

Budget 25 Joint Minister Meeting

*Minister Bishop, Minister Watts (delegate attending), Minister Simmonds, Minister Hoggard
Tuesday 17 December, 11:30 – 12:00*

Vote Environment Budget 25 Overview

	RM Implementation	Waste Levy	Grants & Funds	→	Seymour letter
MoF's Ask	By 23 Dec - Submit a bid for implementation of Resource Management reforms - but with options to offset the costs by 25%, 50%, and 75% through scaling and/or reprioritisation.	By 23 Dec - Present options for capping the Waste Minimisation Fund (WMF) at \$15m, \$30m, and \$60m. Early 2025 – agree overall quantum for waste investment, and how residual levy funds are then used	By 23 Dec - Identify savings options based on low/high fund targets (annual average savings) - \$1.25m / \$2.5m for climate - \$2.67m / \$5.3m for environment	<i>Savings put forward to Minister of Finance now reduce the options for further baseline savings in the climate portfolio in the Seymour process</i>	By 13 Feb – Identify most appropriate and critical savings from climate portfolio
Status for 23 Dec deliverables	Still require final decision from Minister Bishop on RM bid scope and savings offsets	Decisions made on WMF cap options – including additional \$50m cap option Broader waste levy decisions to come in 2025.	Ministers have signalled interest in establishing a consolidated environmental fund. Environment savings identified beyond high target (Min Simmonds) Still require final decision on: <ul style="list-style-type: none"> • Climate portfolio savings (Min Watts) • Resourcing a broader environmental fund 		N/A
To discuss	Slide 3: TBC following Meeting with Minister Bishop AM 17/12	Slides 4-6: Do you have a collective position on the broader use of waste levy revenue – including the potential to establish an environmental fund?	Slide 7: What portion of savings identified do Ministers want to propose returning versus repurposing?		

RM Bid – overview

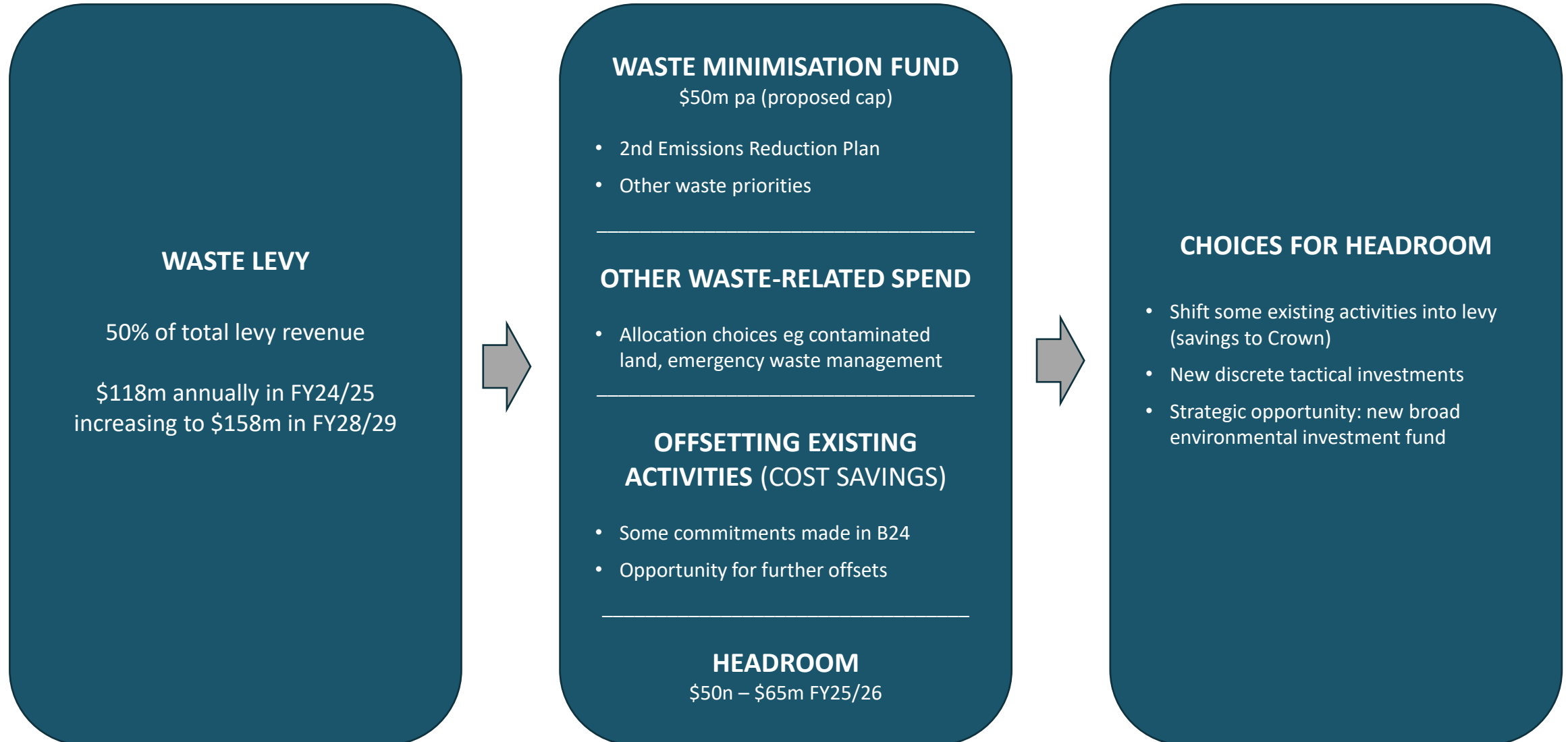
We are treating the RM Bid in two parts:

Part 1 – Ministry costs for policy development, legislative drafting, system improvements, and implementation

Part 2 – costs for new entities that may be established as a result of future government decisions, such as a planning tribunal and national regulator, which may also be subject to cost recovery.

	RM Bid	25% Offset	50% Offset	75% Offset
Part 1: Ministry Costs				
FTE Cost	9(2)(f)(iv)			
Non FTE Cost				
Sub-total				
Part 2: New RM Entities				
New entities	9(2)(f)(iv)			
Total of Part 1 and Part 2				
	<p>BRF-5717 outlined:</p> <ul style="list-style-type: none"> - We can achieve up to 9(2)(f)(iv) offset over the forecast period; - Any savings beyond this require significant reprioritisation decisions for Minister priorities and/or Ministry core functions 	<p>25% offset</p> <p>Greater buffer for future cost pressures</p> <p>A greater buffer is less likely to be supported by Treasury or through the Seymour Baseline review (Climate) process</p>	<p>50% offset (recommended)</p> <p>Keeps limited buffer for future cost pressures (e.g. wage inflation, litigation)</p>	<p>75% offset</p> <p>No buffer for future cost pressures</p> <p>Requires decisions to stop work on Minister priorities and/or stopping MfE core functions</p>

Making broader use of the Waste Disposal Levy



Key considerations for non-committed funds (headroom)

Scope of use subject to the Waste Minimisation Act

- The Act prescribes what the levy fund can be applied to (section 30)
- Increased options from July 2024 – now includes activities that increase environmental benefits or reduce environmental harm
- There needs to be a clear link from activities to outcomes – the more direct the stronger the case for levy use
- The Act also allows the levy to fund the Ministry's costs of running its waste-related functions

Sum available is forecast to increase over time

- Surplus available in 25/26 (current estimate \$52-66m), which is forecast to increase from 26/27
- Potentially reaching \$500m annually (\$250m for councils and \$250m for government share)
- Waste minimisation activities will not absorb the surplus (over-allocation to waste would crowd out private investment and be unsustainable subsidies)

Budget 25 is an opportunity to reset the funds landscape

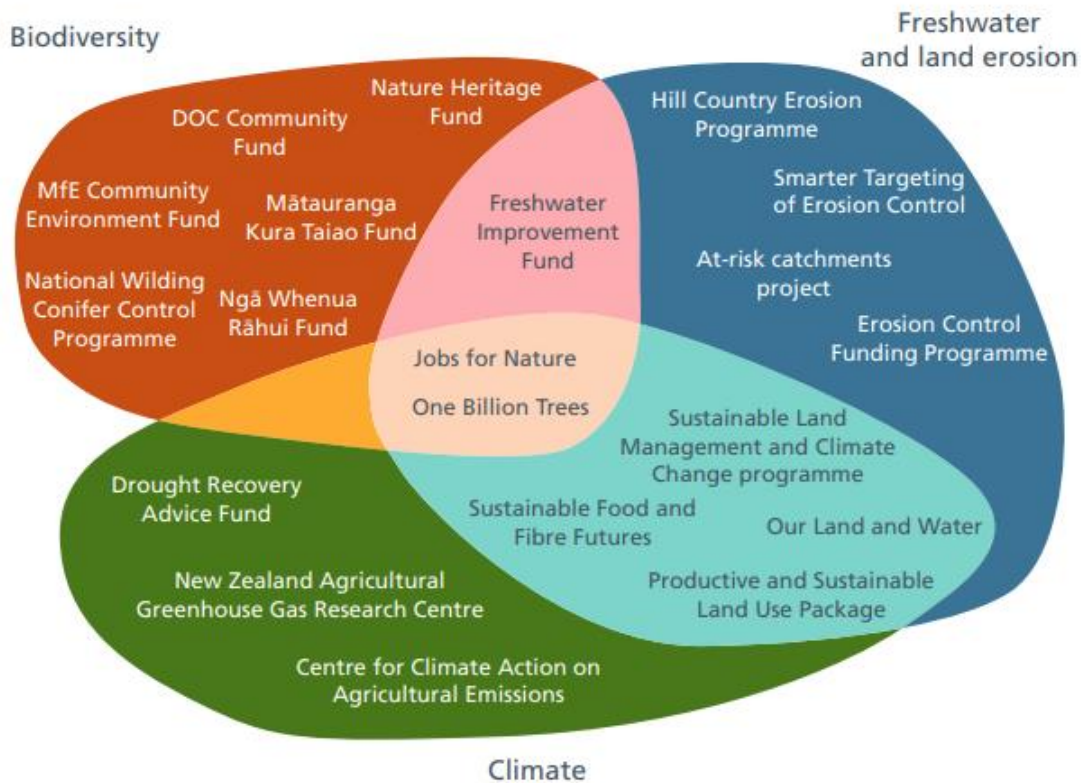
- Fund landscape is silo-ed and lacks coherence (also highlighted by PCE in its 2024 report *Going With The Grain*)
- Chance to establish an environment investment fund – improved investment flexibility; better alignment to govt priorities; better value for money
- Opportunity to use some of the Waste Levy surplus to support the fund
- Enhance investment disciplines – improve assessment, prioritisation & investment management (broad analogy to social investment)

Longer term possibility to expand revenue sources

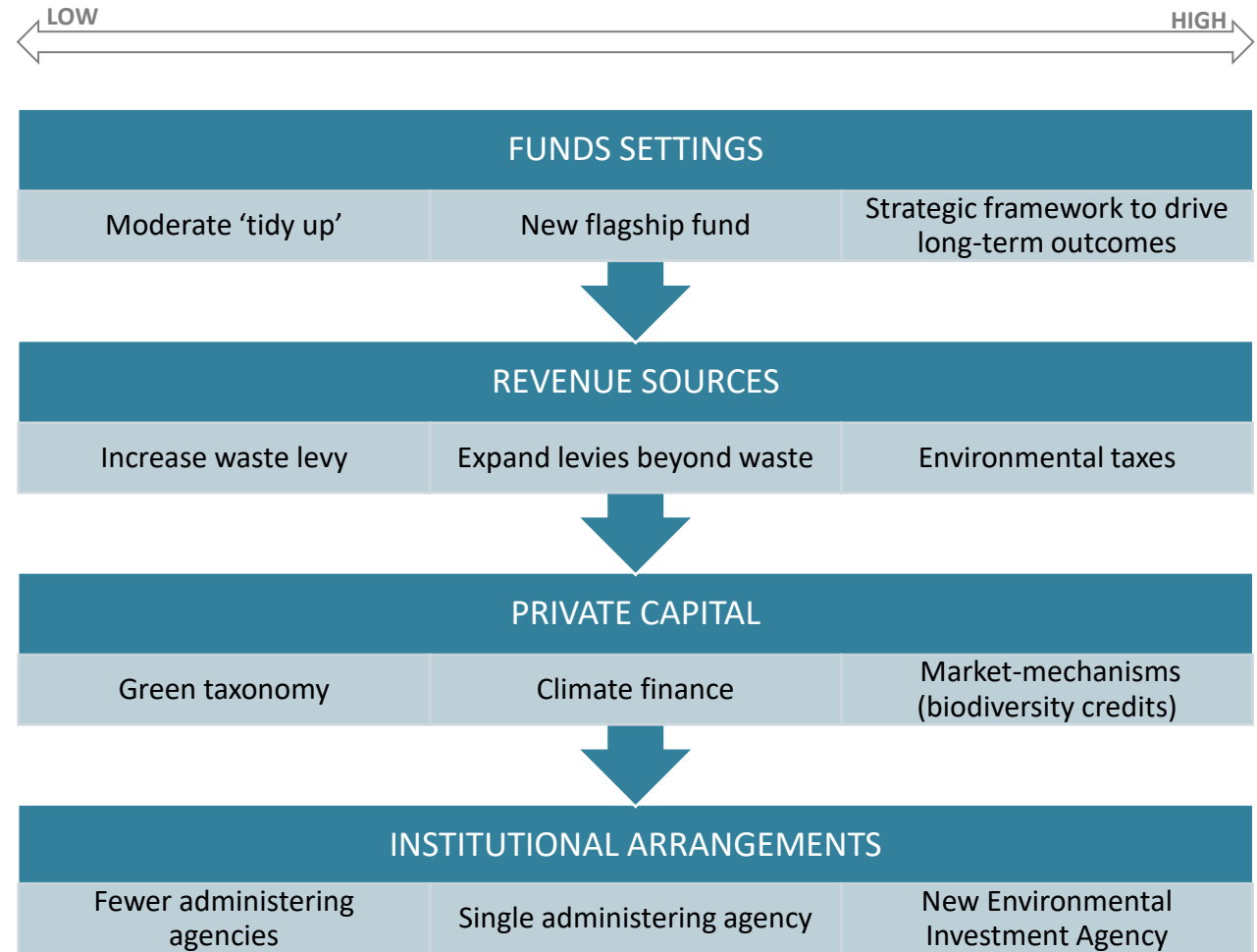
- Option to consider levies, fees beyond waste to generate government revenue for environmental investment
- Complementary initiatives underway to increase private capital flows into environmental investment (biodiversity credits markets, climate finance)

Options to reset the environment investment landscape

The current landscape is highly fragmented



Design choices for future investment landscape (preliminary thinking)



Improving the grants & funds landscape

We have reviewed our funds and grants as requested by MoF

- Annual savings are possible of ~\$13m (more than the "high" ask of \$7.9m by MoF across both environment and climate funds)
- For climate resilience for Māori, only the "low" savings ask is recommended (halving the \$10m in 25/26) – a complete stop is risky
- Savings can be returned, or repurposed for environmental purposes, or both (i.e. return some and repurpose some)

Budget 25 is an opportunity to reset the fund landscape, including to better support Government priorities

- MoF asked all agencies to consider consolidation of funds and grants; a broader fund would do this and improve coherence
- A broad environment investment fund has potential for greater value for money and better investment flexibility
- A fund could also support RM reform (deregulation of env. mgmt) through complementary investments, incl community-led actions
- A fund would need stand-up funding, either from the levy (early 2025 decisions) and/or use of Crown savings
- Given levy decisions are yet to be made, maintaining an option now to use some Crown savings is important

Decision needed – What portion of Crown savings do Ministers want to propose returning versus repurposing?

- ~\$13m savings are possible (annual average) across environment and climate funds – endorsed by Ministers
- MoF requested “low” and high” saving scenarios – “Low” ask of \$3.92m; “High” ask of \$7.9m
- What portion of the ~\$13m do Ministers want to return versus propose for repurposing (pending Waste Levy decisions early 2025)?

Note: this content assumes decisions outlined in BRF-5717 are agreed

Messaging subject to change following meeting with Min Bishop in the morning

Key messages for Vote Environment Budget 25 letter to Minister of Finance

- Vote Environment ministers have worked together to develop the package of savings and spending initiatives outlined in this letter
- The package recognises the need for fiscal discipline, Budget 2025's focus on boosting economic growth, and the importance of delivering on coalition agreements.
- We have worked hard to find further savings options through both our grants and funds review and to identify options to offset a substantial portion of the cost of the resource management implementation 'new spending' bid
- This follows significant funding returned from Vote Environment through the Mini Budget and Budget 2024 and downward staffing track which sees the Ministry's funded FTE staffing more than halve between 2023/24 and 2026/27.
- The Ministry has designed its Budget 2025 proposals to ensure the government's RM reform agenda is achievable, and will enable its wider ambitions for housing and infrastructure development, economic growth and productivity.
- We have gone further than asked for in identifying savings across our existing funds through a rapid review of the entire portfolio. We recommend a reset of the approach to deliver ongoing value for money.
- Ahead of upcoming Waste Levy decisions, we have identified an opportunity to create a consolidated environmental investment fund which the Government may want to consider through Budget 25 and future Budgets.
- A more consolidated fund would improve investment flexibility for better alignment to Government priorities. It could also support RM reform and deregulation of environmental management through investments that support/complement implementation, and community-led actions. Ministers may also consider using grants and funds savings identified through B25 to contribute to this fund.

Plus the standard letter template components provided by Treasury to summarise bid titles and savings/spending