

# Context pack for Budget 25 workshop

## *Pre-reading*

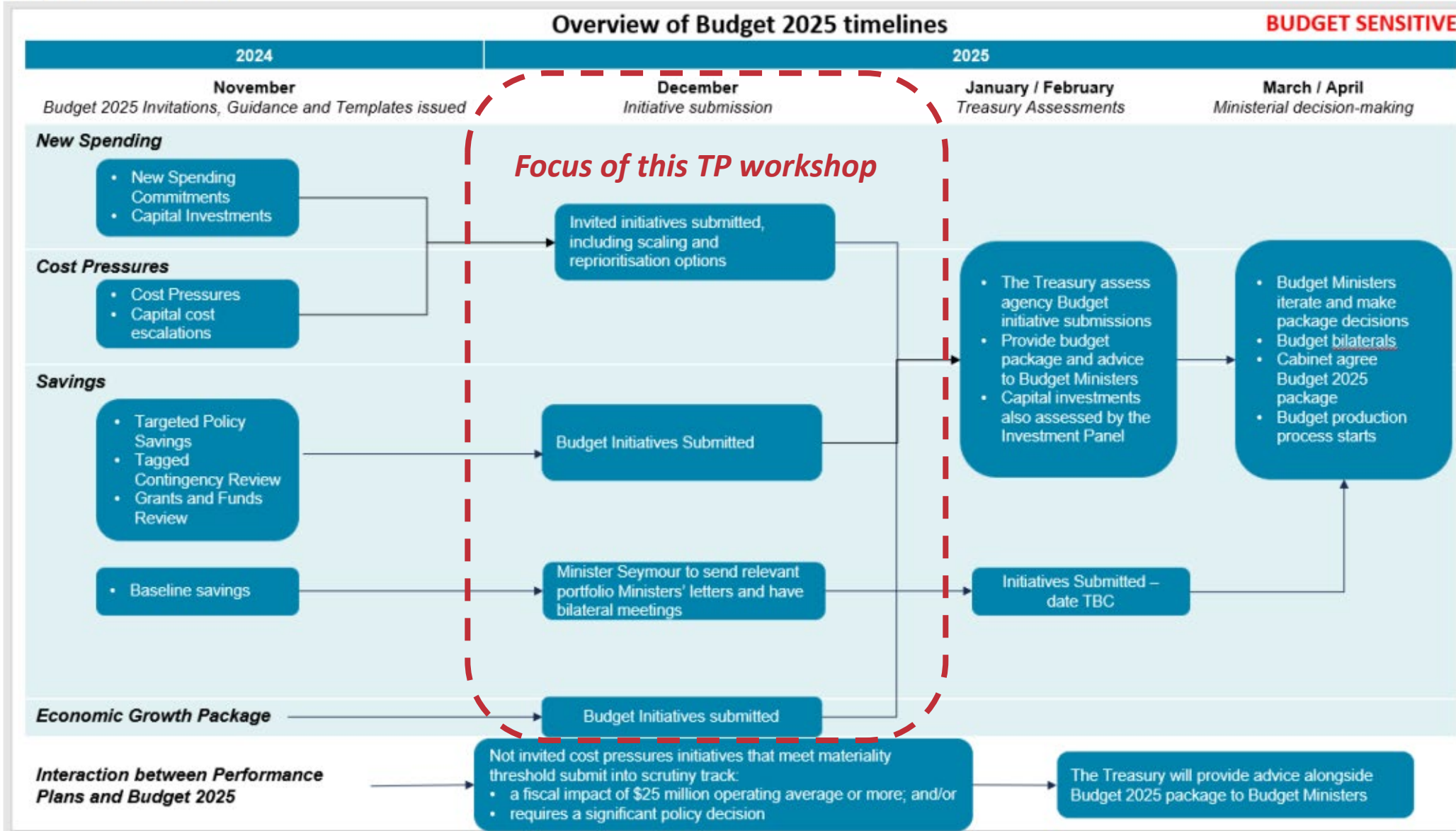
### **Outcomes:**

- Understand key deliverables and dates for ministers and TP
- Note over-arching narrative and tactical approach for delivery by 23 December
- Understand the context for the different B25 workstreams

**NOTE:** Discussion on this pack will be by exception only - preference is to send feedback/areas for clarification direct to the B25 team (via Charlotte Wood & Jeremy Strickland)

# Overview of the Government's B25 process

Budget 2025 Overview



# Timeline – Deliverables to 23 December

Key Minister Milestones

Te Pūrengi key decisions

Other Te Pūrengi touch points

Week	Focus	Monday	Tuesday	Wednesday	Thursday	Friday
<b>Week 1</b> <i>(w/c 25 November)</i>	TP strategic direction	25 <sup>th</sup>	26 <sup>th</sup>	27 <sup>th</sup>	28 <sup>th</sup>  Minister weekly process updates	29 <sup>th</sup> TP workshop to provide strategic direction
<b>Week 2</b> <i>(w/c 2 December)</i>	First advice to Ministers	2 <sup>nd</sup>  Watts officials meeting update (verbal)*	3 <sup>rd</sup> TP Gov meeting – confirm options for Ministers  Simmonds officials meeting update (verbal)*	4 <sup>th</sup>  Bishop & Hoggard officials meeting update (verbal)*	5 <sup>th</sup> BRF – draft options + broader waste levy considerations for Ministers’ weekend bag  Minister weekly process updates	6 <sup>th</sup> TP workshop - prep for minister questions / discussions <sup>+</sup>
<b>Week 3</b> <i>(w/c 9 December)</i>	Support ministers’ discussions / final draft	9 <sup>th</sup>	10 <sup>th</sup> TP Gov meeting – Minister feedback <sup>+</sup>	11 <sup>th</sup>	12 <sup>th</sup> TP workshop on minister feedback / direction – final changes <sup>+</sup>  Minister weekly process updates	13 <sup>th</sup> BRF - final options for approval
Expect Min Seymour letter this week		<b>Minister feedback</b> <b>Possible ministers’ joint discussion</b>				
<b>Week 4</b> <i>(w/c 16 December)</i>	Minister letters to MoF + Submit templates	16 <sup>th</sup> Final minister feedback	17 <sup>th</sup> TP Gov – final update <sup>+</sup>	18 <sup>th</sup> CE final approval  BRF - Portfolio Ministers final letter to MoF	19 <sup>th</sup> Submit completed Treasury templates  Minister weekly process updates	20 <sup>th</sup>
<b>Week 5</b> <i>(w/c 23 December)</i>	Stand-by	Final lodgement date – if any changes needed	* Weekly updates for week ending 29 Nov will test whether Ministers want weekly B25 standing items at Officials Meetings <sup>+</sup> Te Pūrengi touchpoints will be removed if not necessary			

# Tactical Approach

- Four workstreams deliver a package of options for ministers' consideration. Signoff by Minister Simmonds via letter on December 18. Delivery to Treasury by December 19-23.
- Weekly officials' updates will be used to test content and get direction, and weekly written updates to outline process progress.
- On Friday December 5, we'll provide a briefing paper to key ministers, with feedback discussed with them the following week.
- A proposed joint ministers meeting in the week beginning Dec 9 would allow the key ministers to agree on cross portfolio trade-offs and the overall direction of the package.
- Substantive "draft final" paper provided to key ministers on Dec 13, for final approval. Final package including templates signed off by James and Laura by December 18 ahead of the Minister/s letter/s to MoF.
- Key messaging emphasises:
  - The importance of fiscal discipline and the need to deliver better outcomes and value for money – especially from our grants and funds programme;
  - The speed and extent of reductions to the Ministry's size and capability as a result of Budget 2024, and the impact any further savings will have on our ability to deliver government priorities;
  - The consequences that *underfunding* RM could have on the ministry's capacity to meet other government work, or deliver our statutory obligations;
  - The potential of the waste levy to provide additional savings, and fund (or offset reprioritisation of) broader environmental activities in later years.
- We are also preparing for expected further savings sought through Minister Seymour's pending letter.

# Key messages

## THE ASK

The Minister of Finance has written to Ministers making clear this year's Budget is focused on boosting economic growth and requires fiscal discipline from agencies, including specific savings to fund government priorities.

1. The Environment Minister was asked to identify savings options in the waste minimisation fund, Climate Resilience for Māori and other environmental funds. This is part of a push to deliver better value from grants and funds across the public sector.
2. MoF also advised the Ministry may be subject to a separate process run by Associate Finance Minister David Seymour, based on the Ministry's significant growth since 2017. This might request further baseline savings.
3. Government has made clear its ambition for resource management reform to unlock housing and infrastructure growth. We have been invited to bid for an initiative to deliver RM Phase 3 implementation.

## OUR RESPONSE AND CONTEXT – if Budget bid goes ahead

1. We are compiling a package of savings initiatives across the waste minimisation fund, and in grants and funds generally, along with a RM budget bid for ministers to consider. The savings will also include reprioritisation options to fund RM implementation – needed whether or not a full or scaled bid is successful.
2. Our approach is guided by the need for fiscal discipline and value for money to enable Budget 25's focus on boosting economic growth. We are reviewing our overall funds and grants programme to ensure it delivers on these expectations.
3. Savings options in funds and grants, and the waste levy are relatively contained to their buckets. However, decisions around the extent we absorb RM costs will impact other parts of the environment and climate portfolios and may affect our ability to deliver government work programmes.
4. The Ministry is managing a 30 percent reduction in staffing over the next year following Budget 24 – the largest in the public sector. By 2027/28 we are tracking to 9(2)(f)(iv) our funded FTE staff from a high of 1230 in 2023/24 to 9(2)(f)(iv).
5. We're working on a number of fronts to ensure we can continue to deliver government priorities, and our statutory obligations while managing a reduction of this size. Our new operating model enables some efficiencies including in our organisational structure, technology and processes. We have also reduced delivery of statutory obligations to minimum viable levels, and will absorb cost pressures identified in our performance plan.
6. If the RM Reform bid is not successful, ministers may need to delay implementation and agree trade-offs across their broader work programmes including rephasing and re prioritisation.
7. There is potential to use available waste levy funding for broader environmental projects in later years, as well as realising savings. Budget 26 could be an opportunity to make new investment decisions about the waste levy.

# Recap of the asks & cumulative impact for MfE

CLASSIFICATION

Note: how other anticipated future costs (e.g ETS register, EPA Ecotoxicity models) are funded also need to be considered in our savings scenarios

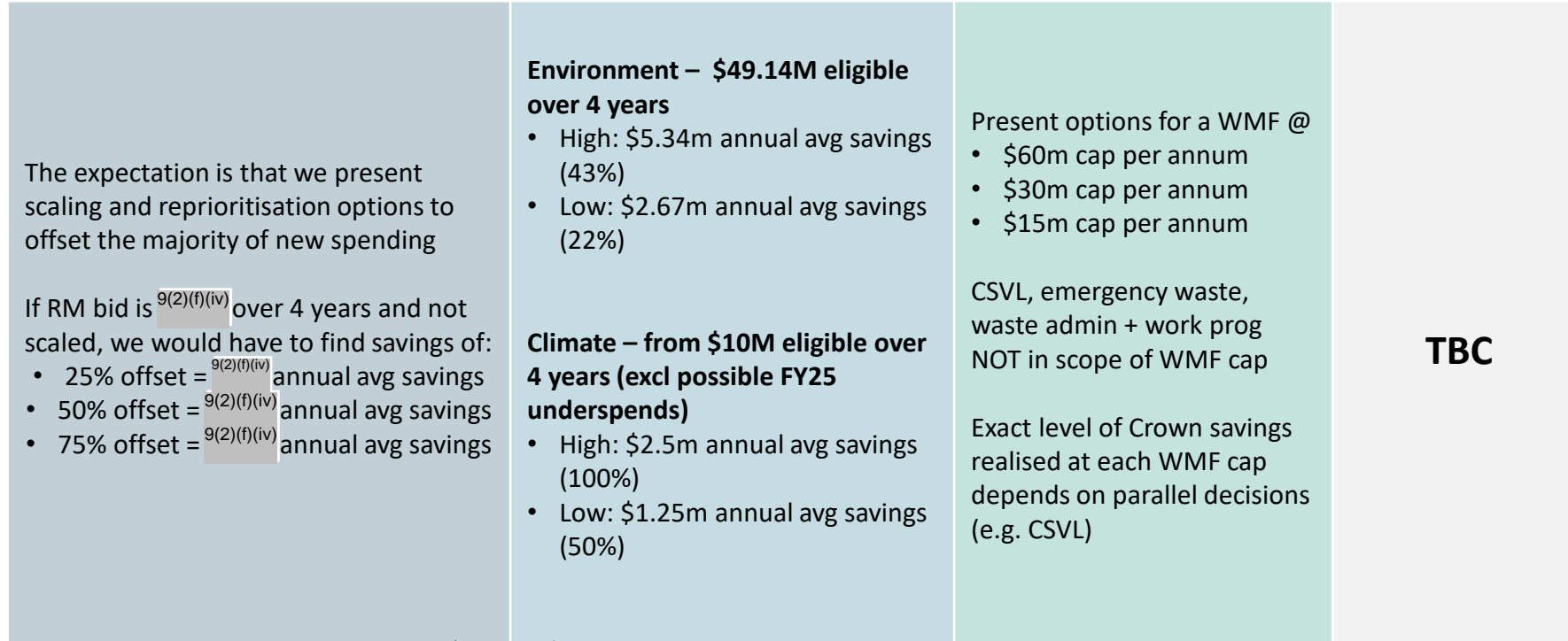
B25 Invitations



There are a range of scenarios that could play out for MfE through B25

Low level of impact to work programme

Potential Impact



**Lower savings scenario**

- \$60M cap for WMF
- \$3.92M annual non-dept savings (grants & funds)
- No bid, or highly Scaled RM bid, minor savings contribution
- Waste levy funds EPA HSNO model

**Higher savings scenario**

- \$15M cap for WMF
- \$7.84M annual non-dept savings (grants & funds)
- full RM bid, largely offset by reprioritisation and/or moderate Seymour savings
- EPA ecotoxicity model funded through MfE baseline

**Highest savings scenario**

- Higher savings scenario AND Seymour baseline saving
- EPA ecotoxicity models, ETS register need to be funded from MfE baseline

Low level of impact to work programme

Interdependencies

- Grants & funds savings beyond the high target set by Treasury can potentially contribute to RM offset & reprioritisation
- Fund administration efficiencies could be realised as dept savings to offset RM

Savings options identified for utilising the expanded Waste Levy could realise some MfE environment grant & fund savings

Time-limited funds & funding gaps identified in G&Fs review could be options for additional environmental investment using expanded Waste Levy

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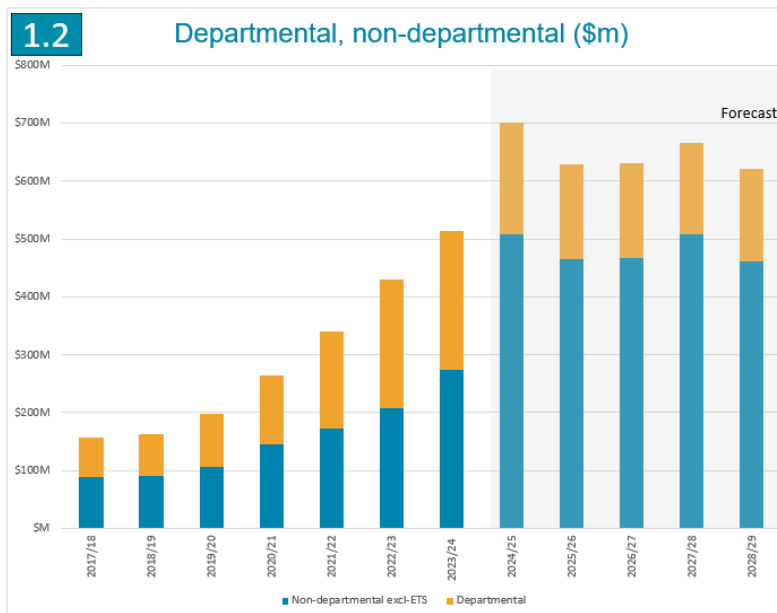
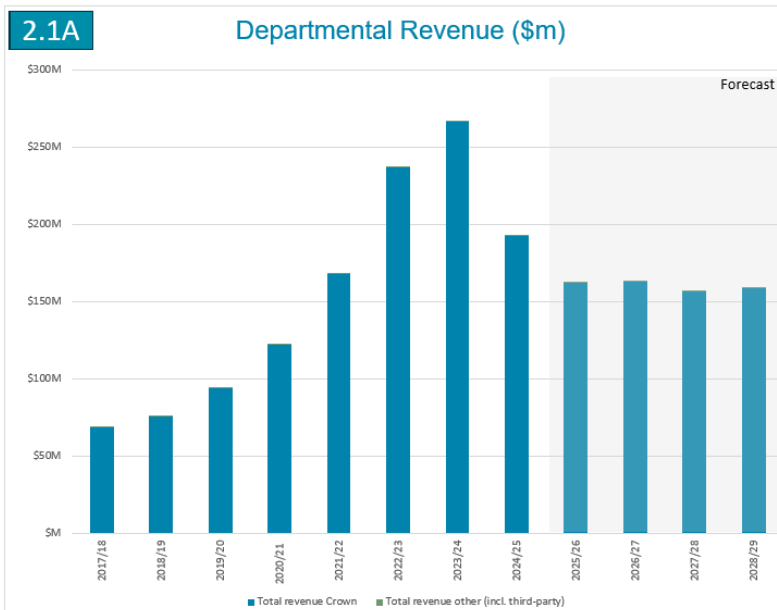
# Current Financial position

## Vote Environment - Financial Position & Outlook OBU 2024

Departmental Appropriations	23/24 \$'000	24/25 \$'000	25/26 \$'000	26/27 \$'000	27/28 \$'000	28/29 \$'000
<b>Departmental Output Expenses</b>						
Improving New Zealand's Environment	166,784	108,797	84,140	91,470	87,923	89,528
Managing Climate Change in New Zealand	51,673	52,161	51,966	53,341	50,327	51,046
Spatial Planning Board	3,903	-	-	-	-	-
Climate Change Chief Executives Board	3,504	3,435	3,562	4,329	4,310	4,363
<i>Environment Work Programme (Waste &amp; HSNO)</i>	-	15,150	16,480	7,600	7,600	7,600
<i>Waste Minimisation Administration</i>	13,388	12,704	5,906	5,906	5,906	5,906
<i>Product Stewardship Administration</i>	721	1,047	1,154	1,185	1,215	1,245
<b>Total Departmental Appropriations</b>	<b>239,973</b>	<b>193,294</b>	<b>163,208</b>	<b>163,831</b>	<b>157,281</b>	<b>159,688</b>
Reduction from peak year (23/24)		46,679	76,765	76,142	82,692	80,285
<i>Third-Party funded in grey shading</i>					34.5%	33.5%

Non Departmental (excl ETS)	23/24 \$'000	24/25 \$'000	25/26 \$'000	26/27 \$'000	27/28 \$'000	28/29 \$'000
<b>Non-Departmental Category</b>						
Climate change other	475	9,207	10,170	170	170	170
Climate Change Commission	18,433	14,303	15,504	14,904	14,904	14,904
Community funding	5,170	3,502	2,700	2,700	2,700	2,700
Environmental Protection Authority	37,599	37,399	35,616	35,616	35,393	35,393
International obligations	751	761	785	785	745	745
Indigenous Biodiversity	-	-	-	-	2,950	-
RMR implementation	400	-	-	-	2,285	-
Treaty obligations	13,272	20,208	5,357	4,846	4,619	4,379
CSRF	1,811	8,340	-	-	-	-
Waste minimisation debt impairment	-	5,000	5,000	5,000	5,000	5,000
Reducing emissions from waste	5,109	14,934	-	-	-	-
Product Stewardship Schemes	2,750	57,342	64,456	66,004	68,760	68,405
Reducing emissions from waste (levy)	-	23,300	23,600	-	-	-
Waste Minimisation Fund & TLAs (levy)	105,995	192,705	265,895	318,225	352,569	311,056
CSVL (levy)	-	3,000	5,128	2,628	2,628	2,628
Water initiatives (levy-funded)	-	58,125	29,400	14,500	13,900	-
Water initiatives (Crown-funded)	82,481	59,436	1,500	1,500	1,500	15,600
<b>Total Non-Departmental</b>	<b>274,246</b>	<b>507,562</b>	<b>465,111</b>	<b>466,878</b>	<b>508,123</b>	<b>460,980</b>
<i>Third-Party funded in grey shading</i>	108,745	334,472	388,479	401,357	437,857	382,089
<i>Total Non-Departmental (Crown-funded)</i>	165,501	173,090	76,632	65,521	70,266	78,891

<b>Vote Total Appropriations</b>	<b>514,219</b>	<b>700,856</b>	<b>628,319</b>	<b>630,709</b>	<b>665,404</b>	<b>620,600</b>
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This info sets the scene for what is eligible for savings, and what is not.

- White cells = eligible
- Grey cells = ineligible

Easier departmental savings opportunities include:

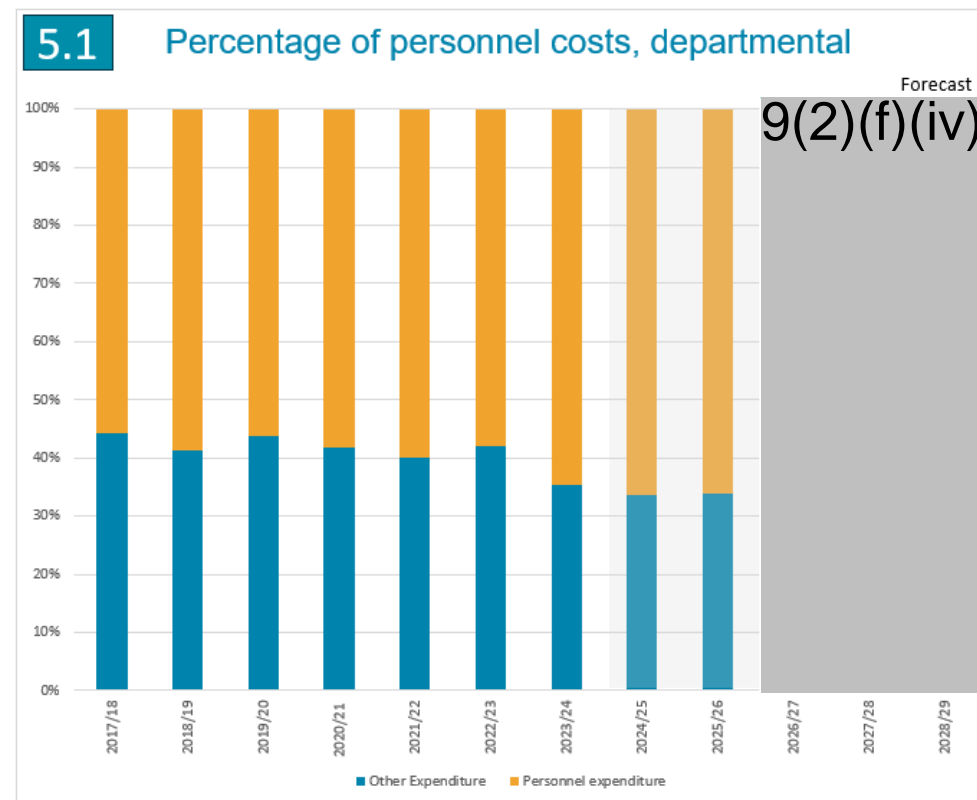
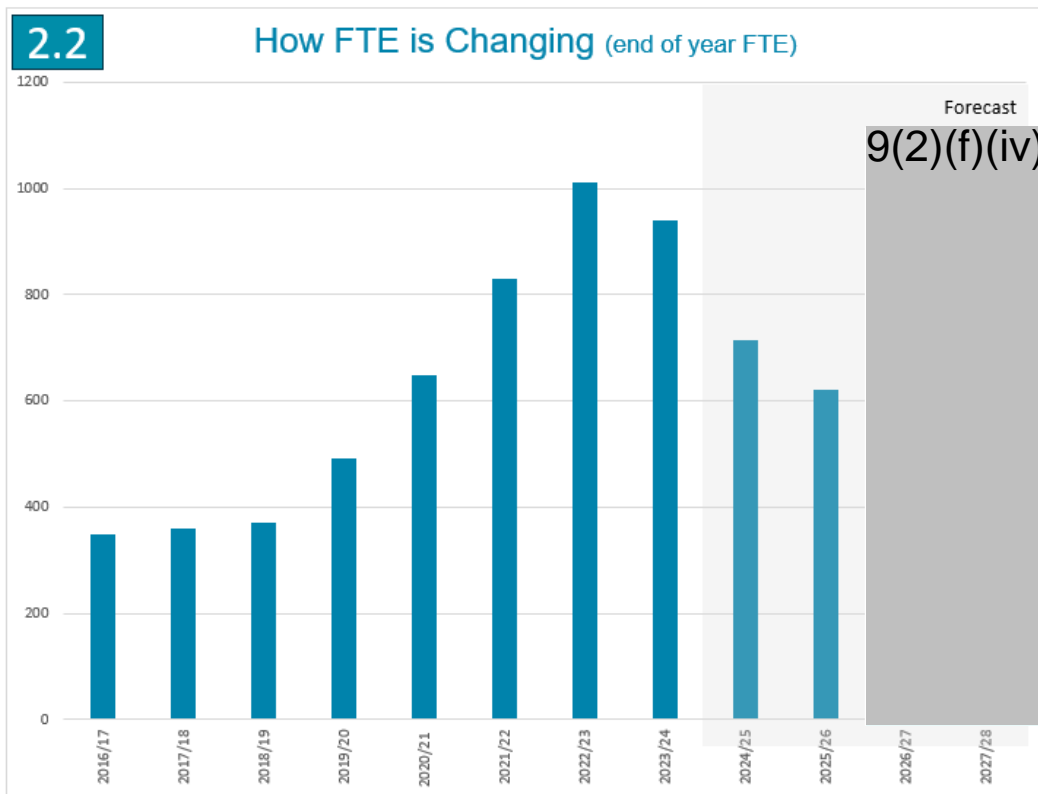
- Wage contingency drawdown headroom incorporated into Strategic Finance model slide (at end).

Easier non-department savings opportunities include:

- \$14.1m Kaipara Moana in Water initiatives (Crown-funded) 2028/29 – add one more year to waste-levy
- \$2.95m Indigenous biodiversity funding
- \$2.285m RMR implementation
- \$14.9m CERF reducing emissions from Waste

# FTEs

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
FTE (end of year)	349	359	372	492	648	828	1010	939	862	714	9(2)(f)(iv)	



# Strategic Finance model: forecasts future spend

Scenario 1: Without increase in WMA and EWP funding			
	FY 2025/2026	FY 2026/2027	FY 2027/2028
Climate	6,716,258	7,777,725	6,233,472
Climate Change Chief Executive Board (IEB)	(5,201)	498,229	414,361
Environment	(3,784,398)	3,224,721	3,303,445
Environment Work Programme	1,357,983	(7,276,633)	(6,889,319)
Product Stewardship Administration	651,435	653,592	667,356
Waste Minimisation Administration	(3,895,045)	(3,882,148)	(3,734,211)
<b>Surplus /(deficit)</b>	<b>1,041,032</b>	<b>995,486</b>	<b>(4,896)</b>
<b>Suplus related to Crown funded appropriation</b>	<b>2,926,659</b>	<b>11,500,675</b>	<b>9,951,278</b>

Scenario 2: With increase in WMA and EWP funding			
	FY 2025/2026	FY 2026/2027	FY 2027/2028
Climate	6,716,258	7,777,725	6,233,472
Climate Change Chief Executive Board (IEB)	(5,201)	498,229	414,361
Environment	(3,784,398)	3,224,721	3,303,445
Environment Work Programme	(1,999,017)	(3,657,633)	(3,270,319)
Product Stewardship Administration	651,435	653,592	667,356
Waste Minimisation Administration	2,902,956	2,915,852	3,063,789
<b>Surplus /(deficit)</b>	<b>4,482,032</b>	<b>11,412,486</b>	<b>10,412,104</b>
<b>Suplus related to Crown funded appropriation</b>	<b>2,926,659</b>	<b>11,500,675</b>	<b>9,951,278</b>

	FY 2025/2026	FY 2026/2027	FY 2027/2028
People cost	108,657,180	108,285,537	9(2)(f)(iv)
Non People Cost	53,509,781	54,549,976	55,610,974
	<b>162,166,960</b>	<b>162,835,513</b>	<b>9(2)(f)(iv)</b>
<b>People cost</b>	67%	66%	9(2)(f)(iv)
<b>Non People Cost</b>	33%	34%	9(2)(f)(iv)
	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Forecast spending and funding availability

1. We have extrapolated the current work programme out for the next 3 years with two scenarios and produced in the tables the variances between Funding and projected spend.
2. Scenario 1 is based on current OBU baseline without new funding for levy funded areas (Environment Work Prog and WMA) being transferred from levy.
3. Scenario 2 is based on having new funding (from Waste Minimisation Fund) for levy funded areas. This transfer shows the surplus created in Crown funds that can be available for reprioritisation. Note 3<sup>rd</sup> party funds can't be used.
4. All scenarios include 2% for CPI and rem, \$4m for restructure costs and \$1.5m per annum for additional legal costs. FTE costs are based on the FTE profile on the previous slide (modelled on pre-contingency funding).
5. Based on the above assumptions, our non-FTE costs are on average around 34% of the total costs which was estimated at 30% during organisation design stage.
6. This provides an opportunity to free up around \$24m for the period 2025/26 – 2027/28 if the non-FTE costs are kept at 33% -35% of the baseline and assuming our people costs are maintained at the approved structure level. We also need to extend the model for the 28/29 year, which should increase the savings level.