

Statement of Performance Expectations

1 July 2021 - 30 June 2022

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Statement of Performance Expectations 2021/22

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Ngā mihi nui ki a tātou

Welcome to He Pou a Rangi the Climate Change Commission. We are in our second year since being established and our job is to provide independent, evidence-based advice to Government to help Aotearoa transition to a thriving, climate-resilient and low emissions future. We deal in the facts about climate change and our intent is to create positive change for Aotearoa and the world.

The Commission at a glance

- We are an **independent Crown entity** set up to provide expert, evidence-based advice to successive governments to help Aotearoa transition to a thriving, climate-resilient and low emissions future.
- We monitor and review the **Government's progress** towards its emissions reduction and adaptation goals and their effectiveness.
- Our independence means we can provide impartial advice, **challenge** and hold the Government to account for action on climate change.
- We are a small team dedicated to ensuring we can pass a better Aotearoa on to future generations. We have a **range of expertise**, including economics, public policy, land and resource management, Māori sector, climate science, behavioural sciences, forestry, agriculture and energy. We are supported by a board of seven commissioners from different fields.
- The Commission was established by an amendment to the **Climate Change Response Act 2002 (CCRA 2002)** called the Climate Change Response (Zero Carbon) Amendment Act 2019 (the Act).
- We work to **deliverables and timeframes** set out in the Act.
- This includes reviewing the **2050 emissions reduction target**, providing advice on the preparation of **emissions budgets and emissions reduction plans**, monitoring progress towards meeting emissions budgets, emissions reduction plans and the 2050 target, preparing national climate change **risk assessments**, monitoring and reporting on the implementation of **national adaptation plans** and their effectiveness, advising on settings for the **Emissions Trading Scheme** and reporting on progress on primary sector climate change commitments.
- From time to time, the Minister of Climate Change may ask us for advice on **specific topics**. We provide **other independent advice** on matters we believe will impact on the ability of Aotearoa to meet its climate change goals.
- The Act requires us to draw from the **best available evidence and analysis** and think broadly about the impacts of climate change and the implications for Aotearoa over time. In doing so, we take a **systems view** so we understand what our advice will mean for central and local government, for individuals and households, for business sectors and communities, for Iwi/Māori, and for our economy and our environment now and into the future.
- We are committed to taking an inclusive approach and working collaboratively with others so we can grow consensus and inspire action to change.
- The Act requires us to uphold Te Tiriti o Waitangi/The Treaty of Waitangi and give specific consideration to impacts for Māori. As an organisation we will endeavour to build meaningful and respectful relationships with Iwi/Māori.

See the **Glossary** for an explanation of terms used in this document.

Statement of responsibility

This document constitutes our Statement of Performance Expectations (SPE) as required under the Crown Entities Act 2004.

The descriptions of our purpose, role and functions are consistent with the Climate Change Response Act 2002.

The SPE covers a one-year period from 1 July 2021 to 30 June 2022 and should be read in conjunction with the Commission's Statement of Intent (SOI) 2020 - 2024.

The Board is responsible for the content of this SPE, which comprises the reportable outputs and the Prospective Financial Statements for the year, including the assumptions on which they are based, and the judgements used in preparing them.

Our performance measures are based on the Climate Change Commission's outcomes framework, which is described in this document.

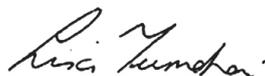
This SPE has been prepared in accordance with section 149c of the Crown Entities Act 2004.

The Prospective Financial Statements have been prepared in accordance with generally accepted accounting practice in Aotearoa.

In accordance with the Crown Entities Act, the Commission has consulted with the Minister of Climate Change in the preparation of this SPE.



Dr Rod Carr
Chair
29 June 2021



Ms Lisa Tumahai
Deputy Chair
29 June 2021

Chair's message

This is He Pou a Rangi the Climate Change Commission's second full year of operation and our second Statement of Performance Expectations.

The Commission delivered its first advice to Government on 31 May 2021, outlining how Aotearoa can reach its climate targets. This is a significant milestone for our work programme, and moves Aotearoa closer to a thriving, climate-resilient and low emissions future.

Our advice sets out the first in a series of steps that chart the course for reducing emissions. And work doesn't stop now – this is only the beginning.

Now we continue to deliver the specific tasks and timeframes set out in the Climate Change Response Act 2002. Delivery of this work is crucial, and consultation on our draft advice showed many New Zealanders care about climate action.

Over the 2021/22 year there are several pieces of advice we need to progress. This includes:

- recommendations on limits and price control settings for units in the New Zealand Emissions Trading Scheme
- advice on progress towards primary sector climate change commitments, and on livestock farmers' readiness to start complying with reporting and emissions management reductions

- a report on what level of assistance, if any, should be given to participants in an alternative pricing system for farm-level agricultural emissions (agricultural assistance).

The Commission will also begin work on climate adaptation. This will include monitoring and reporting on national adaptation plans for Aotearoa. From 2022, we will start monitoring how the Government's first emissions reduction plan is implemented.

The Commission will need to balance the deliverables outlined in legislation with continuing to develop our capabilities as an organisation – and we require government support to achieve this.

Budget 21 provided us with an additional \$9.58 million over four years. This will help us continue to build the Commission so we can deliver on our legislative requirements. While Budget 21 is a step in the right direction, the Commission will need to carefully prioritise its efforts as we will be challenged to deliver our legislative requirements over time.

As well as taking on a number of new tasks, further work is needed internally to strengthen our team and processes. This includes:

- finishing work to establish our permanent structure and systems
- expanding the capability of the Commission to engage with Iwi/Māori and staff confidence with mātauranga Māori
- extending the capacity and coverage of our modelling tools while maintaining and improving their quality
- building skills and knowledge around adaptation so that we can prepare to take on our future adaptation functions.

This will build on the foundations already laid for the Commission and help ensure we can meet both our statutory obligations and stakeholder expectations.

I would like to acknowledge those that shared their insight and expertise with us over the past 18 months, including the ongoing support from our stakeholders and input from New Zealanders during consultation on our draft advice. It is particularly important to recognise our commitment to uphold Te Tiriti o Waitangi/

The Treaty of Waitangi and support the Crown in their relationship with Iwi/ Māori, which has been critical in developing our advice and incorporating Te Ao Māori perspectives into our mahi. The Commission is in no doubt that the transition we must undertake can only be achieved if Te Tiriti o Waitangi/The Treaty of Waitangi commitments are embraced.

The Commission is committed to building and strengthening relationships over the years to come and continuing to work collaboratively to drive climate action in Aotearoa.



Dr Rod Carr
Chair

Alignment with Government priorities

The Commission's work programme directly reflects two of the Government's key issues in This is Our Plan – **1D. Transition to a clean, green carbon neutral New Zealand** (under "An economy that is growing and working for all of us") and **3D. Create an international reputation we can be proud of** (under "Making New Zealand proud"). In December 2020, the Government declared a climate emergency with a commitment over the next three years to develop policy to ensure the declaration is backed with action to bring emissions down.

The establishment of the Climate Change Commission

In November 2019, the Climate Change Response (Zero Carbon) Amendment Act was passed by Parliament. This commits Aotearoa to a long-term emissions reduction target for 2050 and requires the Government to prepare for, and adapt to, the effects of climate change. It also established He Pou a Rangi the Climate Change Commission to provide independent, expert advice to the Government and to monitor and review progress towards our emissions reduction and adaptation goals.

Aotearoa climate change targets

The Government has set domestic and international targets for reducing greenhouse gas emissions. This puts us on the path to a thriving, climate-resilient, low emissions future.

The international targets are:

- 5 per cent reduction in net emissions below 1990 gross emissions for the period 2013-2020 (achieved)
- 30 per cent reduction in net emissions below 2005 (or 11 per cent below 1990) gross emissions for the period 2021-2030.

The domestic 2050 target requires at least:

- net zero emissions of all greenhouse gases other than biogenic methane by and beyond 2050
- a 10 per cent reduction below 2017 biogenic methane emissions by 2030
- a 24 to 47 per cent reduction below 2017 biogenic methane emissions by and beyond 2050.

These targets will help Aotearoa fulfil its responsibilities under the 2015 Paris Agreement, which came into force in 2016. The Paris Agreement established the goal of limiting global warming to well below 2 degrees Celsius above pre-industrial levels, with efforts to limit it to 1.5 degrees Celsius. The 1.5 degrees Celsius goal has now been reflected in our domestic legislation through the passing of the Climate Change Response (Zero Carbon) Amendment Act 2019.

The climate is already changing and past emissions have already locked in further change. The pace and scale at which Aotearoa will need to adapt will largely be driven by these past emissions and the world's ability to reduce emissions to meet the Paris Agreement goal.

Who we are

He Pou a Rangi the Climate Change Commission provides independent, expert advice to the government to help Aotearoa transition to a thriving, climate-resilient and low emissions future. We are seven 'working' commissioners and a small team of highly-skilled staff. We are accountable to the Minister of Climate Change for our performance.

Our name - He Pou a Rangi - Ingoa Māori

At its simplest, He Pou a Rangi can be translated as a *pillar of the sky*. Pou can uphold, provide a point of connection, protect and provide stability. In a Te Ao Māori view, pou provide a two-way connection, upholding and uplifting what is above, but also connecting and grounding with what is below. Pou connect Ranginui, the sky father, to Papatūānuku, the earth mother.

He Pou a Rangi Climate Change Commission is honouring this connection and, in turn, has a duty of care for it.

The use of 'He' Pou rather than 'Te' Pou recognises that the Commission is one of many pou or organisations working together to address climate change and transition Aotearoa to a thriving, climate-resilient, low emissions future.

Our purpose

The Climate Change Response Act (CCRA 2002) describes two key purposes for the Commission:

1. to provide independent, expert advice to the Government on mitigating climate change and adapting to its effects; and
2. to monitor and review the Government's progress towards its emissions reduction and adaptation goals.

Our vision

Our vision is of **A thriving, climate-resilient and low emissions Aotearoa.**

Our mission

Our mission is **To deliver independent, evidence-based advice to guide climate change action for Aotearoa.**

Our work

Our core work programme is set out in legislation. The CCRA 2002 requires the Commission to perform specific tasks and deliver within specific timeframes. A timeline of all our required work in the next few years can be found in our Statement of Intent 2020-24.

The Commission also provides the Government with other independent advice on key issues identified in our research and engagement. This includes issues that could impact the ability of Aotearoa to meet its climate change goals and/or will assist the Commission to fulfil its role.

As a recently established entity, the Commission is committed to continuing to establish the effective practices, policies and systems required to deliver such a significant work programme.

Independent evidence-based advice

In 2021/22, the Commission will deliver on three pieces of independent advice. These are outlined in the CCRA 2002 and include additional functions created within the Climate Change Response (Emissions Trading Reform) Amendment Act 2020. The three pieces of advice cover:

- recommendations on limits and price control settings for units in the New Zealand Emissions Trading Scheme
- advice on progress towards primary sector climate change commitments and on livestock farmers being ready to start complying with reporting and surrender obligations, and
- a report on what level of assistance, if any, should be given to participants in an alternative pricing system for farm-level agriculture emissions (agricultural assistance).

The details of this advice are outlined below.

Emissions Trading Scheme unit settings

The Commission will provide advice to the Minister of Climate Change on the:

- limits on units available each year – essentially the New Zealand Emissions Trading Scheme “cap”, and
- price control settings in the Emission Trading Scheme.

From 2021/2022, the Commission will review these settings annually. This initial advice to the Minister of Climate Change will be required in the first quarter of 2022. This will allow the Government time to consider its response to the advice and to consult before regulations implementing the advice are approved and in place for September 2022.

Progress on primary sector climate change commitments

Under the CCRA 2002, the Commission is required to report to the Minister of Climate Change on progress towards primary sector climate change commitments by June 2022. This will involve:

- assessing whether both the Government and the sector are making sufficient progress towards farm emissions reporting and farm plans as outlined in Schedule 5 of the CCRA 2002

- assessing the progress made towards livestock farmers being ready to comply with emissions reporting and surrender obligations for a farm-level emissions pricing system, and
- advice on any barriers to these obligations and what further steps (if any) may be required by the primary sector or the Government for farmers to be ready to comply.

Preparing this advice will involve engagement with the primary sector. The Commission will work with He Waka Eke Noa to progress primary sector engagement on this advice.

Agricultural assistance

The Minister of Climate Change and Minister of Agriculture will produce a report that outlines a system to price emissions from agricultural activities as an alternative to the New Zealand Emissions Trading Scheme. This report must be published by 31 December 2022 as required by section 215 of the CCRA 2002, and must consider advice from the Commission on 'what assistance, if any' should be provided to participants. The request for this advice will be made under section 5K of the CCRA 2002.

Other advice

The Commission may also provide advice on matters that it believes have the potential to affect the ability of Aotearoa to deliver on its commitments to global climate change action and/or will assist in achieving an equitable transition to a climate-resilient and low emissions Aotearoa.

Building capability

As well as taking on our new 2021/22 programme of work, we will continue to build our capability by:

- expanding the capacity of the Commission to engage with Iwi/Māori and staff confidence with mātauranga Māori
- expanding permanent capacity to support the Commission's upcoming consultation and engagement programme
- extending the capacity and coverage of our modelling tools while maintaining or improving their quality
- building more in-house corporate services capacity to support the Commission's HR, IT, finance and procurement requirements
- building monitoring and evaluation capacity to track the Commission's performance over time
- commissioning additional studies and external reviews to provide evidence for our next sets of advice
- collaborating with other agencies, nationally and internationally, working on climate change, and
- building skills and knowledge around adaptation so that we can prepare to take on our future adaptation functions.

Building our relationships

Strong partnerships with Iwi/Māori and constructive relationships with stakeholders are critical to the success of our work. To be effective, we must be trusted by successive governments, Iwi/Māori, business, communities, individual scientists and activists, and other agencies working on climate change to provide independent, expert, evidence-based, and pragmatic advice.

In 2021/2022, the Commission will build on and continue to develop relationships created with stakeholders during our first year of activities and consultation on its draft advice in January-March 2021. As part of this work, we will actively seek feedback from Iwi/Māori and stakeholders on how we are fulfilling our role through a two-yearly stakeholder survey.

Preparing for future work

To be ready to provide future advice to the Government under the CCRA 2002, the Commission will begin scoping and planning the requirements of this work.

Monitoring and reviewing progress on emissions reductions

The Commission's first monitoring report on progress towards the 2050 targets, emissions budget and emissions reduction plan is due in 2024. In 2021/2022, the Commission will scope the requirements for these monitoring reports.

National Adaptation Plan

The Government will produce its first National Adaptation Plan in 2022. The Commission will prepare reports on the implementation of the plan. This will involve:

- assessing progress on implementing the adaptation plan
- assessing the degree to which the plan's objectives have been achieved and how well it responds to the most significant risks posed by climate change
- identifying any known barriers to implementation and effectiveness of the plan
- recommending how to address the barriers identified.

The first report prepared by the Commission is due in 2024. In 2021/2022, the Commission will scope the requirements for this report.

Industrial allocation phase out

In 2024, the Government will likely request advice on the phase out rates for industrial allocations. To provide advice to the Minister of Climate Change, the Commission will need to invest time and resources to develop a multi-year work programme to ensure the requirements of the CCRA 2002 can be met.

In 2021/2022, the Commission will scope the requirements for this work and the resources needed.

Our approach to providing advice

- **Engage and consult: We have conversations with and listen to New Zealanders.** The advice we develop has a lasting impact for Aotearoa and all who live here. Because of this, we need to understand and consider the perspectives of all New Zealanders and take them on the journey with us. We need to understand the specific impacts of our advice on Iwi/Māori, partner with Iwi/Māori in developing our advice, and incorporate Te Ao Māori into our approach. This means working in partnership. This stage is two-way and ongoing. We will engage and consult multiple times as we form our advice.
- **Collate and analyse the evidence:** We gather and analyse data and weigh up all the evidence. Our evidence must be relevant and comprehensive. We gather our data and information from a wide range of credible sources. We are methodical in our approach to data collection and modelling and always seek to keep it up to date. We also test the quality of our evidence and refine it with Iwi/Māori and a wide range of stakeholders.
- **Advise and monitor:** We deliver high-quality advice to the Government and monitor progress to meet the emissions reduction and adaptation goals for Aotearoa. The Government implements policies that support and incentivise the transition to a climate-resilient and low emissions future. We provide the Government with other independent advice on issues if we identify something could impact our country's ability to meet its climate change goals. By providing independent and evidence-based advice, we help Aotearoa make good choices towards a low emissions future.
- Our role is ongoing so **we do it all over again.**

The CCRA 2002 requires us to think broadly about the impacts and effects of climate change and our policy response now and into the future. This means we need to take a wide system view and to consider all aspects of that system – ecology and the environment, how any changes would affect individuals and households, and what our advice would mean for business, our society and our economy.

How we will measure our performance

Our outcomes framework

The Commission seeks to influence two outcomes: An equitable transition to a thriving, climate-resilient and low emissions Aotearoa and Aotearoa delivers on its commitments to global climate change action.

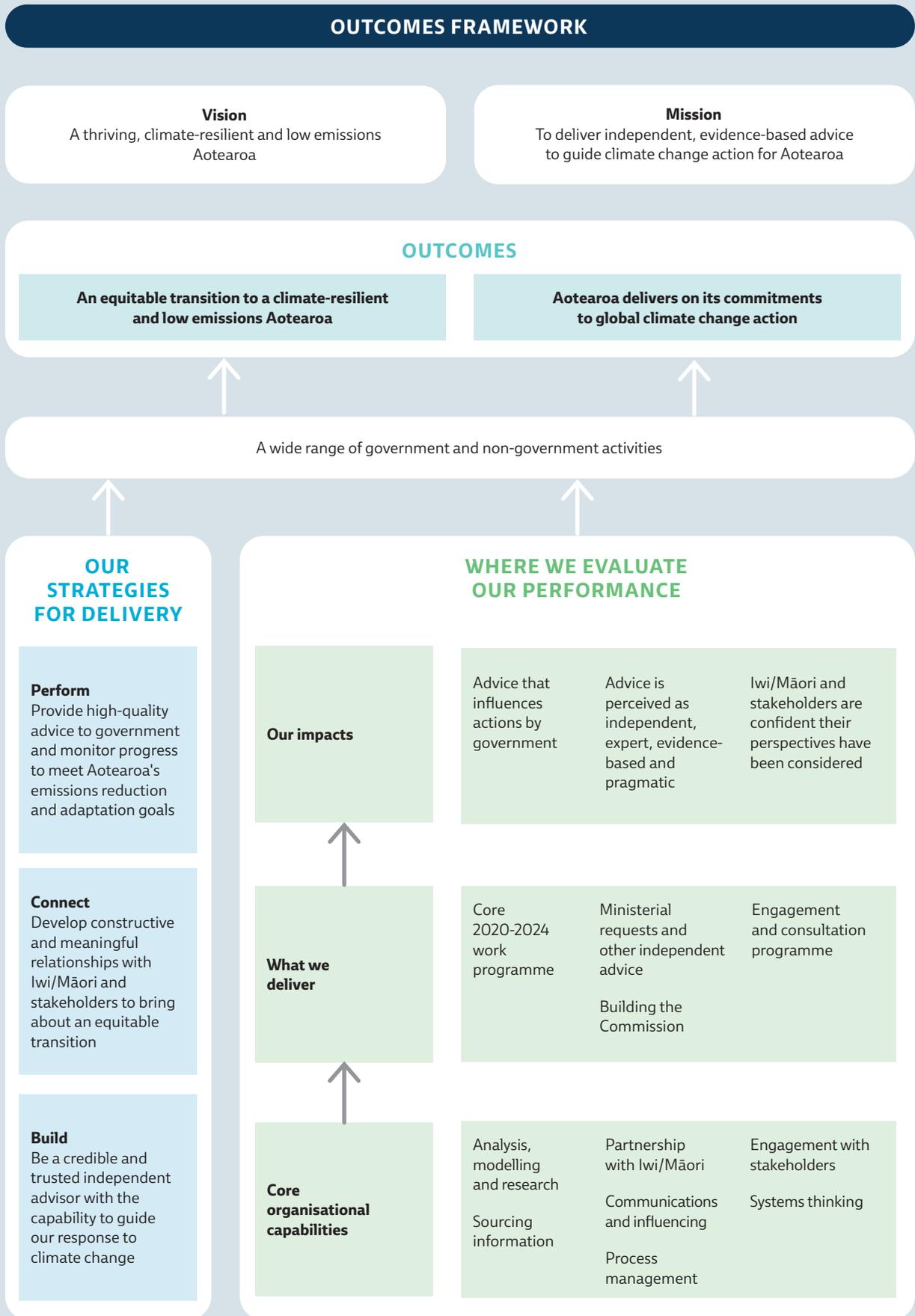
The complexity of climate change issues within Aotearoa is acknowledged. There is a huge amount of work that needs to be done by many parties to achieve the desired changes. Because of this, the influence of our work will only emerge in the medium to long term.

It is challenging to **attribute** changes in emissions and adaptation effectiveness in Aotearoa directly to our performance – we are one of many players who **contribute** to the changes. Our framework, therefore, envisages that our work will contribute to policy and behavioural change as a precursor to having an effect or influence on our two main outcomes. There are a number of indicators that we will explore to determine if this is occurring, such as whether and how:

- key influencers are responding to our work and engaging with us in discussion
- our work is widely used by people who are providing commentary or input to policy and is cited in their discussions.

Figure 1 illustrates how we expect to make a difference in these areas, along with the core capabilities and the strategies we employ.

Figure 1: Outcomes framework



How we will measure progress against the framework

In 2020/21 the Commission began the work of establishing the data capture systems and setting the baselines against which its future performance will be assessed.

The detailed measures in this section include some that will not be reported on in our 2021/22 Annual Report. This can be for either or both of two reasons:

- we need to scope and implement systems to capture the necessary data – in these cases, there will be an interim performance measure of what we will deliver in 2021/22
- the data on which we rely to assess performance will not be available within the year (for example, Government acceptance or otherwise of our initial advice on emissions budgets and emissions reduction plans – these decisions are not due until December 2021).

Measures that will not be reported on in 2021/22 are shaded grey in the following tables with footnotes to indicate why they will not be reported. They are included in this SPE to show the complete picture of what we intend to build and use to measure our performance across the full range of our outcomes, impacts and outputs.

The tables also note that not every measure will be reported on every year. We have a long-term horizon – to 2050 and beyond – and some progress year-on-year may not be discernible. In other cases, measurements are tied to the provision of specific advice, which doesn't necessarily occur every year.

Measurement approach

Given the challenges around identifying and attributing the effects of our work, our measurement approach focuses on whether our work is high quality and that our relationship with Iwi/Māori and engagement with stakeholders are effective. We measure the impact we are having by distilling the reactions to our work from everyone involved in our relationship, engagement and consultation processes and through responses to our work from the Government and others.

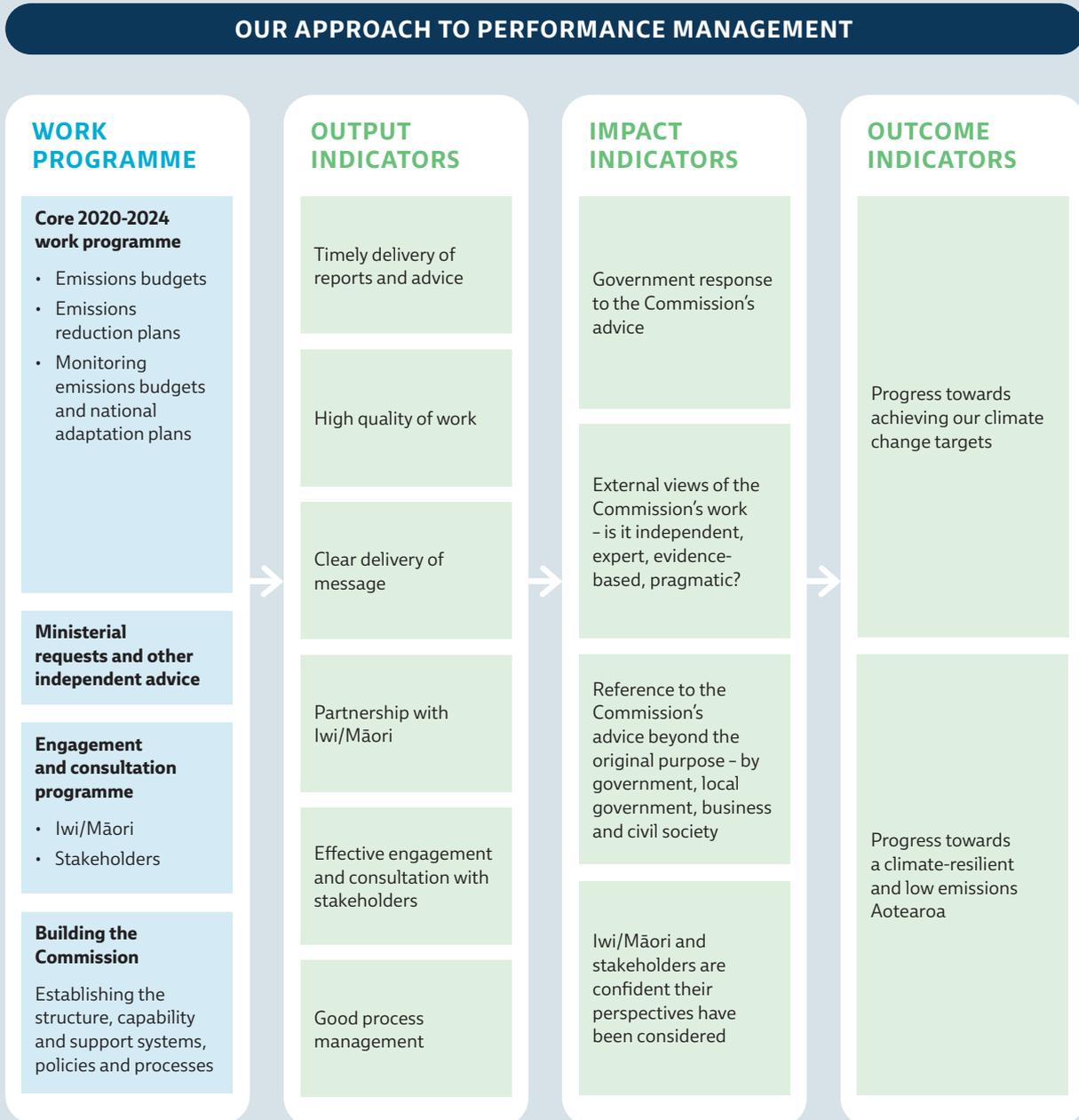
Given the long timeframes of our statutory work programme, it is difficult to capture performance in fixed quantitative targets, so the Commission will take an evaluation-based approach to measuring our performance using:

- comprehensive internal processes to ensure that what we deliver has been robustly canvassed, developed, assessed and signed off
- external peer reviews of the key evidence underpinning advice specified under the CCRA 2002 or requested by the Minister to report on whether the information the advice is based on is robust and rigorously tested. Peer reviewer recommendations will be actively considered, with any decisions to decline them justified

- case studies of how we build our relationships with Iwi/Māori
- a biennial survey of all stakeholders, including Iwi/Māori, to assess their perceptions of:
 - our independence, expertise, evidence-base and pragmatism
 - confidence that their perspectives have been considered
 - the clarity of our message
 - whether and how they have used our advice
- analysis of how our advice is used – by central and local government, Iwi/Māori, business and civil society
- an online engagement tool that tracks who we are engaging and consulting with and on what topics and collects timely feedback on how they view our engagement and consultation processes
- monitoring our own carbon footprint and how we “walk the talk”.

Given the above, our approach to performance measurement can be summarised in Figure 2 overleaf.

Figure 2: High level performance framework



Reporting timeframes

A number of our measures use data that will be captured on a calendar rather than financial-year basis. In some cases, the data reported on in a particular year may date from up to two years earlier. We will be explicit about the timeframe being reported on in our measures.

Detailed measures

The Commission has selected what we believe are the “critical few” measures that, taken together, can succinctly tell the story of our work and successful performance. Over time, additional measures may be added if required, but the intention is to keep the number targeted and relatively low.

Use of case studies

The Commission will use case study methodology to measure some aspects of its performance – in particular, the relationship with Iwi/Māori. Case study methodology involves the detailed examination of a specific subject (in this case developing an understanding of the unique impacts of emissions reductions and removals across a range of Iwi/Māori organisations) and provides credible insights that will help inform our work going forward. Case studies will initially be established through our emergent relationships with Māori collectives by agreeing to a process that respects the tikanga of the rōpū involved and seeking to achieve mutual benefits that will have co-benefits more broadly across Te Ao Māori. Our case study approach will provide the opportunity to:

- build our insights and understanding about the impacts of emissions removals and reductions for Iwi/Māori
- propose practical courses of action to resolve a problem
- open up new directions for future research or investigation, and
- enhance our ability to deliver advice to Government that promotes an equitable transition for Iwi/Māori.

Outcome indicators

We are seeking, through our work, to influence two key long-term societal changes:

- an equitable transition to a climate-resilient and low emissions Aotearoa
- Aotearoa delivers on its commitments to global climate change action.

We are one of many contributors to our outcomes. Therefore, we can only **contribute** to the outcomes; they are not **directly attributable** to our actions.

KPI	OUTCOME	MEASURE	FREQUENCY
1	An equitable transition to a thriving, climate-resilient and low emissions Aotearoa.	Equitable progress towards thriving, climate resilience and low emissions ¹	Biennial starting in July 2023.
2	Aotearoa delivers on its commitments to global climate change action.	Progress towards 2050 climate change target. Progress against the applicable emissions budgets. ²	Annual – once emissions budgets are set, starting 2021/22.
3	Aotearoa delivers on its commitments to global climate change action.	The Commission measures and mitigates its own carbon footprint (We “walk the talk”).	Annual starting 2020/21.

1. This work will draw upon the data and assessments we will use in our role of monitoring the emissions reduction plans and the national adaptation plans, but does not duplicate those reports.

2. The first emissions budget is due in December 2021, so the first report on progress against the emissions budgets will not occur until 2022/23.

TARGET	ASSESSMENT METHOD
<p>Baseline created in 2023/24 using 2021 data.</p> <p>Assessment methodology to be scoped in 2020/21.</p> <p>Monitoring process to be scoped in 2022/23.</p>	<p>The assessment method is yet to be developed, but will use monitoring indicators from externally provided data.</p>
<p>Alignment of actual emissions with emissions budgets. Final target to be determined.</p>	<p>Annual report required under section 5ZK of the CCRA using NZ Greenhouse Gas Inventory and the emissions budget period.</p>
<p>Maintain or improve on baseline established in 2020/21.</p>	<p>Carbon footprint monitoring contract with Toitū.</p> <p>Stories of how the Commission limits its footprint.</p>

Impact indicators

The Commission is an advisory body and does not run or implement any policies or programmes. We rely solely on our expertise and clear communication of our analysis and ideas to achieve results. Through our work, we are seeking to deliver the following impacts:

- advice³ that influences actions by government
- advice that is perceived as independent, expert, evidence-based and pragmatic

- Iwi/Māori and stakeholders are confident their perspectives have been considered.

Our influence may be direct and relatively immediate (through the acceptance of our advice and recommendations leading to changes in policy and behaviours) or long term and indirect (through improving progress towards achieving climate change goals in Aotearoa).

KPI	IMPACT	MEASURE	FREQUENCY
4	Advice that influences actions by government.	Extent to which the Commission's advice is accepted and implemented by successive governments. ⁴	Tied to dates of advice so not necessarily annual. First analysis in 2021/22.
5	Advice is perceived as independent, expert, evidence-based and pragmatic.	% of stakeholders who see our advice as independent, expert, evidence-based and pragmatic. ⁵	Two-yearly, starting 2022/23.
6		Confidence in our advice by successive governments. ⁶	Tied to dates of advice so not necessarily annual.
7	Advice is perceived as independent, expert, evidence-based and pragmatic.	Reference to Commission's advice beyond its original purpose – by other government departments, local government, overseas authorities, academics, civil society. ⁷	Tied to dates of advice so not necessarily annual.
8	Iwi/Māori and stakeholders are confident their perspectives have been considered.	% of stakeholders who are confident their perspectives have been considered. ⁸	Two-yearly, starting 2022/23.

3. The term "advice" is used to broadly to cover all reports provided to Government, including monitoring requirements under the CCRA 2002.

4. Acceptance of the Commission's advice by other Ministers, local government, etc is covered under measure 7.

5. Our advice will be delivered in 2020/21, but decisions on it will not be made until December 2021. Stakeholders' perceptions of the advice may be influenced by the Minister of Climate Change's decisions on what to accept, so the initial survey needs to occur post the decision announcements.

TARGET	ASSESSMENT METHOD
Baseline of decisions made on our advice due 31 May 2021, with decisions released by December 2021.	Minister of Climate Change's decisions – analysed by how recommendations are received (accepted, partially accepted, no decision, declined). Analysis of the publicly-stated reasons for declining advice. Analysis of the extent to which advice is represented in the policies of all political parties.
Survey to be scoped and defined in 2021/22 with implementation planned for mid-2022.	Biennial survey of key stakeholders, and Iwi/Māori, seeking their perceptions of our advice and processes. See also measures 8 and 16.
Baseline in 2021/22.	Formal request for review by Minister of Climate Change and all political party spokespeople on climate change after advice has been released.
Baseline in 2021/22. Decision on approach and scoping of methodology to be made by 30 June 2021.	Methodology to be defined. Could be achieved via surveys, tracking device or case studies – or a mixture of the above.
Survey to be scoped and defined in 2021/22 with implementation planned for mid-2022.	Biennial survey of Iwi/Māori and key stakeholders seeking their perceptions of our advice and processes. See also measures 5 and 16.

6. Confidence in advice can only be ascertained post the release of the advice and after a period for consideration.
7. Use of the advice beyond its original purpose can only be ascertained post the release of the advice and after a period for consideration. This measure supports measure 6 by tracking the use of our advice beyond the Minister of Climate Change.
8. See footnote 5 above.

Output indicators

The three critical outputs for demonstrating the Commission's performance are high-quality work, partnership with Iwi/Māori and effective engagement. The others support these three.

KPI	OUTPUT	MEASURE	FREQUENCY
9	High-quality work.	Advice is developed in accordance with rigorous internal standards and procedures for quality assurance.	Tied to dates of advice so not necessarily annual, starting 2020/21.
10		Evidence base for advice on matters specified in the CCRA or requested by the Minister is externally peer reviewed and any issues identified addressed.	Tied to dates of advice so not necessarily annual, starting 2020/21.
11		Models and data are comprehensive, fit-for-purpose and high-quality.	Annual, starting 2020/21.
12	Partnership with Iwi/Māori.	Relationships with specific groups of Iwi/Māori show developing partnership and understanding. ¹⁰	Biennial, beginning 2021/22.
13	Effective engagement and consultation with stakeholders and communities.	% of Commission's engagement and consultation that meets statutory requirements and internal engagement strategies, plans and processes.	Annual.
14		Effectiveness of overall engagement and consultation, based on ratings from those involved in both processes.	Tied to dates of engagement and consultation for advice so not necessarily annual.
15	Timely delivery of reports and advice.	% of requested reports and advice that are delivered by the agreed date.	Tied to dates of advice so not necessarily annual.
16	Clear delivery of message.	% of key stakeholders who believe our messages over time have been clear and consistent. ¹¹	Two-yearly, starting 2022/23.
17	Good process management.	% of requests for information are responded to within the appropriate timeframe.	Annual.
18		Implementation of robust internal policies and systems covering finance/ procurement, HR, good employer, payroll, IT, information management, risk management, health and safety, accountability reporting and organisational structure.	Annual.

9. This measure excludes evidence which may be market sensitive.

10. Case studies will take time to establish.

TARGET	ASSESSMENT METHOD
100% of advice is reviewed internally and given analytical clearance and level 2 sign off prior to publication.	Internal quality reviews checking the rigour of the work done: including feedback from internal reviewers, analyst responses to reviewer comments and senior responsible owner sign off.
100% of evidence underpinning statutory advice is externally peer reviewed. ⁹	External peer reviews.
100% of processes to review and update models are completed on a timely basis.	External peer review of models.
Case studies show the developing relationship between Iwi/Māori and the Commission.	Case studies following the development of key relationships with Iwi/Māori over time.
100%.	Statutory requirements from the Act (ss5M, 5N); internal consultation and engagement strategy; specific Māori engagement strategy – tracked as part of internal sign off process.
Baseline in 2020/21. Improvement on baseline.	Online engagement and consultation tool.
100%.	Record of agreed dates and actual delivery dates.
Survey to be scoped and defined in 2021/22 with implementation planned for mid-2022.	Biennial survey of key stakeholders, including Iwi/Māori, seeking their perceptions of our advice and processes. See also measures 5 and 8.
100%.	Tracking of enquiries, OIAs, PQs, Privacy requests, ministerial requests for information – consolidated report (broken down for quarterly reporting to the Board).
100%.	Regular Board and RASH committee reports and external audit.

11. Our advice will be delivered in 2020/21 but decisions on it not made until December 2021. Stakeholders' perceptions of the advice may be influenced by the Minister of Climate Change's decisions on what to accept, so the initial survey needs to occur post the decision announcements.

Prospective financial statements for 2020/21

Introduction

These prospective financial statements have been prepared in accordance with generally accepted accounting practice for public sector public benefit entities. Their purpose is to facilitate consideration by Parliament of the planned performance of the Commission. The use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented and that the variation may be material. The information has not been audited.

These prospective financial statements have been prepared on the basis of assumptions about future events that the Commission reasonably expects to occur as at the date the information was prepared. It is not intended that this information will be updated. The forecast financial statements were authorised for issue by the Board on 16th June 2021.

Assumptions

The following assumptions have been used in preparing these prospective financial statements.

The following assumptions have been used in preparing these prospective financial statements:

- The Commission will continue to operate in its current structure and form.
- The Commission's statutory functions will remain unchanged.
- Revenue from the Crown of \$12,486,000 will be available for the 2021/22 year.
- There will be no change in premises occupancy.
- Externally-driven costs will increase by no more than the rate of inflation.

- There will be no unexpected external events (such as a natural disaster) that will require significant operating or capital expenditures to be incurred.

Statement of accounting policies

(a) Reporting Entity

He Pou a Rangi Climate Change Commission (the Commission) is a Crown entity as defined by the Crown Entities Act 2004. It was established under the Climate Change Response (Zero Carbon) Amendment Act 2019 and its parent is the Crown. The Commission's principal activities are to:

1. provide independent, expert advice to the Government on mitigating climate change and adapting to its effects; and
2. monitor and review the Government's progress towards its emissions reduction and adaptation goals.

The Commission is a public benefit entity (PBE) for financial reporting purposes.

(b) Statement of Compliance

These prospective financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). These prospective financial statements comply with PBE accounting standards, being prepared in accordance with Tier 2 PBE accounting standards, as a PBE with expenses less than \$30m.

The Commission has applied these standards in preparing these prospective financial statements and has applied all the Reduced Disclosure Requirements Concessions available at Tier 2.

(c) Measurement base

The prospective financial statements have been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(d) Functional and presentation currency

These prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Commission is New Zealand dollars.

(e) Significant accounting policies

The significant accounting policies which materially affect the measurement of financial performance, position and cash flows have been applied consistently for all reporting periods covered by these financial statements.

Revenue

Revenue is measured at fair value of consideration received or receivable. Revenue is derived through the provision of outputs for the Crown, services to third parties and investment income.

Revenue from the Crown

Revenue from Crown transactions is considered to be non-exchange transactions.

The Commission is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose specified in the Appropriation. Revenue from the Crown is recognised in the financial period to which it relates.

Other revenue

Other revenue transactions including interest revenue and provision of services are considered to be exchange transactions.

Interest

Interest revenue is recognised using the effective interest method.

Provision of services

Revenue derived through the provision of services to third parties is recognised in proportion to the stage of completion at the balance date. The stage of completion is assessed by reference to surveys of work performed.

Expenditure

All expenditure incurred in the provision of outputs for the Crown is recognised in the surplus or deficit when an obligation arises, using an accruals basis.

Leases

The Commission is party to operating leases as lessee. As the lessors retain substantially all the risk and rewards of ownership of the leased property, plant and equipment, the operating lease payments are recognised in the surplus or deficit only in the period in which they occur. Any lease incentive received or obligations to make good on the condition of the leased premises are recognised in the surplus or deficit over the term of the lease. At balance date, any unamortised incentive or outstanding obligation for reinstatement is recognised as a liability in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term, highly-liquid investments with maturities of three months or less.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Property, plant and equipment

Property, plant and equipment consists of the following asset classes: information technology assets; furniture; office equipment; and leasehold improvements.

Additions

All items of property, plant and equipment owned are recorded at historical cost less accumulated depreciation and any impairment losses. Depreciation on items of property, plant and equipment acquired in stages does not commence until the item of property, plant and equipment is in its final state and ready for its intended use. Subsequent expenditure that extends the useful life or enhances the service potential of an existing item of property, plant and equipment is capitalised. All other costs incurred in maintaining the useful life or service potential of an existing item of property, plant and equipment are recognised in the surplus or deficit as expenditure when incurred.

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Commission and the cost of the item can be measured reliably. Assets are capitalised if the purchase price is \$2,000 or greater. Items (such as chairs) with a lower individual cost are considered to be capitalised by being aggregated into the asset class. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant and equipment is initially recognised at its cost. Where

an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains or losses arising from the sale or disposal of an item of property, plant and equipment are recognised in the surplus or deficit in the period in which the item of property, plant and equipment is sold or disposed of.

Depreciation

Depreciation is provided on a straight-line basis on all asset components to allocate the cost of the asset (less any estimated residual value) over its useful life. The residual values and remaining useful lives of property, plant and equipment are reviewed annually. This review includes a test of impairment to ensure the carrying amount remains recoverable. Any impairment losses are recognised in the surplus or deficit. The estimated useful lives of the major asset classes are:

information technology/equipment	3 years
leasehold improvements	5 years
office equipment	5 years
furniture	5 years

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

Software acquisition

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Assets are capitalised if the purchase price is \$5,000 or greater.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful life of intangible assets has been estimated as follows:

purchased software	3 years
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Impairment of property, plant and equipment and intangible assets

The Commission does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information. If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Goods and services tax

All items in the prospective financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Commission is a public authority and consequently is exempt from income tax. Accordingly, no provision has been made for income tax.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- contributed capital
- accumulated surplus/(deficit).

Cash flows

The prospective cash flow statement is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive revenue and expense.

Performance outputs

Direct costs are charged directly to outputs.

Research personnel costs are allocated to outputs based on the time spent. The indirect costs of support groups and overhead costs are charged to outputs based on the proportion of direct costs of each output.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

Leases classification

Determining whether a lease agreement is finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no such asset is recognised. The Commission has exercised its judgement on the appropriate classification of equipment leases, and has determined that none of the lease arrangements are finance leases.

Statement of Prospective Comprehensive Revenue and Expense for the year ending 30 June 2022

	ESTIMATED ACTUAL 2020/21 \$000	FORECAST 2021/22 \$000
Revenue		
Revenue Crown	9,424	12,486
Interest Income	2	0
Other Revenue	0	0
Total revenue	9,426	12,486
Expenses		
Personnel	(5,575)	(8,369)
Other expenses	(4,358)	(4,288)
Depreciation and amortisation expenses	(92)	(102)
Total expenses	(10,025)	(12,759)
Net surplus(deficit)	(599)	(273)
Other comprehensive income	0	0
Total comprehensive revenue and expenses	(599)	(273)

The Statement of Accounting Policies forms part of, and is to be read in conjunction with, the Statement of Prospective Comprehensive Revenue and Expense.

Statement of Prospective Changes in Equity for the year ending 30 June 2022

	ESTIMATED ACTUAL 2020/21 \$000	FORECAST 2021/22 \$000
Balance as at 1 July		
Comprehensive revenue and expenses		
Surplus/(deficit)	(599)	(273)
Crown funding – Capital	0	0
Total comprehensive revenue and expenses	(599)	(273)
Balance as at 30 June	(599)	(273)

The Statement of Accounting Policies forms part of, and is to be read in conjunction with, the Statement of Prospective Changes in Equity.

Statement of Prospective Financial Position for the year ending 30 June 2022

	ESTIMATED ACTUAL 2020/21 \$000	FORECAST 2021/22 \$000
Assets		
Current assets		
Cash and cash equivalents	1,449	1,140
Debtors and other receivables	95	76
Total current assets	1,544	1,216
Non-current assets		
Property, plant and equipment	416	341
Intangible assets	0	0
Total non-current assets	416	341
Total assets	1,960	1,557
Liabilities		
Current liabilities		
Creditors and other payables	253	112
Annual Leave Liability	326	325
Goods and services tax	80	90
PAYE and withholding tax	118	130
Lease Incentive - Current	9	9
Total current liabilities	786	666
Non-current liabilities		
Lease Incentive - Non-current	37	27
Total non-current liabilities	37	27
Total liabilities	823	693
Net Assets	1,137	864
Equity		
Total comprehensive revenue and expenses	(599)	(273)
Retained earnings	1,137	538
Capital Contributions	599	599
Total Equity	1,137	864

The Statement of Accounting Policies forms part of, and is to be read in conjunction with, the Statement of Prospective Financial Position.

Statement of Prospective Cash Flows for the year ending 30 June 2022

	ESTIMATED ACTUAL 2020/21 \$000	FORECAST 2021/22 \$000
Cash flows from operating activities		
Cash was received from		
Receipts from Crown	9,424	12,486
Receipts from other revenue	51	0
Goods and services tax net	(244)	0
Cash was applied to		
Payments to suppliers	(3,522)	(4,249)
Payments to employees	(5,679)	(8,496)
Net cash flows from operating activities	30	(259)
Cash flows from investing activities		
Cash was applied to		
Purchase of property, plant and equipment	(315)	(50)
Purchase of intangible assets	0	0
Net cash flows from investing activities	(315)	(50)
Cash flows from financing activities		
Capital contributions	(599)	0
Capital withdrawal	0	0
Net cash flows from financing activities	(599)	0
Net (decrease)/increase in cash	(884)	(309)
Opening cash and cash equivalents	2,333	1,449
Closing cash and cash equivalents	1,449	1,140

The Statement of Accounting Policies forms part of, and is to be read in conjunction with, the Statement of Prospective Cash Flows.

Glossary

Term	Definition
Adaptation	Actions that can help people or natural systems adjust to the actual or expected impacts of climate change. Actions can be incremental and temporary in their effect or transformational by changing systems and their functions, depending on the scale and pace of change and what is at stake.
Biogenic methane	Methane emissions resulting from biological processes in the waste and agriculture sectors.
Climate-resilience	Climate resilience is the ability to anticipate, prepare for, and respond to the impacts of changing climate, including those that we know about and can anticipate and those that occur as extreme events. This includes planning for sea level rise now and responding to more frequent flooding and being ready to respond to extreme events like forest fires or extreme floods and to trends in precipitation and temperature that emerge over time like droughts.
Emissions	Greenhouse gases released into the atmosphere. The Climate Change Response Act 2002 covers the following greenhouse gases: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.
Emissions budget	The cumulative amount of greenhouse gases that can be emitted over a certain period. In the Climate Change Response Act 2002, emissions budgets are the total amount of all greenhouse gases (expressed as a net amount of carbon dioxide equivalent) that can be released over a five-year period (or four years in the case of 2022-2025).
Emissions reduction plan	A plan setting out the policies and strategies for meeting an emissions budget, as required by the Climate Change Response Act 2002.
Gross emissions	Gross emissions include total greenhouse gas emissions from agriculture, energy, industrial processes and product use (e.g. cement production, refrigeration) and waste. Greenhouse gas emissions and carbon dioxide removals due to land use, land use change and forestry (LULUCF) are excluded.
Mitigation	Human actions to reduce emissions by sources or enhance removals by sinks of greenhouse gases. Examples of reducing emissions by sources include walking instead of driving, or replacing a coal boiler with a renewable-powered electric one. Examples of enhancing removals by sinks include growing new trees to absorb carbon, or industrial carbon capture and storage activities.
National adaptation plan	National adaptation plans are required by the Climate Change Response Act 2002 to set out the objectives, strategies, policies and proposals for adapting to the effects of climate change.
Net emissions	Net emissions differ from gross emissions in that they also include emissions from the land use, land use change and forestry sector as well as removals of greenhouse gases from the atmosphere, such as removals of carbon dioxide from the growth of trees.



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