developing in many regions. As well as helping us achieve a predator-free New Zealand by 2050, these ambitious partnerships are developing our skills in collaborative collective action, co-design, co-governance and co-management at scale.



Photo: DOC

3. Technical field skills training for staff and our partners

The demand for technical field skills training remains high for both DOC staff and staff of our partner organisations. This year a total of 33 courses in animal pest control, weed management, plant identification and flora/fauna monitoring techniques were delivered through our partnership with Nelson/Marlborough Institute of Technology. Approximately half of the overall 313 participants trained were from our partner organisations – local government, iwi, private trusts and conservation groups. Within DOC there was increased demand for animal pest operational planning skills, due to the increase in planned pest operations as part of Battle for our Birds and increases in weed management programmes nationally.

Safety and wellbeing

The focus on building a strong health and safety culture continues. A refresh of the DOC Safety Management System (SMS) aims to change the way DOC staff think about health and safety in their work and the decisions

they make to keep themselves and others safe. Central to this is the new 'Safety Learning Day' initiative which is designed to bring teams together to focus on fatal risk areas such as on-road driving.

This drive to engage teams in active injury prevention is the beginning of an organisation-wide change in understanding, mindset and behaviour. DOC's recordable injury rate is decreasing incrementally and at 30 June 2017, injuries were at a four-year low.

Key performance indicators (KPIs) for health and safety are to be introduced in 2017/18. The new KPIs will, for the first time, set clear health and safety targets for managers. There will also continue to be a deliberate and active focus on fatal risk areas.

DOC and the PSA have worked together to establish the fundamental safe behaviours that are expected in DOC. These behaviours are expressed in the new 'Life Saving Rules' (see Figure 36).

Emergency response

In the past 12 months, our ranger staff have been at the core of DOC's biggest responses to emergencies since the Department was established.

Kaikoura earthquake

The magnitude 7.8 Kaikoura earthquake on 14 November 2016 resulted in two deaths and significant damage to buildings and other infrastructure across North Canterbury, Marlborough and Wellington city.

Regional incident management teams operated in Christchurch and Renwick, supporting staff in Kaikoura and those checking high-risk sites and roads. DOC engaged with Civil Defence at national and local level. As one example of DOC's contribution, its vehicles in Kaikoura were used by Civil Defence (mostly by police).

More than 500 staff were involved in recovery and response. Senior Ranger, Mike Morrissey, helped lead the Civil Defence response in Kaikoura.

Whale stranding



Photo: Kurt Sharpe

The Department's Nelson staff led the response to the stranding of 600 pilot whales at Farewell Spit in February. This was the second largest stranding since 1915. The response included 800 volunteers.

Christchurch Port Hills fire

More than 100 DOC staff worked on the devastating Port Hills fire which flared out of control in February 2017 and burnt across a large area in Christchurch, at a cost of \$4 million.

DOC fire crews from around the country – including the West Coast, Coastal Otago, Southland, Te Anau and the North Island – joined Canterbury firefighters from Maahanui, Twizel, Aoraki, Geraldine and Rangiora as well as the voluntary High Country Fire Team, in the multi-agency effort.

Myrtle rust



Photo: DOC

Myrtle rust has been New Zealand's largest ever biosecurity response, with 350 staff being reprioritised from other conservation work to assist the Ministry of Primary Industries' response. Myrtle rust only affects plants from the Myrtaceae plant family, but this unfortunately includes iconic New Zealand native species of rātā, pōhutakawa, mānuka, kānuka and ramarama, as well as exotic myrtles like feijoa, guava and eucalypts.

Figure 36: Life-saving rules for safety.

Diversity

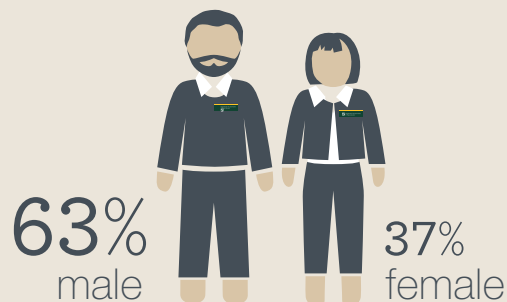
The value of diversity to enriching workforce capability and achieving organisational goals has become a point of focus both within DOC and as a shared key result across the public sector. DOC refreshed its Diversity Plan this year, in response to feedback from staff through the annual engagement survey, with new goals, actions and indicators established for the next 5 years.

The intent of the Diversity Plan is to deliver value to New Zealanders by better reflecting the communities DOC serves and works within, and by developing our people capability to grow conservation with others. Actions are targeted at several diversity elements, including ‘unconscious bias training’ for all recruiting managers, reducing the gender pay gap, increasing the proportion of women and Māori in leadership roles and across the workforce, and increasing ethnic diversity

Gender in DOC's workforce

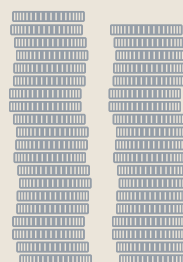


Gender in DOC's leadership team



Gender pay gap

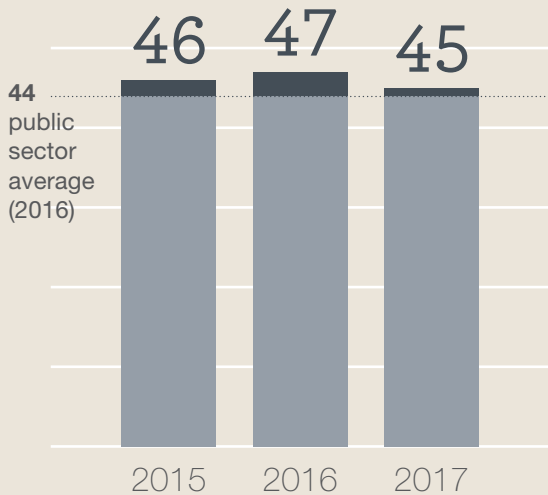
On average, women in the public service are paid 12.5% less than their male colleagues.



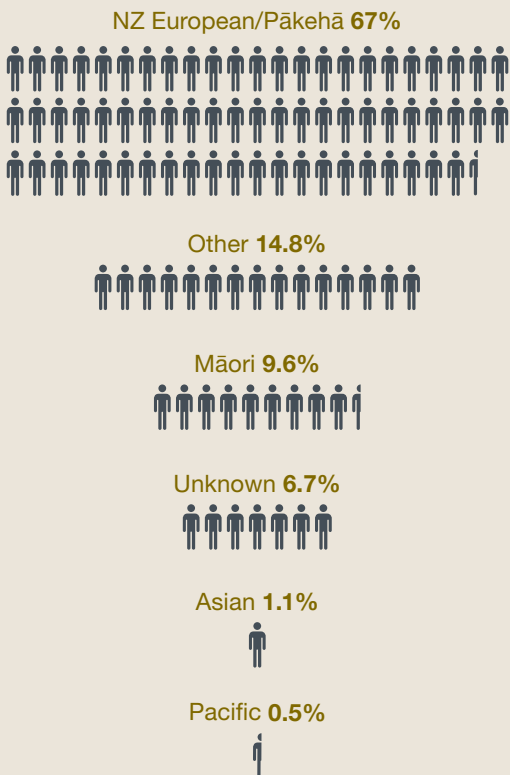
At DOC, the average salary for women is

4.2% less than it is for men

Average age of DOC's employees



Ethnicity of DOC's employees



and thought diversity within our workforce.²² DOC will report on the impact it is making to improve these diversity statistics in annual reports over the next 5 years.

Information and communications technology (ICT)

The approach to ICT management is to simplify systems to make it easier to do our work, move to a mobile and cloud environment, grow our capability to work in rapidly changing technology platforms and tools, rationalise information systems to meet business needs, adopting ‘digital by default’, and maintaining services across our core applications.

The 2014 and 2016 PIF Reviews noted the potential to significantly improve productivity and wellbeing with more effective business systems that are supported by information communication technology (ICT). The 2014 report noted staff frustration that their ICT needs were not understood by National Office and both reports highlighted that upgrades to information systems were essential to gain business delivery efficiency.

In 2015, in response to concerns about investment priorities, we published the Information Systems Strategy Plan (ISSP) which outlines investments out to 2019.

In 2016/17 we started to address the demand for more effective services by replacing the entire ICT network. This upgrade enables faster delivery of applications and IT services to staff, customers and stakeholders and builds a high level of resilience in our network (something that we did not have after the Kaikoura earthquake). The data centre was moved to a public cloud service (supplied by Amazon Web Services – AWS), and is delivered ‘as a Service’ (Infrastructure as a Service – IaaS), removing the need to invest capital in data centre computers. To address the network speed issues, we have upgraded 120 offices to the fastest

²² See published Conservation Management Strategies and Management Plans on the DOC website www.doc.govt.nz/statutory-plan-publications.

bandwidth available, installed Wifi in most offices and implemented a mobile platform for staff to access DOC systems whenever they are online. These are also delivered as a Service (Telecommunications as a Service - TaaS).

In response to the need to raise productivity we have begun upgrading our enterprise information applications. In 2015, we replaced the document management system with Enterprise Content Management as a Service (ECaaS), and in 2016 we replaced our bespoke time recording system with TimeFiler, an online/mobile cloud service. Using the Office Productivity as a Service (OPaaS) tools we have implemented Microsoft Office 365 that has enabled video conferencing between staff using Skype for Business. Most recently we have replaced the SAP mobile asset management application (Work Manager) with MyPM. This application operates on android phones, removing the need for expensive mobile data-loggers, and enables all rangers to record work orders completed in the field.

IaaS, AWS Cloud, TaaS, ECaaS and OPaaS have all been supplied using the Department of Internal Affairs and Ministry for Business, Innovation and Employment information communications technology frameworks.

Departmental capital and asset management intentions

Asset management and profile

DOC manages \$6 billion in capital assets and is classified as 'Tier 1 - Capital Intensive'. Over 91 percent of these are Crown-owned assets (predominately public conservation land), and nearly 9 percent are DOC-owned assets (predominantly visitor assets, such as tracks, huts and structures).

Strong capital asset management and investment management practices are therefore critical to DOC's long-term success. This ensures best value for money from the assets needed to deliver the Government's conservation services.

Land assets

DOC has responsibility for managing about one-third of New Zealand's land surface. The profile of that land is more mountainous than lands elsewhere in New Zealand and reflects the difficulty of developing lands at higher altitudes for agriculture. Historically, this provided the opportunity to establish protection for the land that remained. It also reflects the challenges the nation now faces to protect ecosystems in their natural state at the lower altitudes. In this challenge, it is useful to be able to describe and quantify the value of natural capital.

Performance of physical assets

The performance of the natural assets has started to be reported through the 'Natural heritage' section of the annual report, drawing on status and trend information from the Tier 1 Regional and National level monitoring programme. For recreation assets, condition reporting is undertaken through Output reporting for huts, tracks and structures.

Asset profile

The asset profile information in Table 9 is for Crown and Departmental assets combined and presented by asset group. Similar asset classes are grouped together and managed by an asset group owner. Asset group owners develop an asset management plan to communicate the planned management of asset replacement and investment to customers.

Improving asset management

The Department has begun work on its asset management maturity and capability as part of the Government's Investor Confidence Rating. The initial assessment has revealed further work required that will drive improvement. This ties back to work on performance of physical assets explained above.

Table 9: Department of Conservation asset profile 2016/17 (Crown and Departmental assets combined)

| Asset group | Asset class | Carrying amount* (\$m) | Depreciation (\$m) | Capital expenditure† (\$m) |
|--|---------------------------|---------------------------|-----------------------|-------------------------------|
| Information & Communications Technology | Computer software | 4.9 | 2.8 | 2.3 |
| Fleet | Vessels | 2.3 | 0.4 | 0.2 |
| | Motor vehicles | 10.6 | 1.6 | 0.5 |
| | Plant and equipment | 6.9 | 2.3 | 1.9 |
| Property | Furniture and fittings | 4.5 | 1.4 | 1.4 |
| | Buildings | 64.0 | 2.8 | 0.5 |
| | Infrastructure assets | 36.1 | 0.9 | 0.6 |
| Visitor and Historic assets | Visitor & Historic assets | 373.8 | 17.4 | 9.9 |
| Land (Crown & Dept) | Land (Crown & Dept) | 5,717.7 | 0.0 | 0.2 |
| Fencing | Fencing | 45.3 | 5.4 | 0.7 |

* Excludes assets under construction

† Excludes transfers between departments



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF THE DEPARTMENT OF CONSERVATION'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

The Auditor-General is the auditor of The Department of Conservation (the Department). The Auditor-General has appointed me, Graeme Edwards, using the staff and resources of KPMG, to carry out, on his behalf, the audit of:

- the financial statements of the Department on pages 63 to 90, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in taxpayers' funds, statement of trust monies 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 performance information prepared by the Department for the year ended 30 June 2017 on pages 7 to 56.
- the statements of expenses and capital expenditure incurred against appropriations of the Department for the year ended 30 June 2017 on pages 99 to 103.
- The schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 91 to 98 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2017;
 - the schedules of expenses; and revenue for the year ended 30 June 2017;
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Department on pages 63 to 90
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the performance information of the Department on pages 7 to 56:
 - presents fairly, in all material respects, for the year ended 30 June 2017:
 - what has been achieved with the appropriation; and



- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Department on pages 99 to 103 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- The schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 91 to 98 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2017;
 - the schedules of expenses; and revenue for the year ended 30 June 2017.

Our audit was completed on 25 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Director General and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Director General for the information to be audited

The Director General is responsible on behalf of the Department for preparing:

- financial statements that present fairly the Department's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Department, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- Schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Department on behalf of the Crown.



The Director General is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Director General is responsible on behalf of the Department for assessing the Department's ability to continue as a going concern. The Director General is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Department, or there is no realistic alternative but to do so.

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

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Department's statement of intent.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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 Department's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director General.
- We evaluate the appropriateness of the reported performance information within the Department's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Director General and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our



auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Director General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Director General is responsible for the other information. The other information comprises the information included on pages 3 to 56, and 105 to 113, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Department in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Department.

A handwritten signature in blue ink, appearing to read 'Graeme Edwards'.

Graeme Edwards
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

Financial statements



Fiordland crested penguin/tawaki. Photo: Jake Osborne (CC BY-NC-SA 2.0)

Statement of responsibility

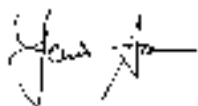
In terms of section 45C of the Public Finance Act 1989, I am responsible, as Director-General of the Department of Conservation, for the preparation of the Department's financial statements, statements of expenses and capital expenditure and for the judgements made in the process of producing those statements.

I have the responsibility for establishing and maintaining, and I have established and maintained, a system of internal control procedures that provide reasonable assurances as to the integrity and reliability of financial reporting.

I have the responsibility for ensuring that end-of-year performance information on each appropriation administered by the Department is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this Annual Report.

I am responsible for the accuracy of any end-of-year performance information prepared by the Department, whether or not that information is included in the Annual Report.

In my opinion, these financial statements fairly reflect the financial position and operations of the Department for the year ended 30 June 2017, and the forecast financial statements fairly reflect the forecast financial position and operations of the Department for the year ending 30 June 2017.



Lou Sanson

Director-General
Department of Conservation
25 September 2017

Departmental financial statements

Statement of comprehensive revenue and expense for the year ended 30 June 2017

| | Notes | 30/06/16 Actual \$000 | 30/06/16 Budget* \$000 | 30/06/17 Revised Budget* \$000 | 30/06/17 Actual \$000 | 30/06/18 Forecast* \$000 |
|---|-------|-----------------------------|------------------------------|---|-----------------------------|--------------------------------|
| Revenue | | | | | | |
| Revenue Crown | | 338,848 | 314,421 | 339,902 | 339,902 | 321,617 |
| Other revenue | 2 | 42,599 | 41,312 | 57,631 | 52,999 | 52,832 |
| Total revenue | | 381,447 | 355,733 | 397,533 | 392,901 | 374,449 |
| Expenses | | | | | | |
| Personnel costs | 3 | 158,525 | 144,190 | 165,200 | 166,615 | 165,200 |
| Operating costs | 4 | 132,229 | 129,448 | 159,745 | 146,954 | 140,431 |
| Depreciation, amortisation and impairment expense | | 34,242 | 33,638 | 33,344 | 33,990 | 31,567 |
| Capital charge | 5 | 47,832 | 50,457 | 41,244 | 39,268 | 39,251 |
| Finance costs | | 92 | - | - | 91 | - |
| Loss on disposal of property, plant and equipment | | 1,055 | - | - | 560 | - |
| Total expenses | | 373,975 | 357,733 | 399,533 | 387,478 | 376,449 |
| Net surplus/(deficit) | | 7,472 | (2,000) | (2,000) | 5,423 | (2,000) |
| Other comprehensive revenue and expense | | | | | | |
| Gain on property revaluations | | 8,211 | - | - | 20,058 | - |
| Total comprehensive revenue and expense | | 15,683 | (2,000) | (2,000) | 25,481 | (2,000) |

* The statement of accounting policies provides explanations of these figures which are unaudited. Refer to Note 1 for an explanation of major variances.

Statement of financial position

as at 30 June 2017

| | Notes | 30/06/16 Actual \$000 | 30/06/17 Budget* \$000 | 30/06/17 Revised Budget* \$000 | 30/06/17 Actual \$000 | 30/06/18 Forecast* \$000 |
|--|-------|-----------------------------|------------------------------|---|-----------------------------|--------------------------------|
| Taxpayers' funds | | | | | | |
| General funds | 13 | 460,907 | 485,210 | 456,661 | 461,412 | 493,740 |
| Property, plant and equipment revaluation reserves | 13 | 142,554 | 136,746 | 142,554 | 162,342 | 142,554 |
| Total taxpayers' funds | | 603,461 | 621,956 | 599,215 | 623,754 | 636,294 |
| Represented by: | | | | | | |
| Current assets | | | | | | |
| Cash | | 18,625 | 64,697 | 18,680 | 22,099 | 21,709 |
| Prepayments | | 2,183 | 2,000 | 2,000 | 2,090 | 2,000 |
| Inventories | | 931 | 1,000 | 1,000 | 670 | 1,000 |
| Trade and other receivables | 7 | 12,339 | 6,000 | 6,000 | 14,355 | 6,000 |
| Non-current assets held for sale | | 3,371 | - | - | 3,371 | - |
| Debtor Crown | 8 | 116,488 | 49,813 | 90,000 | 133,376 | 130,000 |
| Total current assets | | 153,937 | 123,510 | 117,680 | 175,961 | 160,709 |
| Non-current assets | | | | | | |
| Property, plant and equipment | 9 | 537,077 | 539,647 | 532,896 | 542,902 | 538,144 |
| Intangible assets | 10 | 7,651 | 6,465 | 5,842 | 7,147 | 4,671 |
| Total non-current assets | | 544,728 | 546,112 | 538,738 | 550,049 | 542,815 |
| Total assets | | 698,665 | 669,622 | 656,418 | 726,010 | 703,524 |
| Current liabilities | | | | | | |
| Trade and other payables | | 12,911 | 9,066 | 18,603 | 17,361 | 28,630 |
| GST payable | | 5,798 | 5,000 | 5,000 | 4,321 | 5,000 |
| Employee entitlements | 11 | 14,405 | 12,500 | 12,500 | 21,673 | 12,500 |
| Finance leases | | 476 | 600 | 600 | 354 | 600 |
| Provisions | 12 | 25,340 | - | - | 24,466 | - |
| Return of operating surplus | 6 | 7,544 | - | - | 6,970 | - |
| Revenue in advance | | 9,998 | 5,000 | 5,000 | 10,339 | 5,000 |
| Total current liabilities | | 76,472 | 32,166 | 41,703 | 85,484 | 51,730 |
| Non-current liabilities | | | | | | |
| Employee entitlements | 11 | 16,090 | 15,000 | 15,000 | 15,348 | 15,000 |
| Finance leases | | 1,111 | 500 | 500 | 758 | 500 |
| Provisions | 12 | 1,531 | - | - | 666 | - |
| Total non-current liabilities | | 18,732 | 15,500 | 15,500 | 16,772 | 15,500 |
| Total liabilities | | 95,204 | 47,666 | 57,203 | 102,256 | 67,230 |
| Net assets | | 603,461 | 621,956 | 599,215 | 623,754 | 636,294 |

* The statement of accounting policies provides explanations of these figures which are unaudited.

Refer to Note 1 for an explanation of major variances.

The accompanying accounting policies and notes form part of, and should be read in conjunction with, these financial statements.

Statement of changes in taxpayers' funds
for the year ended 30 June 2017

| | Notes | 30/06/16 Actual \$000 | 30/06/17 Budget* \$000 | 30/06/17 Revised Budget* \$000 | 30/06/17 Actual \$000 | 30/06/18 Forecast* \$000 |
|--|-------|-----------------------------|------------------------------|---|-----------------------------|--------------------------------|
| Balance at 1 July | | 598,106 | 606,510 | 603,461 | 603,461 | 599,215 |
| Total comprehensive revenue and expense | | 15,683 | (2,000) | (2,000) | 25,481 | (2,000) |
| Distributions to Crown | | | | | | |
| Asset transfers | | (3,137) | - | - | (98) | - |
| Capital repayments | | (449) | - | (2,246) | (170) | - |
| Return of operating surplus | 6 | (7,544) | - | - | (6,970) | - |
| Contributions from Crown | | | | | | |
| Asset transfers | | 802 | - | - | 2,050 | - |
| Capital contributions | | - | 17,446 | - | - | 39,079 |
| Balance at 30 June | | 603,461 | 621,956 | 599,215 | 623,754 | 636,294 |

* The statement of accounting policies provides explanations of these figures which are unaudited.
Refer to Note 1 for an explanation of major variances.

Statement of cash flows

for the year ended 30 June 2016

| | Notes | 30/06/16 Actual \$000 | 30/06/17 Budget* \$000 | 30/06/17 Revised Budget* \$000 | 30/06/17 Actual \$000 | 30/06/18 Forecast* \$000 |
|---|-----------|-----------------------------|------------------------------|---|-----------------------------|--------------------------------|
| Cash flows - operating activities | | | | | | |
| Receipts from Revenue Crown | | 267,173 | 314,421 | 369,902 | 323,015 | 287,701 |
| Receipts from other revenue | | 42,970 | 41,312 | 62,343 | 51,324 | 52,832 |
| Payments to employees | | (157,379) | (141,129) | (165,695) | (160,540) | (162,700) |
| Payments to suppliers | | (106,953) | (129,540) | (188,107) | (145,060) | (135,581) |
| Payments for capital charge | | (47,832) | (50,457) | (41,244) | (39,268) | (39,251) |
| Net cash flow from operating activities | 14 | (2,021) | 34,607 | 37,199 | 29,471 | 3,001 |
| Cash flows - investing activities | | | | | | |
| Receipts from sale of property, plant and equipment | | 745 | - | - | 110 | - |
| Purchase of property, plant and equipment | | (14,545) | (33,216) | (26,354) | (15,638) | (34,644) |
| Purchase of intangibles | | (1,042) | (2,000) | (1,000) | (2,279) | (1,000) |
| Net cash flow from investing activities | | (14,842) | (35,216) | (27,354) | (17,807) | (35,644) |
| Cash flows - financing activities | | | | | | |
| Capital contributions | | - | 17,446 | - | - | 39,079 |
| Finance lease payments | | (705) | - | - | (476) | - |
| Capital withdrawals | | (449) | - | (2,246) | (170) | - |
| Return of operating surplus to the Crown | | (7,014) | (26,163) | (7,544) | (7,544) | - |
| Net cash flow from financing activities | | (8,168) | (8,717) | (9,790) | (8,190) | 39,079 |
| Net increase/(decrease) in cash | | (25,031) | (9,326) | 55 | 3,474 | 6,436 |
| Opening cash balance | | 43,656 | 74,023 | 18,625 | 18,625 | 15,273 |
| Closing cash balance | | 18,625 | 64,697 | 18,680 | 22,099 | 21,709 |

* The statement of accounting policies provides explanations of these figures which are unaudited.

The Goods and Services tax (net) component of operating activities has been included under supplier payments and reflects the net GST paid to and received from Inland Revenue. The GST components have been presented on a net basis as the gross amounts do not provide meaningful information for financial statement purposes.

Statement of commitments

as at 30 June 2017

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|--------------------------------------|-----------------------------|-----------------------------|
| Commitments by category | | |
| <i>Capital commitments</i> | | |
| Property, plant and equipment | 2,187 | 3,512 |
| Intangible assets | - | - |
| Total capital commitments | 2,187 | 3,512 |
| <i>Operating commitments</i> | | |
| Non-cancellable accommodation leases | 69,469 | 63,394 |
| Other non-cancellable leases | 2,903 | 1,695 |
| Total operating commitments | 72,372 | 65,089 |
| Total commitments | 74,559 | 68,601 |
| Commitments by term | | |
| Less than 1 year | 10,468 | 10,855 |
| 1–2 years | 7,209 | 6,353 |
| 2–5 years | 16,847 | 15,633 |
| Greater than 5 years | 40,035 | 35,760 |
| Total commitments | 74,559 | 68,601 |

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 not recognised as a liability at the balance sheet date.

Non-cancellable operating lease commitments (accommodation and other)

The Department leases property, plant and equipment in the normal course of its business. The majority of these leases are for premises, motor vehicles and computer hardware and have a non-cancellable leasing period ranging from 3–15 years.

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

Statement of contingent liabilities and contingent assets

as at 30 June 2017

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|-------------------------------------|-----------------------------|-----------------------------|
| Public liability claims | 1,424 | 1,197 |
| Total contingent liabilities | 1,424 | 1,197 |

The public liability claims relate to claims against the Department and are disclosed without prejudice. The Department's contingent liabilities are broken down as follows:

| | 30/06/16 Maximum exposure \$000 | 30/06/17 Maximum exposure \$000 |
|---|--|--|
| Court and Tribunal proceedings and other potential claims: | | |
| 38 proceedings and potential claims of which 6 are quantifiable. The remaining 32 claims cannot be quantified. The contingent liability for the 6 quantifiable claims is shown below. | | |
| Costs to clean asbestos and dioxin contaminated land | 10 | - |
| Claims for damage caused by events originating from DOC land | 903 | 873 |
| Other quantifiable proceedings and potential claims | 511 | 324 |
| Total court and tribunal proceedings and other potential claims | 1,424 | 1,197 |

The Department is aware that further sites requiring remediation (due to mining, asbestos, pollution or other means) may exist throughout New Zealand and could require remediation at some point. As these potential sites are unknown, the Department does not currently have a commitment to restore the sites, thus no provision or contingent liabilities are recognised in their regard at 30 June 2017.

Indemnities

The Director-General of Conservation has a delegation from the Minister of Finance under the Public Finance Act 1989 to agree to indemnities in access agreements over private land. This provides access, for the public and the staff of the Department, to land managed by the Department.

One new indemnity was granted in 2016/17 for staff access to conservation land.

Contingent assets

The Department has no contingent assets (2016: nil).

Statement of trust monies for the year ended 30 June 2017

| | As at 30/06/16 \$000 | Contributions \$000 | Distributions \$000 | Net interest \$000 | As at 30/06/17 \$000 |
|----------------------------|----------------------------|------------------------|------------------------|-----------------------|----------------------------|
| Conservation Project Trust | 1,064 | 744 | (500) | 19 | 1,327 |
| NZ Walkway Trust | 11 | - | - | - | 11 |
| National Parks Trust | 145 | 37 | (7) | 1 | 176 |
| Bonds/Deposits Trust | 6,786 | 170 | (405) | 187 | 6,738 |
| Total | 8,006 | 951 | (912) | 207 | 8,252 |

The Department has delegated authority to operate these trust accounts under sections 66 and 67 of the Public Finance Act 1989.

Trust accounts are mainly used to hold bonds and deposits from operators working on public conservation land, including those contracted by the Department. These are repaid when the operators have been cleared of all obligations.

Statement of accounting policies

Reporting entity

The Department of Conservation (the Department) is a government department as defined by section 2 of the Public Finance Act 1989. The relevant legislation governing the Department's operations includes the Public Finance Act and the Conservation Act 1987. The Department's ultimate parent is the New Zealand Crown.

In addition, the Department has reported on Crown activities and the trust monies that it administers.

The primary objective of the Department is to provide services to the public rather than making a financial return. For financial reporting purposes, the Department of Conservation is a public benefit entity (PBE) and its financial statements have been prepared in accordance with Tier 1 PBE standards.

The financial statements of the Department are for the year ended 30 June 2017. The financial statements were authorised for issue by the Director-General of the Department on 25 September 2017.

Basis of preparation

The financial statements of the Department have been prepared on a going concern basis, and 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 annual financial statements are the second set of financial statements presented in accordance with PBE International Public Sector Accounting Standards (IPSAS).

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 Department is New Zealand dollars.

The statements have been prepared on a historical cost basis, modified by the revaluation of certain items of property, plant and equipment.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Budget and forecast figures

The budget and the revised budget figures are based on the *Supplementary Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2017* (the Budget is 2017 Budget Economic and Fiscal Update [the Estimates Budget BEFU 2017] and the Revised Budget is the Supplementary Estimates Budget 2017).

The budget and forecast figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

As required by the Public Finance Amendment Act 2013, forecast information has been included for the following financial year. The aim is to provide the reader with further context around the year's result by providing next year's forecast for comparison purposes.

The forecast figures are based on the *Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2017* (the Forecast is 2017 Budget Economic and Fiscal Update [BEFU 2017]). The forecast financial statements were authorised for issue on 25 May 2017.

The forecast figures reflect the Department's purpose, strategic intentions and activities and are based on estimates and assumptions that may occur during the 2017/18 year. The forecast figures have been prepared in accordance with PBE FRS42 Prospective Financial Statements and have been based on existing government and ministerial policies and expectations at the time the BEFU 2017 was issued.

The main assumptions adopted on 25 May 2017 were:

- The Department's vision, intermediate outcomes and deliverables are substantially the same as the previous year.
- Revenue and expenses are reasonable estimates of income and costs expected to be incurred, based on experience across the Department.
- Estimated information at 30 June 2017 was used as the opening position for the 30 June 2018 year forecasts.

Revenue

The Department derives revenue through the provision of outputs to the Crown, for services to third parties, and from sponsorships, donations, bequests and grants. Revenue is recognised when earned, reported in the current financial period and measured at the fair value of the consideration received. With the exception of revenue received in the form of donations and bequests, all revenue from other income has been classified and treated as exchange revenue. The nature of exchange revenue streams is that approximate equivalent value is given in exchange.

Revenue Crown

Revenue from the Crown is measured based on the Department's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, the Department can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

Sponsorships

Revenue from sponsorships is initially recorded as revenue in advance and subsequently recognised as revenue when the conditions of the sponsorship are satisfied.

Donated services

Certain operations of the Department are reliant on services provided by volunteers. Volunteer services are not recognised as revenue or expenditure by the Department.

Cost allocation

The Department has determined the cost of outputs using the following cost allocation methodology.

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

Direct costs assigned to outputs

Direct costs are charged directly to outputs. Depreciation and capital charge are charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time incurred.

For the year ended 30 June 2017, direct costs were 60 percent of the Department's costs (2016: 62 percent).

Indirect costs assigned to outputs

Indirect costs are assigned to outputs based on the proportion of direct staff hours for each output.

For the year ended 30 June 2017, indirect costs accounted for 40 percent of the Department's costs (2016: 38 percent).

Financial instruments

Financial assets and financial liabilities are initially measured at fair value plus transaction costs.

Cash on hand

Cash on hand includes petty cash and the amount in the current account bank balance.

Trade and other receivables

Short-term trade and other receivables are recorded at face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Department will not be able to collect amounts due according to the original terms of the receivable.

The amount of the impairment is the difference between the asset's carrying amount and the amount expected to be received on settlement. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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.

The Department leases vehicles, office premises and office equipment. As all the risks and benefits of ownership are retained by the lessor, these leases are classified as operating leases and are expensed in the period in which the costs are incurred.

Property, plant and equipment

Property, plant and equipment consists of land, buildings, infrastructure, visitor assets, fencing assets, cultural assets, vessels, motor vehicles, furniture and fittings and other plant and equipment.

Land, buildings, infrastructure, fencing and visitor assets are measured at fair value with all other assets measured at cost less accumulated depreciation and impairment losses.

Revaluations

The carrying values of revalued assets are assessed annually to ensure that this amount does not differ materially (a threshold of 7.5 percent is used) from their fair value and are revalued at least every 5 years.

If there is a material difference between carrying value and fair value then the off-cycle asset classes or sub classes in the case of visitor assets are revalued. Additions between valuations are recorded at cost.

Aside from land, asset classes measured at fair value are done so using the Depreciation Replacement Cost method and indexation model.

The indexation model uses the appropriate capital goods index published by Statistics New Zealand to determine the movement in asset values over the intervening period. Where an asset class is revalued, the application of the indexation model and the values produced are reviewed and approved by an independent valuer. Land is valued using assessments conducted in accordance with the Rating Valuation Act 1998.

The net revaluation results are charged to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in surplus or deficit will be recognised first in surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

Assets under construction are recognised at cost and are not depreciated. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Table 10: The useful lives of property, plant and equipment have been estimated as follows:

| Asset class | Estimated Useful Life in years |
|---|--------------------------------|
| Visitor assets | |
| Campsites and amenity areas | 10–50 |
| Signs | 10 |
| Tracks | 8 |
| Roads (surface only) | 25 |
| Buildings/huts | 35–65 |
| Structures | 25–100 |
| Other fixed assets | |
| Administrative buildings | 20–40 |
| <i>Plant, field and radio equipment</i> | |
| Plant and field equipment | 10 |
| Radio equipment | 5–10 |
| <i>Furniture, computers, other office equipment</i> | |
| Furniture, computers, other office equipment | 5 |
| <i>Motor vehicles</i> | |
| Passenger (30% residual value applied) | 4 |
| Utilities (40% residual value applied) | 5 |
| <i>Vessels</i> | |
| Engines | 10 |
| Hulls | 15 |
| <i>Infrastructure</i> | |
| Industrial fire equipment | 45 |
| Landscaping | 44 |
| Roads | 10–100 |
| Sewerage | 64 |
| Solid waste | 38 |
| Stream control | 98 |
| Water supply | 60 |
| Fences | 25–40 |

In accordance with PBE IPSAS 17 Property, plant and equipment, the useful lives of property, plant and equipment are assessed annually to determine whether they are appropriate and the future depreciation charge adjusted accordingly. In some circumstances, and particularly for revalued assets, this may lead to instances where the estimated useful lives vary, but not materially, from the standard policy presented above.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are included in surplus or deficit. When a revalued asset is sold, the amount included in the property, plant and equipment revaluation reserve in respect of the disposed asset is transferred to general taxpayer funds.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, formation assets, cultural assets and assets under construction, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives (see Table 10).

Community assets

The nation's land and historic buildings managed by the Department are the nation's natural and historic heritage. As these community assets belong to the Crown, their valuation is reflected in the 'Schedule of assets - Crown as administered by the Department of Conservation'. Typically, this land includes the national, conservation and forest parks as well as Crown reserve land.

Intangible assets

Software acquisition and development

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

Amortisation

Computer software is amortised on a straight line basis over a period of 5-7 years.

Impairment

All intangible assets measured at cost, including those not yet in use, are reviewed for impairment at balance

date. Any impairment in the value of an intangible asset is included in the surplus or deficit.

Statement of cash flows

Operating activities include cash received from all revenue sources of the Department and 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, as well as finance lease principal repayments.

Goods and Services Tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

Income tax

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

Taxpayers' funds

Taxpayers' funds represent the Crown's investment in the Department and are measured as the difference between total assets and total liabilities. Taxpayers' funds are disaggregated and classified as general funds and property, plant and equipment revaluation reserves. The latter relate to the revaluation of fixed assets to fair value.

Trade and other payables

Short-term trade and other payables are recorded at their face value.

Employee entitlements

Short-term employee entitlements

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

These include salaries and wages accrued up to balance date; annual leave earned but not yet taken at balance date; retiring and long service leave entitlements expected to be settled within 12 months; and sick leave.

Long-term employee entitlements

Employee entitlements due to be settled beyond 12 months after the end of the reporting period in which the employee renders the related service, such as long service leave and retiring leave, are calculated on an actuarial basis. The calculations are based on:

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

Provisions

The Department recognises a provision for future expenditure of uncertain amount or timing when:

- There is a present obligation (either legal or constructive) as a result of a past event.
- It is probable that an outflow of future economic benefits will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of certain items of property, plant and equipment

Note 9 provides detail in respect of the valuation of property, plant and equipment.

Commitments

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

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

Notes to the financial statements for the year ended 30 June 2017

Note 1: Major budget variations

Significant variances between Actual and Revised Budget

Statement of comprehensive revenue and expense

Revenue was \$4.6 million less than the Revised Budget mainly due to contingent revenue budgets not being achieved, with operating cost savings to match.

Actual expenses for the year were \$12.1 million less than the Revised Budget mainly due to a deferral of field operations costs to the 2017/18 year and the operating cost savings resulting from contingent revenue budgets not being achieved.

Statement of financial position

Current assets were \$58.3 million more than the Revised Budget mainly due to unspent Crown funding being held as a Debtor Crown receivable. Current liabilities were \$43.7 million more than the Revised Budget mainly due to provisions for the Battle for our Birds beech mast programme and employee leave entitlements, and the return of operating surplus.

Statement of cash flows

Net cash flow from operating activities was \$7.7 million less than the Revised Budget due to lower than anticipated Crown cash funding, offset by lower payments to suppliers as a result of the deferral of field operations. The portion of Crown funding not drawn down in cash is held as a Debtor Crown receivable at year end (see Note 8 for details).

Also contributing to Payments to suppliers being less than the Revised Budget was the higher actual current liabilities at year end compared to the Revised Budget. A provision of \$23.0 million was made at year end to cover costs committed to but not yet paid in cash for the Battle for our Birds programme and was included under Payments to suppliers in the Revised Budget.

Net cash flow from investing activities was \$9.5 million less than the Revised Budget due to lower than planned levels of capital investment.

Note 2: Other revenue

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|----------------------------------|-----------------------------|-----------------------------|
| Recreational and tourism charges | 16,388 | 17,863 |
| Leases and rents | 515 | 2,024 |
| Retail sales | 2,899 | 3,191 |
| Resource sales | 878 | 591 |
| Donations and sponsorships | 9,725 | 13,375 |
| Permissions cost recoveries | 2,526 | 2,364 |
| Administration cost recoveries | 9,668 | 13,591 |
| Total other income | 42,599 | 52,999 |

Note 3: Personnel costs

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|--|-----------------------------|-----------------------------|
| Salaries and wages | 145,771 | 155,625 |
| Termination entitlements | 271 | 449 |
| Annual, long service and retiring leave provisioning | 3,019 | 707 |
| Superannuation subsidies | 4,736 | 4,856 |
| Recruitment | 199 | 373 |
| Uniforms | 284 | 312 |
| ACC Partnership Programme | 601 | 417 |
| Other | 3,644 | 3,876 |
| Total personnel costs | 158,525 | 166,615 |

Note 4: Operating costs

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|--------------------------------------|-----------------------------|-----------------------------|
| Professional fees | 14,695 | 12,240 |
| Contractors | 54,699 | 56,923 |
| Fees paid to auditors: | | |
| Fees for financial statement audit | 275 | 293 |
| Grants | 6,842 | 7,133 |
| Communications and computer expenses | 7,478 | 12,247 |
| Travel | 6,440 | 7,186 |
| Motor vehicle and vessel expenses | 4,554 | 4,811 |
| Accommodation | 4,818 | 5,247 |
| Office supplies | 1,762 | 1,809 |
| Field supplies | 11,485 | 17,696 |
| Lease expenses | 12,861 | 10,876 |
| Printing | 1,279 | 1,494 |
| Other | 5,041 | 8,999 |
| Total operating costs | 132,229 | 146,954 |

The increase in operating costs in the year ended 30 June 2017 compared to the prior financial year is due to the cost of responding to the Port Hills fires as well as an increase in operating activity funded by increases in third party revenue received.

Note 5: Capital charge

The Department pays a capital charge to the Crown twice yearly on the balance of taxpayers' funds, including revaluation reserve, as at 1 July and 1 January. The capital charge rate for the six month period ended 31 December 2016 was 7.0% and for the six month period ended 30 June 2017 was 6.0% (2016: 8.0%).

Note 6: Return of operating surplus to the Crown

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|---|-----------------------------|-----------------------------|
| Net surplus for the year | 7,472 | 5,423 |
| Add/(less) | | |
| Donated assets | (127) | - |
| Other expenses | (1,498) | 2,000 |
| Remeasurement (gains)/losses on long service and retirement leave | 1,697 | (453) |
| Total return of operating surplus | 7,544 | 6,970 |

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

Note 7: Trade and other receivables

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|--|-----------------------------|-----------------------------|
| Trade receivables | 6,639 | 8,457 |
| Less provision for impairment | (141) | (99) |
| Net trade receivables | 6,498 | 8,358 |
| Accrued revenue | 5,841 | 5,997 |
| Total trade and other receivables | 12,339 | 14,355 |

Note 8: Debtor Crown

The Debtor Crown balance of \$133.4 million (2016: \$116.5 million) consists of \$24.8 million (2016: \$24.8 million) of visitor asset accumulated depreciation funding and \$108.6 million (2016: \$91.7 million) of operating funding (GST inclusive) not drawn down as a result of the timing of cash requirements.

Note 9: Property, plant and equipment

| | Land | Buildings | Plant and equipment | Infrastructure | Fencing | Vessels | Motor vehicles | Furniture and fittings | Visitor and cultural assets | Land formation | Total |
|---|---------------|----------------|---------------------|----------------|---------------|--------------|----------------|------------------------|-----------------------------|----------------|------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Cost or valuation | | | | | | | | | | | |
| Balance at 1 July 2015 | 13,137 | 154,802 | 34,790 | 36,376 | 87,735 | 8,730 | 24,740 | 14,958 | 672,997 | 115,221 | 1,163,486 |
| Additions | - | 1,379 | 2,508 | 196 | 1,896 | 187 | 1,460 | 1,244 | 7,263 | 341 | 16,474 |
| Revaluation movement | (81) | (1,707) | - | - | - | - | - | - | 24,115 | - | 22,327 |
| Disposals | - | (2,250) | (1,525) | - | (2,312) | (255) | (1,463) | (110) | (8,433) | - | (16,348) |
| Balance at 30 June 2016 | 13,056 | 152,224 | 35,773 | 36,572 | 87,319 | 8,662 | 24,737 | 16,092 | 695,942 | 115,562 | 1,185,939 |
| Balance at 1 July 2016 | 13,056 | 152,224 | 35,773 | 36,572 | 87,319 | 8,662 | 24,737 | 16,092 | 695,942 | 115,562 | 1,185,939 |
| Additions | - | 541 | 1,919 | 572 | 2,730 | 220 | 480 | 1,383 | 8,858 | 1,039 | 17,742 |
| Revaluation movement | 15 | 13,515 | - | 3,853 | 7,569 | - | - | - | 25,152 | - | 50,104 |
| Disposals | - | (161) | (1,282) | - | (272) | (100) | (649) | - | (3,004) | - | (5,468) |
| Balance at 30 June 2017 | 13,071 | 166,119 | 36,410 | 40,997 | 97,346 | 8,782 | 24,568 | 17,475 | 726,948 | 116,601 | 1,248,317 |
| Accumulated depreciation and impairment losses | | | | | | | | | | | |
| Balance at 1 July 2015 | - | 92,638 | 26,716 | 14,955 | 37,436 | 5,944 | 12,272 | 9,913 | 414,719 | - | 614,593 |
| Depreciation expense | - | 2,018 | 2,371 | 761 | 5,319 | 404 | 1,730 | 1,611 | 17,351 | - | 31,565 |
| Revaluation movement | - | (1,018) | - | - | - | - | - | - | 15,134 | - | 14,116 |
| Disposals | - | (1,826) | (1,461) | - | (636) | (229) | (1,055) | (109) | (6,096) | - | (11,412) |
| Balance at 30 June 2016 | - | 91,812 | 27,626 | 15,716 | 42,119 | 6,119 | 12,947 | 11,415 | 441,108 | - | 648,862 |
| Balance at 1 July 2016 | - | 91,812 | 27,626 | 15,716 | 42,119 | 6,119 | 12,947 | 11,415 | 441,108 | - | 648,862 |
| Depreciation expense | - | 2,002 | 2,268 | 779 | 5,350 | 385 | 1,607 | 1,382 | 17,434 | - | 31,207 |
| Revaluation movement | - | 8,439 | - | 1,822 | 4,240 | - | - | - | 15,545 | - | 30,046 |
| Disposals | - | (155) | (1,270) | - | (204) | (75) | (541) | - | (2,455) | - | (4,700) |
| Balance at 30 June 2017 | - | 102,098 | 28,624 | 18,317 | 51,505 | 6,429 | 14,013 | 12,797 | 471,632 | - | 705,415 |
| Carrying amounts | | | | | | | | | | | |
| At 30 June 2015 | 13,137 | 62,164 | 8,074 | 21,421 | 50,299 | 2,786 | 12,468 | 5,045 | 258,278 | 115,221 | 548,893 |
| At 30 June 2016 | 13,056 | 60,412 | 8,147 | 20,856 | 45,200 | 2,543 | 11,790 | 4,677 | 254,834 | 115,562 | 537,077 |
| At 30 June 2017 | 13,071 | 64,021 | 7,786 | 22,680 | 45,841 | 2,353 | 10,555 | 4,678 | 255,316 | 116,601 | 542,902 |

Basis of valuations

Valuations for assets other than land within asset classes valued at fair value effective as at 30 June 2017 have been determined using the Depreciation Replacement Cost method and an indexation model. When applying the indexation model the appropriate capital goods index as published by Statistics New Zealand has been used.

Due to the nature, location and purpose of the Department's assets, fair value is determined using depreciated replacement cost because no reliable market data is available.

Significant assumptions applied in deriving depreciated replacement cost include:

- Historical cost adjusted by movements in the appropriate capital goods price index reflects the present replacement cost.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

The asset values determined using this methodology were certified as fair value by an independent registered valuer.

a) Land and buildings

Land is initially recognised at cost and is revalued annually based on assessments as provided by Quotable Value Limited. Land not matched to an assessment is valued using an average per hectare rate. These values were certified by an independent registered valuer and are effective as at 30 June 2017.

Land and buildings were valued at fair value effective as at 30 June 2017 with individual assets revalued at fair value where a change in the use of a building has occurred.

b) Visitor assets

A number of different asset classes are included under the grouping 'Visitor Assets', including tracks, structures, buildings (predominantly huts) and signs. Visitor assets are revalued on a rolling basis with all assets valued at a minimum every 5 years.

Tracks were valued at fair value effective as at 30 June 2013. Structures, campgrounds/amenity areas and signs were valued as at 30 June 2017. Buildings as well as road and car park surfaces were revalued as at 30 June 2016.

c) Other property, plant and equipment

Fencing and infrastructure assets were valued at fair value effective as at 30 June 2017. The land formation cost of tracks, car parks and roads (\$116.6 million as at 30 June 2017) have been included as a separate class in the financial statements and are not depreciated or revalued.

Property, plant and equipment under construction

The total amount of property, plant and equipment in the course of construction is \$5.8 million (2016: \$4.8 million).

Note 10: Intangible assets

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|---|-----------------------------|-----------------------------|
| Cost or valuation | | |
| Balance at 1 July | 29,510 | 30,552 |
| Additions | 1,042 | 2,279 |
| Balance at 30 June | 30,552 | 32,831 |
| Accumulated depreciation and impairment losses | | |
| Balance at 1 July | 20,224 | 22,901 |
| Amortisation expense | 2,677 | 2,783 |
| Balance at 30 June | 22,901 | 25,684 |
| Carrying amount as at 30 June | 7,651 | 7,147 |

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

Note 11: Employee entitlements

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|--|-----------------------------|-----------------------------|
| Current portion | | |
| Accrued salaries and wages | 834 | 1,465 |
| Long service and retiring leave | 2,041 | 2,074 |
| Other employee entitlements | 11,530 | 18,134 |
| Total employee entitlements (current portion) | 14,405 | 21,673 |

Other employee entitlements include accrued annual leave, time-off-in-lieu, vested long service leave and a provision for sick leave. The accrued annual leave includes a one-off amount of \$6.25 million to cover the shortfall in payment for annual and sick leave and holiday entitlements since 2009/10.

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|--|-----------------------------|-----------------------------|
| Non-current portion | | |
| Long service and retiring leave | 16,090 | 15,348 |
| Total employee entitlements (non-current portion) | 16,090 | 15,348 |

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

Discount rates and salary growth rates used in the actuarial valuation are as specified by The Treasury for valuations of this type and are effective for valuations as at 30 June 2017. An increase in the discount rates used in the actuarial valuation has resulted in a decrease of \$0.9 million in the value of the retirement and long service leave liability.

Table 11 below shows the impact that varying the assumed rate of salary growth and discount rates has on the valuation result if all other assumptions are constant.

The demographic assumptions used are based on New Zealand population mortality and the experience of superannuation arrangements in New Zealand and Australia.

Table 11: Salary growth impact assumptions

| Changes in assumptions | Increase/(decrease) in surplus/(deficit) \$000 |
|------------------------|---|
| Salary growth | |
| 1% below assumed | 1,355 |
| 1% above assumed | (1,558) |
| Discount rates | |
| 1% above assumed | 1,324 |
| 1% below assumed | (1,547) |

Note 12: Provisions

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|--|-----------------------------|-----------------------------|
| Current portion | | |
| Environmental | 24,441 | 23,895 |
| ACC Partnership Programme | 466 | 103 |
| Onerous contracts | 433 | 468 |
| Total current portion | 25,340 | 24,466 |
| Non-current portion | | |
| Environmental | 1,117 | 437 |
| ACC Partnership Programme | 224 | 128 |
| Onerous contracts | 190 | 101 |
| Total non-current portion | 1,531 | 666 |
| Total provisions | 26,871 | 25,132 |
| Movements in provisions: | | |
| Environmental | | |
| Balance at 1 July | 3,893 | 25,558 |
| Provision utilised or reversed during the year | (1,237) | (22,929) |
| Provision made during the year | 22,902 | 21,703 |
| Balance at 30 June | 25,558 | 24,332 |
| Onerous contracts | | |
| Balance at 1 July | 224 | 623 |
| Provision utilised or reversed during the year | (22) | (55) |
| Provision made during the year | 421 | 1 |
| Balance at 30 June | 623 | 569 |
| ACC Partnership Programme | | |
| Balance at 1 July | 601 | 690 |
| Provision utilised or reversed during the year | - | (459) |
| Provision made during the year | 89 | - |
| Balance at 30 June | 690 | 231 |
| Total provisions | 26,871 | 25,132 |

Battle for our Birds

Following the 2015/16 beech mast event an additional amount of \$21.3 million has been provided for in the financial year ending 30 June 2017 to cover costs to be incurred by the 'Battle for our Birds' programme. There is a remaining balance of \$1.7 million from the 2015/16 provision relating to work to be completed in the next financial year. Mast events are prolific flowering bursts among forest trees, like beech, over spring and summer. This flowering in turn leads to a bumper seedfall in the following autumn and the widely available seed on the forest floor drives a rapid increase in rat and stoat numbers. Rats and stoats both prey on native species and the surge in the predator population puts vulnerable native species under extreme pressure, particularly during the spring when birds are nesting and raising offspring.

To protect our indigenous fauna the Department has implemented the 'Battle for our Birds' predator control programme. The Department will extend the South Island forest areas targeted for aerial protection with biodegradable 1080 pesticide and boost ground-based trapping networks.

Cleaning up contaminated sites

Remediation work on the decontamination of the Prohibition Ball Mill and Alexander Gold Mine sites at Waiuta on the West Coast was completed in June 2017 with total costs incurred of \$2.1 million which is in line with the provision made in prior years.

Waikato-Tainui Waikato River Conservation Accord

Provision was made in the 2014/15 financial year for \$0.8 million as the Department's share of the clean-up cost associated with the obligations arising under the above accord. Work is now underway with \$0.1 million spent in the current financial year. The remaining provision of \$0.7 million relates to work planned for the following 2 years.

Note 13: Taxpayers' Funds

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|---|-----------------------------|-----------------------------|
| General funds | | |
| Balance at 1 July | 461,360 | 460,907 |
| Net surplus for the year | 7,472 | 5,423 |
| Transfers from revaluation reserve on disposal | 2,403 | 270 |
| Capital repayments to the Crown | (449) | (170) |
| Return of operating surplus to the Crown | (7,544) | (6,970) |
| Asset transfers between Department and Crown | (2,335) | 1,952 |
| Balance at 30 June | 460,907 | 461,412 |
| Property, plant and equipment revaluation reserves | | |
| Balance at 1 July | 136,746 | 142,554 |
| Revaluation gains | 8,211 | 20,058 |
| Transfer to general funds on disposal | (2,403) | (270) |
| Balance at 30 June | 142,554 | 162,342 |
| Total taxpayers' funds at 30 June | 603,461 | 623,754 |
| Revaluation reserves consist of: | | |
| Land revaluation reserve | 12,143 | 12,158 |
| Buildings revaluation reserves | 35,600 | 40,623 |
| Visitor assets revaluation reserves | 90,537 | 99,724 |
| Other revaluation reserves | 4,274 | 9,837 |
| Total revaluation reserve | 142,554 | 162,342 |

Note 14: Reconciliation of net surplus to net cash flow from operating activities

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|--|-----------------------------|-----------------------------|
| Net surplus | 7,472 | 5,423 |
| Add non-cash items | | |
| Depreciation, amortisation and impairment expenses | 34,242 | 33,990 |
| Donated assets | (82) | - |
| Total non-cash items | 34,160 | 33,990 |
| Add items classified as investing or financing activities | | |
| Net loss on disposal of property, plant and equipment | 1,055 | 560 |
| Add/(less) working capital movements | | |
| (Inc)/dec in prepayments | 100 | 93 |
| (Inc)/dec in inventories | (94) | 261 |
| (Inc)/dec in trade and other receivables | 481 | (2,016) |
| (Inc)/dec in debtor Crown | (71,675) | (16,888) |
| Inc/(dec) in trade and other payables | 159 | 4,397 |
| Inc/(dec) in GST payable | 2,709 | (1,477) |
| Inc/(dec) in employee entitlements | 1,490 | 6,526 |
| Inc/(dec) in other provisions | 22,153 | (1,739) |
| Inc/(dec) in revenue in advance | (31) | 341 |
| Net working capital movement | (44,708) | (10,502) |
| Net cash flow from operating activities | (2,021) | 29,471 |

Note 15: Financial instrument risks

The Department's activities expose it to a variety of financial instrument risks, including credit risk and liquidity risk. The Department 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 obligation to the Department, causing the Department to incur a loss. In the normal course of its business, credit risk arises from debtors and deposits with banks.

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

The Department's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and net receivables. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

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

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

The following table analyses the Department's financial liabilities that will be settled based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Financial instrument risks

| | Less than 6 months \$000 | Between 6 months and 1 year \$000 | Between 1 and 5 years \$000 | Over 5 years \$000 |
|--------------------------|--------------------------------|--|-----------------------------------|--------------------------|
| Liquidity risks | | | | |
| <i>2016</i> | | | | |
| Trade and other payables | 12,911 | - | - | - |
| Finance leases | 307 | 260 | 1,238 | - |
| <i>2017</i> | | | | |
| Trade and other payables | 17,361 | - | - | - |
| Finance leases | 214 | 203 | 821 | - |

The carrying amount of financial assets is represented by: Cash \$22.1m (2016: \$18.6m), Trade and other receivables \$14.4m (2016: \$12.3m) and Debtor Crown \$133.4m (2016: \$116.5m). The carrying amount of financial liabilities is represented by: Trade and other payables \$17.4m (2016: \$12.9m) and Finance leases \$1.1m (2016: \$1.8m).

Note 16: Related party transactions and key management personnel

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

The Department 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 Department would have adopted if dealing with that entity at arm's length in the same circumstance, are not disclosed as related party transactions.

One employee of the Department is a close family member of the Department's Senior Leadership Team. The terms and conditions of their employment contract is no more favourable than the Department would have adopted if there was no relationship to that staff member. No other transactions were carried out with related parties of the Department's Senior Leadership Team.

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|--|-----------------------------|-----------------------------|
| Key management personnel compensation | | |
| Salaries and other short-term benefits | 2,584 | 2,534 |
| Other long-term benefits | - | 158 |
| Total key management personnel compensation | 2,584 | 2,692 |

Key management personnel compensation includes the Director-General and the seven members of the Senior Leadership Team. Long-term benefits include long service leave and retiring leave.

A member of the Department's Risk and Assurance Committee was a director of OPUS International Consultants Limited for part of the financial year. The Department of Conservation purchased engineering services from OPUS at a cost of \$405,356 (2016: \$506,015). There is a balance of \$19,429 (2016: \$123,509) outstanding at year end.

The Director-General of the Department of Conservation is a member of the Te Urewera Board and the Kiwi Trust Board (Kiwis for kiwi). Payments totalling \$224,950 were made to Te Urewera Board, this being the Department's share of the Board's operating costs (2016: \$34,612). An amount of \$882,676 was paid to Kiwis for kiwi (2016: \$727,388).

Note 17: Capital management

The Department's capital is its equity (or taxpayers' funds), which comprise general funds and revaluation reserves. Equity is represented by net assets.

The Department manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Department's equity is largely managed as a by-product of managing income, expenses, assets, liabilities and compliance with the Government Budget processes and with instructions issued by the New Zealand Treasury.

The objective of managing the Department's equity is to ensure the Department effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

Note 18: Events after the balance sheet date

No significant events that may impact on the financial statements have occurred between year-end and the signing of these financial statements (2016: none).

Non-departmental financial schedule

Schedule of revenue – Crown as administered by the Department of Conservation for the year ended 30 June 2017

| | Notes | 30/06/16 Actual \$000 | 30/06/17 Budget* \$000 | 30/06/17 Revised Budget* \$000 | 30/06/17 Actual \$000 |
|----------------------------------|-------|-----------------------------|------------------------------|---|-----------------------------|
| Revenue | | | | | |
| Concessions, leases and licences | 1 | 16,951 | 14,700 | 17,000 | 19,874 |
| Other operational revenue | | 6,348 | 3,750 | 5,029 | 3,903 |
| Capital receipts | | 8,088 | 2,800 | 3,800 | 3,448 |
| Total revenue | | 31,387 | 21,250 | 25,829 | 27,225 |

* The statement of accounting policies provides explanations of these figures which are unaudited.

Non-departmental income is administered by the Department of Conservation on behalf of the Crown. As this income is not established by the Department nor earned in the production of the Department's outputs, it is not reported in the departmental financial statements.

Schedule of expenses – Crown as administered by the Department of Conservation for the year ended 30 June 2017

| | 30/06/16 Actual \$000 | 30/06/17 Budget* \$000 | 30/06/17 Revised Budget* \$000 | 30/06/17 Actual \$000 |
|---|-----------------------------|------------------------------|---|-----------------------------|
| Vote Conservation | | | | |
| Appropriation for non-departmental output classes** | 15,562 | 27,762 | 23,597 | 15,198 |
| Appropriation for non-departmental other expenses | 8,181 | 6,135 | 21,030 | 11,381 |
| GST input on appropriations | 1,804 | 3,483 | 3,553 | 1,891 |
| Total expenses | 25,547 | 37,380 | 48,180 | 28,470 |

* The statement of accounting policies provides explanations of these figures which are unaudited.

** Includes multi-category expenses.

The Schedule of expenses – Crown as administered by the Department of Conservation summarises non-departmental expenses that the Department administers on behalf of the Crown. Further details are provided in the statement of expenses and capital expenditure incurred against appropriations.

Schedule of assets – Crown as administered by the Department of Conservation as at 30 June 2017

| | Notes | 30/06/16 Actual \$000 | 30/06/17 Budget* \$000 | 30/06/17 Revised Budget* \$000 | 30/06/17 Actual \$000 |
|----------------------------------|-------|-----------------------------|------------------------------|---|-----------------------------|
| Current assets | | | | | |
| Cash | | 20,004 | 39,170 | 33,717 | 22,801 |
| Prepayments | | 150 | 200 | 200 | 118 |
| Trade and other receivables | | 6,036 | 15,999 | 6,222 | 6,956 |
| Non-current assets held for sale | 2 | 7,857 | - | - | 10,560 |
| Total current assets | | 34,047 | 55,369 | 40,139 | 40,435 |
| Non-current assets | | | | | |
| Property, plant and equipment | 3 | 5,726,977 | 5,563,484 | 5,743,045 | 5,723,994 |
| Total non-current assets | | 5,726,977 | 5,563,484 | 5,743,045 | 5,723,994 |
| Total assets | | 5,761,024 | 5,618,853 | 5,783,184 | 5,764,429 |

* The statement of accounting policies provides explanations of these figures which are unaudited.

Schedule of liabilities – Crown as administered by the Department of Conservation as at 30 June 2017

| | Notes | 30/06/16 Actual \$000 | 30/06/17 Budget* \$000 | 30/06/17 Revised Budget* \$000 | 30/06/17 Actual \$000 |
|----------------------------------|-------|-----------------------------|------------------------------|---|-----------------------------|
| Current liabilities | | | | | |
| Trade and other payables | | 870 | 500 | 500 | 1,222 |
| Revenue in advance | | 823 | - | - | 655 |
| Provisions | 4 | 1,974 | - | - | 2,567 |
| Total current liabilities | | 3,667 | 500 | 500 | 4,444 |
| Total liabilities | | 3,667 | 500 | 500 | 4,444 |

*The statement of accounting policies provides explanations of these figures which are unaudited.

Schedule of commitments – Crown as administered by the Department of Conservation

as at 30 June 2017

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|--|-----------------------------|-----------------------------|
| Other non-cancellable operating leases | 246 | 600 |
| Total commitments | 246 | 600 |
| Commitments by term | | |
| Less than 1 year | 245 | - |
| 1–2 years | 1 | 600 |
| 2–5 years | - | - |
| Greater than 5 years | - | - |
| Total commitments | 246 | 600 |

Schedule of contingent liabilities and contingent assets – Crown as administered by the Department of Conservation

as at 30 June 2017

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|-------------------------------------|-----------------------------|-----------------------------|
| Quantifiable liabilities | 8,114 | 227 |
| Total contingent liabilities | 8,114 | 227 |

There were 13 claims against the Crown, 11 of which are not currently quantifiable. Last year's contingent liability of \$8 million relating to earthquake strengthening of Turnbull House was resolved during the current financial year.

Contingent assets

The Crown, as administered by the Department of Conservation, has no contingent assets (2016: nil).

Statement of accounting policies

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by the Department on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. Refer also to 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.

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 instructions and circulars issued by The Treasury.

These non-departmental statements and schedules are the second prepared in accordance with the new Public Benefit Entity accounting standards. The transition to the new accounting standards has had no material impact on the schedules.

The following particular accounting policies have been applied.

Budget and revised budget figures

The budget and the revised budget figures are those presented in the *Supplementary Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2017* (the Budget is 2016 Budget Economic and Fiscal Update [the Estimates Budget BEFU 2016] and the Revised Budget is the Supplementary Estimates Budget 2017).

The budget and revised budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Revenue

The Department collects revenue on behalf of the Crown. This is mainly from concession fees, rent/leases and licences from commercial users of Crown-owned land. Revenue is recognised when earned, reported in the current financial period and is treated as exchange transactions.

Goods and Services Tax (GST)

All items in the non-departmental schedules, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. In accordance with instructions issued by the Treasury, 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.

Trade and other receivables

Short-term trade debtors and other receivables are recorded at their face value, less any provision for impairment. Impairment of a receivable is established when there is objective evidence that the Crown will be unable to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the debtor is impaired.

The carrying amount of the asset is reduced through the use of a provision for impairment account and the amount of the loss is recognised in surplus or deficit. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continued use. Non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell.

Any valuation loss for write-downs of non-current assets held for sale is offset against the revaluation reserve. If that is exceeded, the balance is recognised in the surplus or deficit.

Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Land is initially recognised at cost and is revalued annually based on assessments provided by Quotable Value Limited. Land not matched to an assessment is valued using an average per hectare rate.

Historic buildings used for rental activities are stated at fair value using optimised depreciated replacement cost as determined by an independent registered valuer. They are valued on an annual basis.

Cultural assets are stated at fair value. These assets are not depreciated and are valued at least every 5 years.

For revalued assets, a revaluation change is recognised against the revaluation reserve for that class of assets. Where this results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

Depreciation

Depreciation is provided on a straight-line basis at rates that will write-off assets, less their estimated residual value, over their remaining useful life.

Trade and other payables

Short-term trade creditors and other payables are recorded at their face value.

Provisions

The Crown 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, and it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Commitments

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

Cancellable commitments that have a penalty or exit cost explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the lower of the remaining contractual commitment and the value of the penalty or exit cost.

Contingent liabilities

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

Notes to the schedules for the year ended 30 June 2017

Note 1: Concessions, leases and licences

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|---|-----------------------------|-----------------------------|
| Guiding | 3,947 | 4,542 |
| Telecommunications | 1,644 | 1,801 |
| Grazing | 1,458 | 1,695 |
| Tourism occupations | 2,295 | 3,535 |
| Ski areas | 1,584 | 1,211 |
| Sporting and special events | 86 | 115 |
| Aircraft landings | 2,234 | 2,579 |
| Residential/recreational | 857 | 951 |
| Other occupations | 788 | 1,148 |
| Vehicle transport | 394 | 409 |
| Boating | 1,015 | 988 |
| Filming | 134 | 101 |
| Easements | 354 | 498 |
| Extractions fees | 75 | 182 |
| Miscellaneous | 86 | 119 |
| Total concessions, leases and licences | 16,951 | 19,874 |

Note 2: Non-current assets held for sale

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|---|-----------------------------|-----------------------------|
| Land | 7,857 | 10,560 |
| Total non-current assets held for sale | 7,857 | 10,560 |

* Comprises mainly of land that has been identified for settlement of Treaty of Waitangi claims.

Note 3: Property, Plant and equipment

| | Land \$000 | Buildings \$000 | Infrastructure \$000 | Cultural assets \$000 | Total \$000 |
|---|------------------|--------------------|-------------------------|-----------------------------|------------------|
| Cost or valuation | | | | | |
| Balance at 1 July 2015 | 5,507,514 | 79,777 | 14,921 | 5,100 | 5,607,312 |
| Additions | 9,732 | - | - | - | 9,732 |
| Revaluation movement | 177,424 | 170 | - | - | 177,594 |
| Disposals | (8,738) | - | - | - | (8,738) |
| Assets transferred to current assets | (8,336) | - | - | - | (8,336) |
| Balance at 30 June 2016 | 5,677,596 | 79,947 | 14,921 | 5,100 | 5,777,564 |
| Balance at 1 July 2016 | 5,677,596 | 79,947 | 14,921 | 5,100 | 5,777,564 |
| Additions | 5,324 | - | - | - | 5,324 |
| Revaluation movement | 39,272 | (39,012) | - | - | 260 |
| Disposals | (12,656) | (39,630) | - | - | (52,286) |
| Assets transferred to current assets | (4,931) | - | - | - | (4,931) |
| Balance at 30 June 2017 | 5,704,605 | 1,305 | 14,921 | 5,100 | 5,725,931 |
| Accumulated depreciation and impairment losses | | | | | |
| Balance at 1 July 2015 | - | 49,005 | 498 | - | 49,503 |
| Depreciation expense | - | 816 | 162 | - | 978 |
| Revaluation movement | - | 106 | - | - | 106 |
| Balance at 30 June 2016 | - | 49,927 | 660 | - | 50,587 |
| Balance at 1 July 2016 | - | 49,927 | 660 | - | 50,587 |
| Depreciation expense | - | 818 | 162 | - | 980 |
| Revaluation movement | - | (21,519) | - | - | (21,519) |
| Disposals | - | (28,111) | - | - | (28,111) |
| Balance at 30 June 2017 | - | 1,115 | 822 | - | 1,937 |
| Carrying amounts | | | | | |
| At 30 June 2015 | 5,507,514 | 30,772 | 14,423 | 5,100 | 5,557,809 |
| At 30 June 2016 | 5,677,596 | 30,020 | 14,261 | 5,100 | 5,726,977 |
| At 30 June 2017 | 5,704,605 | 190 | 14,099 | 5,100 | 5,723,994 |

Land is initially recognised at cost and is revalued annually based on rateable valuations provided by Quotable Value Limited. Individual land lots are only updated every 3 years by Quotable Value Limited using a mass appraisal process. Land not matched to an assessment is valued using an average per hectare rate. These values were certified as fair value by an independent registered valuer. The valuation is effective as at 30 June 2017.

The use and disposal of Crown land managed by the Department is determined by legislation. The main Acts are the Reserves Act 1977, the Conservation Act 1987 and the National Parks Act 1980. These Acts impose restrictions on the disposal of surplus areas and the use of reserves, conservation areas and national parks.

Crown land is not subject to mortgages or other charges. Specific areas may be included in Treaty settlements if the Crown decides to offer those areas to claimants.

Historic buildings used for rental activities were valued by an independent registered valuer. The valuation is effective as at 30 June 2017. Given the historic nature of these buildings, fair value has been determined using depreciated replacement cost.

The Department has a number of heritage assets under its care due to the historical significance of these assets to New Zealand. The cost of heritage assets is not able to be reliably measured given the nature of these assets and accordingly these assets are not able to be recognised on the schedule of assets.

Note 4: Provisions

Environmental provisions

This is the estimated cost of rectifying the environmental damage in the following affected or contaminated sites that the Crown has an obligation to remedy:

- The tailings and tunnels in the Maratoto Mine, which may leach contaminants in the water.
- A number of abandoned coalmines, both underground and open cast, within the Benneydale, Mahoenui, Pirongia, Waitewhenua and Ohura coalfields. The risks of contamination are associated with the treatment ponds, tailing dams and underground drives.

Earthquake repairs

In the 2013/14 financial year a provision of \$0.5 million was made to repair damage to the Old Government Building following the 2013 earthquakes in Wellington with \$0.4 million spent on this work. The remaining balance of \$0.1 million and an additional provision of \$0.4 million made during the current financial year will be used to cover repair work for the damage to the Old Government Building resulting from the November 2016 earthquake.

Designations

There is a provision (\$0.1 million) relating to a designation on private land in Auckland to protect the property from development.

Transfer of concession revenue

A provision of \$0.3 million has been made at year-end for concession revenue payable to iwi relating to land transferred to them under Treaty settlements.

Note 5: Events after the balance date

No significant events that may impact on the actual results have occurred between year-end and the signing of these financial statements (2016: none).

Additional financial information

Statement of expenses and capital expenditure incurred against appropriations for the year ended 30 June 2017

| Appropriation title | 30/06/16 Actual \$000 | 30/06/17 Budget* \$000 | 30/06/17 Revised Budget* \$000 | 30/06/17 Actual \$000 | Location of end-of-year performance information |
|---|-----------------------------|------------------------------|---|-----------------------------|--|
| Departmental output expenses | | | | | |
| Management of natural heritage | 181,936 | 160,639 | 195,751 | 194,190 | page 21 |
| Management of historic heritage | 5,584 | 5,779 | 6,280 | 5,458 | page 27 |
| Management of recreational opportunities | 143,066 | 143,345 | 149,772 | 148,410 | page 34 |
| Conservation with the community | 29,117 | 31,754 | 32,863 | 29,016 | page 44 |
| Crown contribution to regional pest management | 2,831 | 3,291 | 3,291 | 2,887 | page 21 |
| Total Departmental output expenses | 362,534 | 344,808 | 387,957 | 379,961 | |
| Departmental capital expenditure | | | | | |
| Property, plant and equipment and intangible assets | 17,516 | 35,216 | 27,354 | 20,021 | |
| Non-departmental output expenses | | | | | |
| Community Conservation Partnerships Fund | 1,507 | 4,609 | 5,564 | 2,605 | |
| Management services – natural and historic places | 1,876 | 1,862 | 1,963 | 1,942 | |
| Moutoa Gardens/Pākaitore | 23 | 23 | 23 | 23 | |
| Stewart Island infrastructure | 1 | 365 | 29 | 29 | |
| Total Non-departmental output expenses | 3,407 | 6,859 | 7,579 | 4,599 | |
| Non-departmental other expenses | | | | | |
| Compensation payments | - | 60 | 60 | - | |
| Mātauranga Māori fund | 341 | 757 | 906 | 372 | |
| Waikaremoana lakebed lease | 241 | 241 | 241 | 241 | |
| Subscriptions to international organisations | 312 | 405 | 405 | 312 | |
| Payment of rates on properties for concessionaires | 821 | 839 | 839 | 763 | |
| Depreciation | 978 | 1,008 | 1,008 | 980 | |
| Provision for bad and doubtful debts | 91 | 100 | 100 | 45 | |
| Loss on disposal of property, plant and equipment | - | 2,525 | 8,300 | 8,088 | |
| Vesting of reserves | 5,397 | 150 | 1,112 | 580 | |
| Impairment of public conservation land** | 2,463 | 50 | 8,059 | 5,251 | |
| Total Non-departmental other expenses | 10,644 | 6,135 | 21,030 | 16,632 | |

| Appropriation title | 30/06/16 Actual \$000 | 30/06/17 Budget* \$000 | 30/06/17 Revised Budget* \$000 | 30/06/17 Actual \$000 | Location of end-of-year performance information |
|--|-----------------------------|------------------------------|---|-----------------------------|--|
| Non-departmental capital expenditure | | | | | |
| Crown land acquisitions | 231 | 1,400 | 2,400 | - | |
| Purchase and development of reserves | 392 | 1,800 | 7,060 | 183 | |
| Pike River Memorial and Museum | - | 144 | 144 | - | |
| Total Non-departmental capital expenditure | 623 | 3,344 | 9,604 | 183 | |
| Multi-category expenses and capital expenditure | | | | | |
| Identification and implementation of protection for natural and historic places MCA | | | | | |
| <i>Non-departmental output expenses</i> | | | | | |
| Nature Heritage Fund | 3,344 | 2,733 | 2,039 | 1,094 | |
| Ngā Whenua Rāhui | 5,199 | 7,977 | 8,270 | 4,522 | |
| Legal protection Queen Elizabeth II | 3,612 | 3,812 | 3,812 | 3,812 | |
| Predator Free New Zealand | - | - | - | 165 | |
| South Island Landless Natives Act 1906 | - | 6,381 | 1,897 | 1,006 | |
| Total identification and implementation of protection for natural and historic places MCA | 12,155 | 20,903 | 16,018 | 10,599 | |
| Policy advice, statutory planning, and services to Ministers and statutory bodies MCA | | | | | |
| <i>Departmental output expenses</i> | | | | | |
| Policy advice | 3,352 | 8,216 | 6,716 | 2,732 | page 47 |
| Statutory planning, services to Ministers and statutory bodies | 6,392 | 4,709 | 4,860 | 5,238 | page 47 |
| Total policy advice, statutory planning, and services to Ministers and statutory bodies MCA | 9,744 | 12,925 | 11,576 | 7,970 | |
| Total multi-category expenses and capital expenditure | 21,899 | 33,828 | 27,594 | 18,569 | |
| Total annual and permanent appropriations | 416,623 | 430,190 | 481,118 | 439,965 | |

* The statement of accounting policies provides explanations of these figures which are unaudited.

** These amounts are excluded from the Schedule of expenses on page 30 as they are recorded as a change in the Crown Asset Revaluation Reserve.

Expenses and capital expenditure incurred in excess of appropriation

Nil.

Expenses and capital expenditure incurred without, or in excess of, authority

Nil.

Statement of departmental capital injections

for the year ended 30 June 2017

| | 30/06/16 Actual \$000 | 30/06/17 Budget* \$000 | 30/06/17 Revised Budget* \$000 | 30/06/17 Actual \$000 |
|---|-----------------------------|------------------------------|---|-----------------------------|
| Department of Conservation-capital injection | - | 17,446 | - | 2,050 |

* The statement of accounting policies provides explanations of these figures which are unaudited.

Statement of departmental capital injections without, or in excess of, authority

for the year ended 30 June 2017

Intra-departmental fencing assets transferred to the Department from LINZ during the current budget year represent a capital injection from the Crown. During the current financial year, the Department received \$2.05 million of fencing assets from Land Information New Zealand. An authorisation for the value of these inward asset transfers was not obtained in time for the Supplementary Estimates. A post-year end legislative validation under section 26C of the Public Finance Act will be obtained.

Departmental expenses by output

for the year ended 30 June 2017

This is the fifth year of the Department's programme to move resources from the previous functional basis to focus them on integrated management at priority sites. This programme is aimed at improving both operational effectiveness through targeting the highest priority work, and efficiency by undertaking multiple management actions at once on these sites, for example managing possums by combining possum and rat control at the site. This move affects resource allocations in Management of Natural Heritage, Management of Recreational Opportunities, and Conservation with the Community.

Summary of output class expenditure by output
for the year ended 30 June 2017

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|---|-----------------------------|-----------------------------|
| Vote: Conservation | | |
| <i>Management of natural heritage</i> | | |
| Fire control | 724 | - |
| Natural heritage restoration | 23,534 | - |
| Fencing (stock control) | 6,239 | - |
| Species persistence | 11,687 | 11,714 |
| Ecosystems conservation | 73,223 | 108,826 |
| Local treasure natural heritage partnerships | 105 | 10,006 |
| Lands held for now and future generations | 66,424 | 63,644 |
| Total management natural heritage | 181,936 | 194,190 |
| <i>Management of historic heritage</i> | 5,584 | 5,458 |
| Total management of historic heritage | 5,584 | 5,458 |
| <i>Management of recreational opportunities</i> | | |
| Booked accommodation | (29) | - |
| Tracks | 1 | - |
| Amenity areas and community services | 3 | - |
| Recreation planning and impact monitoring | (4) | - |
| More visitors to iconic destinations | 40,198 | 40,430 |
| More New Zealanders enjoy gateway destinations | 31,966 | 33,816 |
| Locally treasured destinations | 24,623 | 24,601 |
| More people enjoy the backcountry | 22,317 | 20,573 |
| Accessing public conservation land | 23,991 | 28,990 |
| Total management of recreational opportunities | 143,066 | 148,410 |

| | 30/06/16 Actual \$000 | 30/06/17 Actual \$000 |
|---|-----------------------------|-----------------------------|
| <i>Conservation with the community</i> | | |
| Effective implementation of Treaty settlements | 2,814 | 3,874 |
| Conservation identity/values | 6,930 | 10,404 |
| Conservation activity achieved by others | 14,710 | 12,848 |
| Conservation investment in NZ prosperity | 588 | 1,242 |
| Conservation outcomes from business partnerships | 3,451 | 40 |
| Motivated and capable businesses | 344 | - |
| DOC products/services/brand | 280 | 608 |
| Total conservation with the community | 29,117 | 29,016 |
| <i>Policy advice and ministerial servicing</i> | | |
| Policy advice | 3,352 | 2,732 |
| Statutory planning, bodies, ministerial services | 6,392 | 5,238 |
| Total policy advice and ministerial servicing | 9,744 | 7,970 |
| Crown contribution to regional pest management | 2,831 | 2,887 |
| Total output expenses | 372,278 | 387,931 |
| Add: Unrealised remeasurement losses | 1,697 | (453) |
| Total expenses per statement of comprehensive revenue and expenses | 373,975 | 387,478 |

Appendices



Almer Hut, Westland Tai Poutini National Park. Photo: Crystal Brindle

Appendix 1: DOC's responsibilities

DOC manages about 8.6 million hectares of land, 44 marine reserves (covering 1.77 million hectares), and 8 marine mammal sanctuaries (covering approximately 2.8 million hectares).¹ A considerable proportion of the land is, however, snow and ice, and much of DOC's work is focused on relatively small areas of land or water where conservation values are high, whether that is for natural heritage reasons or in support of visitor experiences or community engagement.

DOC is responsible for encouraging recreation on the lands and waters it manages. To that end, it provides and manages historic sites and visitor facilities, including walking, biking and 4WD tracks, huts, campsites and visitor centres.

DOC works within the statutory concessions framework with tourism operators and other third-party activities on public conservation lands and waters. These include grazing, mining and the use of sites for telecommunication purposes.

DOC supports the Minister of Conservation in exercising responsibilities under the Resource Management Act 1991 for the coastal and marine environment. This includes providing advice to the Minister and input into local government policies, plans and consent applications regarding the coastal and marine environment.

The Department also contributes to all-of-government activities in response to the Government's stated priorities for the public sector.

The Government's driving goals in 2016/17 continue to focus on responsibly managing the Government's finances, building a more productive and competitive economy, delivering better public services within tight financial constraints, and rebuilding Christchurch.²

DOC's mandate and context is also set by a statutory planning framework that supports the legislation: the Conservation General Policy, the National Parks General Policy, and the strategies and plans that flow from these policies. A series of conservation management strategies (CMSs) identify the places that DOC manages on behalf of New Zealanders. These CMSs establish 'outcomes at places' and high-level objectives that guide DOC's management of, and reporting on, public conservation lands and waters.

DOC manages protected species and public conservation lands and waters to deliver economic, social and environmental benefits, which, in combination, are key contributors to New Zealanders' prosperity and well-being.

¹ Marine reserves and marine mammal sanctuaries are listed in Appendix 5.

² Budget Policy Statement: Budget 2016 www.treasury.govt.nz/budget/2016/bps.

Appendix 2: Departmental outputs

The work DOC does (the outputs it delivers) to achieve each of the intermediate outcomes is shown below

Table 2.1: Output classes and main outputs that contribute to DOC's intermediate outcomes.

| | Output classes | Main outputs |
|---|---|---|
| Intermediate outcome 1: <i>Natural heritage</i> The diversity of our natural heritage is maintained and restored | Management of natural heritage | Fire control Conservation Services Programme ¹ Restoration Pest and weed control Legal protection of areas and marine protection Species management |
| | Crown contribution to Regional Pest Management Strategies | Regional Pest Management Strategies |
| | Conservation with the community | Participation Education and communication |
| | Policy advice, statutory planning, and services to Ministers and statutory bodies | Policy advice Ministerial servicing |
| Intermediate outcome 2: <i>Historic heritage</i> Our history is brought to life and protected | Management of historic heritage | Historic and cultural heritage restoration |
| | Management of recreational opportunities | Asset management Recreation opportunities management Recreation concessions |
| | Conservation with the community | Participation Education and communication |
| | Policy advice, statutory planning, and services to Ministers and statutory bodies | Policy advice Ministerial servicing |
| Intermediate outcome 3: <i>Recreation</i> New Zealanders and our visitors are enriched by outdoor experiences | Management of historic heritage | Historic and cultural heritage restoration |
| | Management of recreational opportunities | Asset management Recreation opportunities management Recreation concessions |
| | Conservation with the community | Participation Education and communication |
| | Policy advice, statutory planning, and services to Ministers and statutory bodies | Policy advice Ministerial services |
| Intermediate outcome 4: <i>Engagement</i> New Zealanders connect and contribute to conservation | Conservation with the community | Participation Education and communication |
| | Management of natural heritage | Fire control Conservation Services Programme Restoration Pest and weed control Legal protection of areas and marine protection Species management |
| | Management of historic heritage | Historic and cultural heritage restoration |
| | Management of recreational opportunities | Asset management Recreation opportunities management Recreation concessions Other resource use concessions |
| | Policy advice, statutory planning, and services to Ministers and statutory bodies | Policy advice Ministerial services |
| | | |

¹ The Conservation Services Programme undertakes research into the interactions between commercial fishing and marine protected species. Final reports can be found on DOC's website at www.doc.govt.nz/about-csp.

Appendix 3: Strategic intentions

The information on the strategic intentions for the Department of Conservation, prepared in accordance with section 38 and section 40 of the Public Finance Act 1989, is contained within the Department of Conservation Te Papa Atawhai Four-year Plan Budget 2017.

This Four-year Plan was prepared in October 2016. Since that point the Department has received additional funding from Government as part of Budget 2017. The impact of the new funding on core assumptions and modelling will be worked through in preparation for Budget 2018, and the production of the next Four-year Plan.

The Department of Conservation Te Papa Atawhai Four-year Plan Budget 2017 can be found on the DOC website at www.doc.govt.nz/four-year-plan.

Appendix 4: Quality assurance

Quality assurance for this work is managed through DOC's development and implementation of best practice and standard operating procedures. Where external standards are not available, and/or DOC is the only agency undertaking work in New Zealand, it uses an internal peer review process to ensure best practice remains up to date. This process is shown in Figure 4.1.

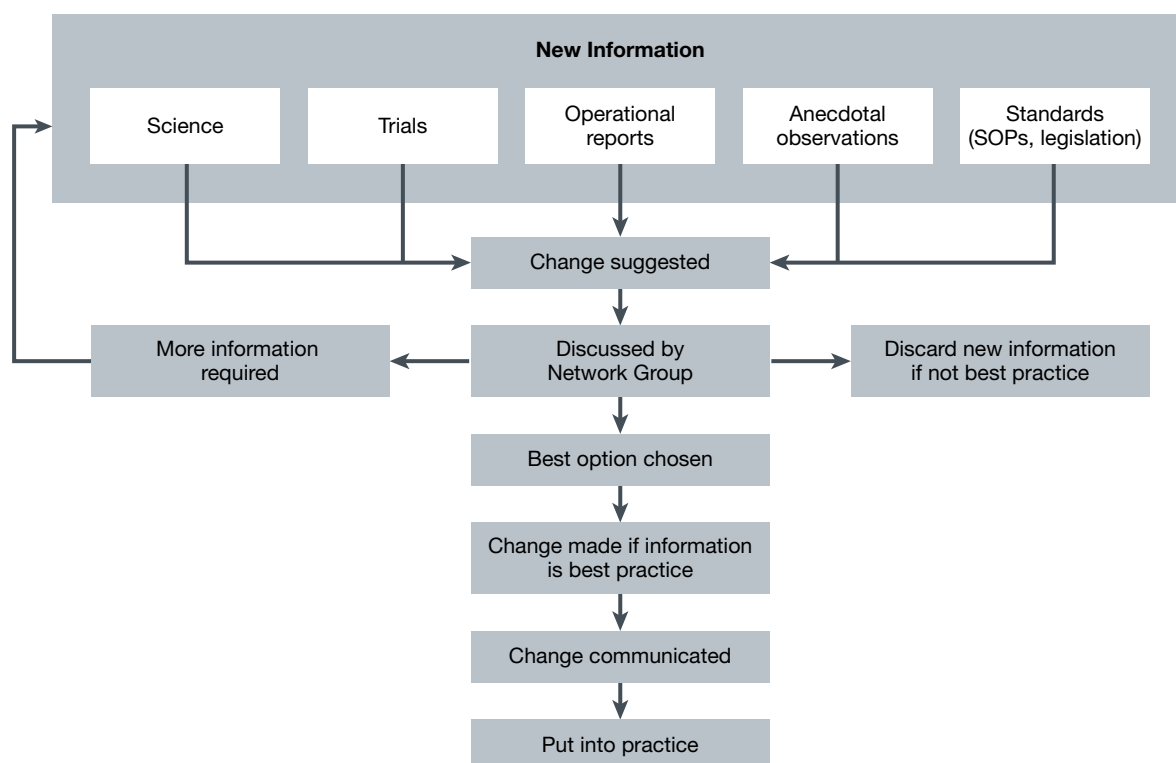


Figure 4.1: DOC's process for changing current best practice.

Appendix 5: Marine protection

Table 5.1: Percentage of each of New Zealand's coastal marine biogeographic regions that is protected within marine reserves.

| Coastal biogeographic region | Area of biogeographic region (km ²) ¹ | Total area of marine reserves (NZTM) (km ²) |
|---|--|---|
| Bioregional planning carried out | | |
| Kermadec Islands | 7,675 | 7,675 |
| West Coast South Island | 13,112 | 174 |
| Fiordland | 10,247 | 104 |
| Subantarctic Islands | 11,924 | 9,408 |
| Bioregional planning not yet completed ² | | |
| Three Kings Islands | 2,219 | 0 |
| Northeastern | 38,100 | 85 |
| East Coast North Island | 11,621 | 29 |
| West Coast North Island | 14,572 | 33 |
| North Cook Strait | 13,656 | 30 |
| South Cook Strait | 12,250 | 39 |
| East Coast South Island | 11,081 | 111 |
| Southern | 20,964 | 11 |
| Chatham Islands | 12,125 | 0 |
| Snares Islands | 2,142 | 0 |
| EEZ | 3,964,500 | 0 |

¹ Rounded to nearest km². As calculated for DOC & Ministry of Fisheries (2011).

² A similar sub-regional process has been completed in Te Whata Kai o Rakihouia i Te Tai o Marokura-Kaikōura Marine Area (part of the East Coast South Island region).

Table 5.2: Marine mammal sanctuaries in New Zealand as at 30 June 2017.

| Marine Mammal Sanctuary | Date gazetted | Area (km ²) ³ |
|---|---------------|--------------------------------------|
| Banks Peninsula Marine Mammal Sanctuary | 1988 | 4067.1 |
| Auckland Islands Marine Mammal Sanctuary | 1993 | 5057.1 |
| Te Waewae Bay Marine Mammal Sanctuary | 2008 | 348.8 |
| Catlins Coast Marine Mammal Sanctuary | 2008 | 653.9 |
| Clifford and Cloudy Bay Marine Mammal Sanctuary | 2008 | 1385.8 |
| West Coast North Island Marine Mammal Sanctuary | 2008 | 11934.5 |
| Te Rohe o Te Whānau Puha Whale Sanctuary | 2014 | 4690.6 |
| Ōhau Point New Zealand Fur Seal Sanctuary | 2014 | 0.04 |
| Total area | | 28137.8 |

Table 5.3: Summary of marine areas managed by DOC.

| Marine protection approach | As at 30 June 2017 | |
|---|----------------------------------|------------------------|
| Marine reserves | Total area | 17,697 km ² |
| | Percentage of NZ territorial sea | 9.8% |
| | Percentage of NZ marine area | 0.4% |
| Marine Mammal Sanctuaries | Total area | 28,138 km ² |
| | Percentage of NZ territorial sea | 14.2% |
| | Percentage of NZ marine area | 0.7% |
| Combined coverage of marine reserves and marine mammal sanctuaries⁴ | Total area | 40,634 km ² |
| | Percentage of NZ territorial sea | 21.1% |
| | Percentage of NZ marine area | 1.0% |

³ The Exclusive Economic Zone (EEZ) is not a bioregion, but is dealt with separately by the MPA Policy. The Marine Reserves Act does not provide for marine reserves in the EEZ.

⁴ These combined figures serve to avoid double counting of those areas where marine reserves overlap with marine mammal sanctuaries (in the vicinity of Taranaki, Kaikoura, Banks Peninsula and Auckland Islands).

Appendix 6: Conservation achieved by others

Ngā Whenua Rāhui

This funding programme exists to protect the natural integrity of Māori land and preserve mātauranga Māori.

The Ngā Whenua Rāhui Fund provides protection for Māori landowners through the use of 25-year reviewable kawenata (covenants).

Table 6.1: Achievements in the identification and protection of biodiversity and indigenous ecosystems on Māori-owned land.

| Ngā Whenua Rāhui | 2016/17 Target | 2016/17 Actual |
|--|----------------------|----------------|
| Number of restoration programmes undertaken that meet the criteria for success set out in their programme plan. | 10 | 11 |
| Hectares of land receiving treatment for possums. | 21,000 ha | 13,654 ha |
| Number of possum operations undertaken that meet their targets for operational success. | 22 | 14 |
| Hectares of land receiving treatment for goats. | 103,926 | 110,396 |
| Number of other terrestrial animal pest operations undertaken that meet the criteria for success set out in their programme plan. | 9 | 4 |
| Number of acutely threatened species that will have improved security for one or more populations as a result of active species conservation programmes. | 4 | 4 |
| Number of kawenata (covenants) approved in each of the three most threatened LENZ environments. | Reported at year end | 3 approved |

Appendix 7: Management planning

Part of the context in which DOC operates is a statutory planning framework required by the Conservation Act 1987, National Parks Act 1980 and various Treaty of Waitangi Settlement Acts requiring the preparation of conservation management strategies and plans. Public engagement and consultation is a critical part of all statutory management planning process.

Conservation management strategies

A conservation management strategy (CMS) provides a 10-year strategy for the integrated management of all lands and marine areas administered by the Department in a region, with final approval resting with the New Zealand Conservation Authority (NZCA). During the 2016/2017 financial year, the following CMSs were approved:

- Canterbury Waitaha
- Otago
- Southland Murihiku (includes Subantarctic Islands).

In addition, the review/establishment of the following CMSs commenced during this period:

- Bay of Plenty
- East Coast/Hawkes Bay
- Nga Whakahaere Takirua
- Wellington/part Whanganui.

National park management plans

The National Parks Act 1980 requires a management plan for every national park. These are 10-year plans which are approved by the NZCA. Reviews of national park management plans (NPMP) are prioritised to ensure they are fit for purpose.

During the 2016/2017 financial year, the following NPMPs were approved:

- Paparoa National Park
- Kahurangi National Park (partial review).

In addition, the reviews of the following NPMPs have commenced during this period:

- Aoraki/Mt Cook
- Tongariro (partial review)
- Westland/Tai Poutini.

Conservation management plans and management plans resulting from Treaty Settlement legislation

Conservation management plans (CMPs) implement the CMSs and establish detailed objectives for the integrated management of natural and historic resources within an area. The Department has a growing list of statutory management plans to be developed following Treaty settlement legislation.

Appendix 8: Performance of Reserve Boards

Table 8.1: Reserve boards – financial information available at 30 June 2016¹

| Reserve Board | Type | Revenue | Expenditure | Net assets |
|---------------------------|---------------|-----------|-------------|------------|
| Northland | | \$ | \$ | \$ |
| Oakura | Recreation | 8,025 | 8,856 | * |
| Waikiekie | Recreation | | | |
| Ruakaka Central | Hall | | | |
| Waipu Cove | Recreation | | | |
| Ruakaka | Recreation | | | |
| Whatitiri | Recreation | | | |
| Taurikura | Hall | | | |
| Coates Memorial Church | Local purpose | | | |
| Auckland | | | | |
| Glorit | Hall | 4,267 | 4,116 | * |
| Bay of Plenty | | | | |
| Awakaponga | Hall | | | |
| Lake Rotoiti | Scenic | 11,773 | 10,980 | 34,357 |
| Whanganui | | | | |
| Poukiore | Recreation | 40,411 | 95,793 | 218,279 |
| Papanui | Hall | | | |
| Tiriraukawa | Hall | | | |
| Pākaitore/Moutoa Gardens | Historic | | | |
| Wellington | | | | |
| Horowhenua | Recreation | 9,042 | 3,050 | 30,252 |
| Whitireia Park | Recreation | | | |
| Nelson/Marlborough | | | | |
| Homewood | Hall | 228 | 217 | 60,026 |
| Kaiteriteri | Recreation | 5,316,733 | 4,709,115 | 9,453,291 |
| West Coast | | | | |
| Charleston | Hall | | | |
| Millerton | Hall | | | |

* No financial details provided on net assets

¹ Details are dated 30 June 2016 and many are still subject to audit process as required by Audit New Zealand. Interim reports have been provided where available.

