

Minister Bishop RM officials meeting, Tuesday December 16

Budget 2025 talking points for James including:

1. Residual decisions for the Minister, following Friday's brief - needed Monday
2. Issues for the joint Ministers meeting on Tuesday
3. Timing and Minister Seymour baseline review update
4. Budget timing
5. Summary of RM bid including comparison with previous govt

Key message

The joint ministers meeting on Tuesday is an opportunity for Min Bishop to outline the RM bid and the implications that various offsetting options could have on the broader vote environment portfolios.

It will be important to stress the critical role that RM reform has to the government's economic agenda, and the need for RM development, delivery and implementation to be appropriately resourced. Depending on MoF decisions, there may be a need for the ministers to get back together in the new year- particularly if greater offsetting is required.

1. Residual decisions for Minister Bishop

Does he agree an RM Budget Bid of \$9(2)(f)(iv) will be submitted, comprising:

- \$9(2)(f)(iv) in Ministry costs, which will be subject to offsetting by the Ministry as directed by the Minister for Finance
- \$9(2)(f)(iv) for establishment of new RM entities (such as a planning tribunal and national regulator), which is not intended or able to be offset by the Ministry, and may be funded through cost recovery, pending future government decisions

Does he agree the RM Bid will identify a 50% offset (\$9(2)(f)(iv)) of the Ministry costs portion of the bid as the preferred offset amount, drawn from savings generated by recent decisions around wage contingency draw-down and funding of waste administration activities via the Waste Levy, and lower than anticipated costs resulting from the Ministry's change process.

It would be a good idea to make sure the Minister is comfortable with the approach where we do not offer to offset the cost of the new entities, due to the factors outlined under Part 2.

Is the Minister comfortable with not including any third party implementation costs, such as funding for local government or iwi / Maori?

Our advice:

- Minister Bishop's direction on the timing of the work and the core components of the Phase 3 work has helped us to refine the proposed RM bid to comprise:
 - a. \$9(2)(f)(iv) in FTE costs (temporary additional staff above our baseline – refer graph on final page of these notes)
 - b. \$9(2)(f)(iv) in non-FTE costs
 - c. \$9(2)(f)(iv) for new RM entities, such as a planning tribunal and national regulator.
- The RM bid comprises two parts:

Part 1. Ministry costs, with offset options as requested outlined here:

Table 2: Revised RM Bid and Offsets – excluding new entities				
	<i>RM Bid</i>	<i>25% Offset</i>	<i>50% Offset</i>	<i>75% Offset</i>
<i>FTE Cost</i>	9(2)(f)(iv)			
<i>Non-FTE Cost</i>				
<i>Total</i>				

Part 2. New entities, with scope and possible cost recovery TBC, and scaling as an option

- New entities costs: We've proposed \$9(2)(f)(iv) in phased, tagged contingency funding for the establishment of these entities – not offset by the Ministry.
- These are entities that may be established as a result of future government decisions, such as a planning tribunal and national regulator.
- We don't think its appropriate to offset these costs, due to the entities' unknown size, scale and scope which is subject to future government decisions. They may also be funded through cost recovery mechanisms.
- Instead of savings offsets, scaling offsets of the initiative could be explored at the time the tagged contingency is drawn down.
- These entities could cost from 9(2)(f)(iv) to 9(2)(f)(iv) per annum, depending on government decisions. If we were required to offset these costs, the Ministry would be unable to deliver all of our statutory obligations or other government commitments.

How we found the \$9(2)(f)(iv) for offsetting ministry costs

- We can offset up to 50% (\$9(2)(f)(iv)) of the ministry related costs in the bid as a consequence of decisions made during Budget 24. However, offsetting 75% (or \$9(2)(f)(iv)) of the RM Bid would be beyond our means if we are to continue to deliver the current agreed work programme across all portfolios.
 - During Budget 24, there was a high level of uncertainty on our future funding. When decisions were taken on future FTEs, two areas were not included in our future revenue profile: drawdown of the wages contingency, which has only been formally confirmed at the 2024 OBU, and the waste and hazardous substances policy work programme, which is now funded through the Waste Levy rather than Ministry funds. Further, the Ministry's change process anticipated fewer voluntary redundancies and some staff staying longer, which meant 9(2)(f)(iv) allocated for staff costs was not needed and is available to help offset costs.
1. We are now projecting that, after allowing for cost pressures, we can achieve a \$9(2)(f)(iv) lower overall spend over the forecast period. Ministers may also want to repurpose savings from grants and funds (all or a portion) to also offset part of the RM Bid.

- An offset of this size would leave a small amount of funding to manage ongoing cost pressures, such as wage inflation and other matters identified in the Vote Environment Performance Plan.
- Should MoF require an offset of 75% or \$9(2)(f)(iv) (which is around \$9(2)(f)(iv) more than we could cover with unallocated funding), Climate and Environment ministers would need to identify work programmes to delay, rescope and/or stop work that is not a statutory requirement. This option would likely require stopping Ministers' priority work signalled in the early 2024 letters to the Prime Minister and outlined in the Vote Environment Performance Plan.

2. Joint Ministers Meeting

- The meeting is an opportunity for the Minister to outline the RM bid and to ensure his colleagues are comfortable with and understand the implications that various offsetting options could have on their portfolios.
- It is also an opportunity for the ministers to come to a collective view on the opportunity to create a consolidated environmental investment fund which the Government may want to consider through Budget 25 and future Budgets. This could be partly funded through headroom in the waste disposal levy.
- It will be important to stress the critical role that RM reform has to the government's economic agenda, and the need for RM development, delivery and implementation to be appropriately resourced. Depending on MoF decisions, there may be a need for the ministers to get back together in the new year- particularly if greater offsetting is required.

RM Budget Background

6. In mini-Budget Dec 23, we handed back \$310.756m that had been allocated for RM Reform under the previous government.
7. In Budget 24, we were allocated \$90.235m for initial phases of new RM Reform. This did not include funding for implementation of Phase 2 or Phase 3.

Waste levy opportunity

- Minister Simmonds is likely to want to discuss the strategic opportunity to create a broader environment investment fund
- There will be a significant build-up of headroom in the waste disposal levy over the next few years, and there is an opportunity to use this to contribute to a consolidated environmental investment fund. We'll explain this in more detail tomorrow. We'd like to test the ministers' response to this idea, which could be considered in the new year.
- 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.

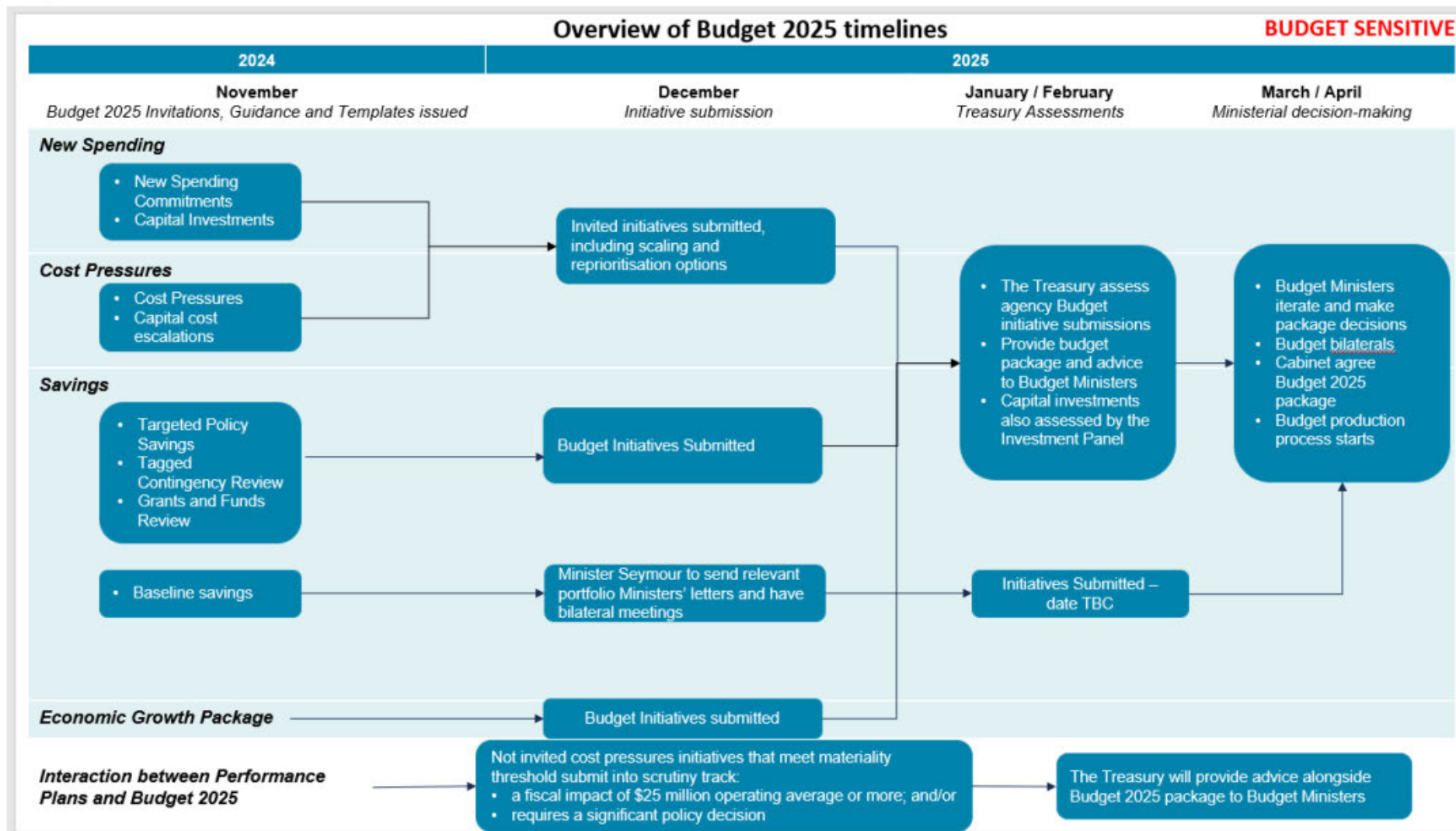
3. Timing and Min Seymour exercise

We will use Minister feedback and decisions on the final brief to finalise a draft letter for Minister Simmonds to send to MoF on behalf of all Vote Environment ministers on December 18. At the same time we'll complete and submit our B25 savings and initiative templates which are due to Treasury by December 23.

By 13 February Minister Watts has been asked to write to Minister Seymour outlining savings options in the Climate portfolio as part of the separate baseline savings exercise

Re the Seymour baseline exercise, we participated in a drop-in session with Treasury yesterday. They confirmed no bilateral dates have been setup yet, so there is a possibility ours will be after Christmas. Treasury will be providing preliminary advice to their Minister covering potential areas to explore in each portfolio, either for B25 or a longer timeframe. Treasury say they will share their A3's and calculations with us early next week.

Budget 2025 Overview



RM Bid – overview

Are you comfortable with the RM implementation bid and offset approach?

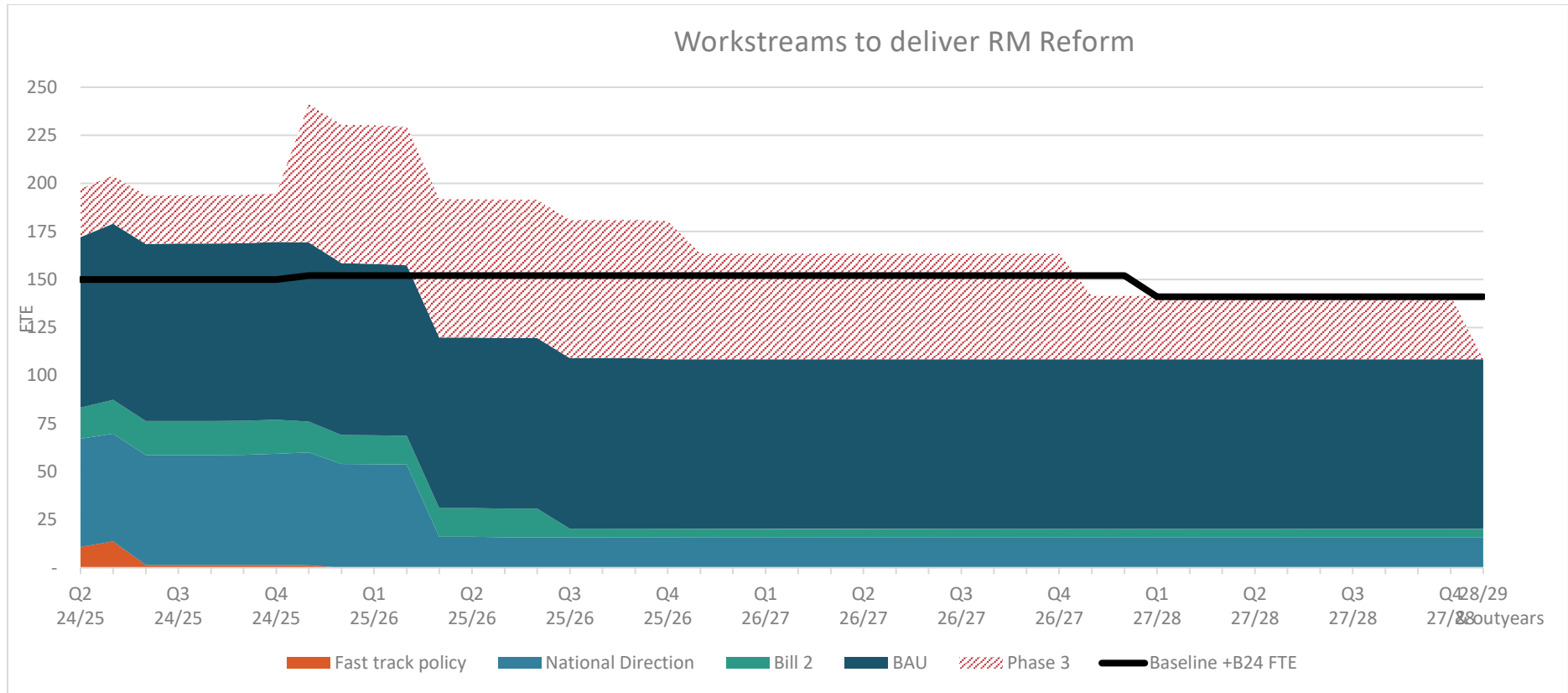
1. In Budget 24, MFE was allocated \$92.2m for initial phases of new RM Reform. This funding resources approximately 131 FTEs.
2. Minister Bishop has indicated limited reprioritisation of work programmes will occur between Phase 2 and 3 work programmes in 2025 and into 2026.
3. This means there is a peak of extra resources (up to 72 FTEs) needed in 2025, with additional resources needed to cover this work.
4. However, once National Direction work is completed towards end of 2025, resources from within 'baseline' FTEs can be redirected into the Phase 3 work, meaning we can revert to the current downward trajectory of FTEs by 2028/29.

Workstream	Extra FTEs (at peak)	Non-FTE \$
Coordination of multiple policy decisions	5	-
Standardised zoning, including an expert group	10	\$2m
Additional legal assistance	4	\$2m
Science and data for environmental limits	8	\$4.59m
Treaty legislative obligations and upholding settlements	8	\$16m
Scoping and establishing new entities (policy work)	6	\$4m
Adding spatial planning capacity	5	-
Improving RM consenting and e-planning monitoring and performance system + business case	4	\$6m
Support system actors to implement new system	22	\$3m

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	9(2)(f)(iv)			
BRF-5717 outlined:		25% offset	50% offset (recommended)	75% offset
- We can achieve up to 9(2)(f)(iv) offset over the forecast period;		Greater buffer for future cost pressures	Keeps limited buffer for future cost pressures (e.g. wage inflation, litigation)	No buffer for future cost pressures
- Additional grants and funds savings could be recognised as contributing;		A greater buffer is less likely to be supported by Treasury or through the Seymour Baseline review (Climate) process		Requires decisions to stop work on Minister priorities and/or stopping MfE core functions
- Any savings beyond this require significant reprioritisation decisions for Minister priorities and/or Ministry core functions				



Note: This graph includes the System Enablement team in the Partnerships, Investment and Enablement business group. It therefore reflects a baseline of 152 FTEs, rather than 131 FTEs which is usually referenced for RM delivery, which refers only to the the policy-focused EMA FTEs.

RM Implementation funding comparisons

Previous B22 approved RM Reform implementation bid

1. Implementation funding for the previous reforms came into effect in 2024/25, approved in Budget 22.
2. For the period covered by B25 (2025/26 – 28/29), a total of **\$325.588m** was approved for implementation of the previous RM reform.
3. The MfE component of the \$325.588m was \$184.96m to cover implementation activities (noting that some of this may have been passed to regional planning committees, including local governments).
4. The third party funding component of the \$325.588m totalled \$140.628m, comprising:
 - \$18.38m per year for the Spatial Planning Project Office for regional planning matters
 - \$5m per year from 2025/26 the National Māori Entity
 - \$10.777m per year from 2025/26 for support for hapu / iwi involvement in planning
 - \$1.5m per year for a Local Government Steering Group

NB. The third party implementation costs are not comparable to the possible planning tribunal or national regulator, but are provided for comparison purposes only.

B25 RM Reform implementation Bid

6. 9(2)(f)(iv)

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

8. Of note, the cost of new entities is still subject to government decisions, refinement of the figures, and potential cost recovery.

9. As government decisions are yet to be taken on the scale and scope of Phase 3, we have designed our bid based on the FTE and non-FTE costs required to deliver the following work:
- Development of standardised zoning, including an expert advisory group
 - Additional legal assistance to help meet the accelerated timing of the legislation
 - Science and policy work to develop workable environmental limits
 - Working with Treaty partners to meet legislative obligations and ensure Treaty settlements are upheld
 - Exploring cost recovery mechanisms
 - Work associated with scoping and establishing new entities (i.e., a national regulator and planning tribunal)
 - Additional spatial planning capability
 - Improving and standardising the current RM consenting and e-planning monitoring and performance system, and developing a business case for a future major overhaul
 - Collateral needed to support system actors to implement the new system quickly
10. Given the need to deliver both the National Direction programme and the RM Reform Phase 3 at the same time, the Ministry would need a temporary increase in FTEs, along with addition non-FTE costs, then reverting to the original downward-trending baseline in FY28, allocated as follows:

Workstream	2025/26	2026/27	2027/28	2028/29
Coordination of multiple policy decisions	5	5	0	0
Additional policy development for national direction and new legislation	16	0	0	0
Standardised zoning, including an expert group	10	5	2	0
Additional legal assistance	4	4	0	0
Science and data for environmental limits	8	8	8	0

Treaty legislative obligations and upholding settlements	8	8	0	0
Scoping and establishing new entities (policy work)	6	0	0	0
Adding spatial planning capacity	5	5	5	5
Improving RM consenting and e-planning monitoring and performance system + business case	4	4	2	0
Support system actors to implement new system	6	16	18	0

11. The additional non-FTE costs would cover additional legal support to meet accelerated timeframes, upholding Treaty and settlement obligations, an external advisory group to guide standardised zones, and specialist support to develop a business case for a future major overhaul of the RM consenting and e-planning monitoring and performance system.
12. This bid does not include any funding to incentivise third parties to accelerate implementation of the new system, such as local government. However, there may be value in creating such incentives. Should this be required, additional FTE and non-FTE funding will be needed.