

## Minister Simmonds officials meeting, Tuesday December 10

Budget 2025 talking points for James including:

1. Budget 2025 briefing sent to Ministers Friday Dec 6
  - i) Overall ask of Ministry
  - ii) Minister's feedback and direction so far
  - iii) Further decisions needed
  - iv) Options for savings across the broader funds and grants portfolio
  - v) Timing
  - vi) Thursday's joint Minister meeting
2. Minister Seymour baseline review summary

### SMEs per subject attending meeting

- Grants and Funds – Peter Alsop
- Waste Levy – Glenn Wigley

### Main asks of Minister in this meeting:

Minister Simmonds has provided feedback on the brief we sent to the three ministers last week, indicating support for all recommendations related to the waste minimisation fund, and approach to savings across the broader grants and funds portfolio. We need three main things from her:

- 1) Her preferences for savings in the individual funds. **A table is included below.**
- 2) Her preferences to use savings exceeding the funds ask
- 3) Her direction/feedback on options for a broader funds reset

### *Budget 2025 initial package*

#### Initial advice

- In the Budget 2025 letter the Ministry was asked for savings options across both the Climate and Environment funds and grants portfolios; options for capping the Waste Minimisation Fund at \$15m, \$30m and \$60m, and invited to put forward a bid for RM implementation.
- The RM bid is the complicated part of the package. The cost will need to be partly or fully absorbed through reprioritisation.
- Depending on the success of the bid, and the extent to which the Ministry is required to absorb this expense, it may impact on ministers' other discretionary programmes and projects. We signalled this to all Ministers as part of our performance plan process.

### Minister's feedback on initial advice brief

In her feedback on last week's briefing Minister Simmonds agreed to:

- **An additional (recommended) option for a \$50m cap on the Waste Minimisation Fund.** The Minister agreed with this proposed alternative option which ensures enough funding for ERP2 commitments, alongside some additional waste infrastructure investments.
- **Broader use of levy** funds to support environmental activities that align with government priorities
- **A reset of the fund landscape through B25** to simplify and consolidate arrangements, and increase flexibility to deliver better value, and alignment with government priorities.

- **Direct the Ministry** to work with the Treasury to put forward a consolidated submission on savings for the climate and environment funds

The Minister's office also asked for information to discuss the following points:

- **Why consultation for delivering RM Reforms is only with MoJ and doesn't include the EPA** (para 10-ii came up with Min Simmonds at Officials meeting this week re EPA potentially taking on additional responsibilities).
  - Immediate RM requirements for EPA are related to Fast Track and are already funded, including the Crown loan arrangement.
  - The form & function of the Compliance and Enforcement regulator (including possible role for EPA) is still subject to policy decisions. Unlike the planning tribunal, we had the in-house expertise to develop an initial cost estimate for B25 purposes so did not engage EPA.
- **Use of the waste disposal levy instead of Crown expenditure:** "I thought we used the levy for Kaipara Moana Fund in last budget?"
  - The approach taken through Budget 24 led to a technicality of one year's funding (2028/29) remaining outside the levy. Budget 25 should desirably bring it in.
- **Stopping or downscaling funds to make savings (mainly related to enviro schools) :** "Why 2 years notice rather than 1 year?"
  - The choice of 1 or 2 years is largely a judgement call. More time could provide more flexibility for the funded organisation(s) to explore alternative funding models.

### *Further decisions needed today*

#### **1. Grants and Funds savings**

MoF identified a subset of our grants and funds for savings. We looked at the full portfolio and provided options for reducing and consolidating the overall portfolio of environmental funds, with potential savings of around \$11m each year.

The table below outlines the options.

#### **2. Direction on specific savings options**

We need guidance from the Minister on specific savings options, including whether (i) the Minister would like savings beyond MoF's ask and, if so, (ii) their treatment.

The low ask was \$2.6m and the high ask was \$5.3m.

Additional savings could be (or a mix of these options):

- a/ returned to the centre,
- b/ used to offset the RM bid
- c/ transferred to a new environment fund (see below)

#### **3. Reset of fund landscape**

**We need an indication from the Minister on whether she is to see a broad fund established and when, its scope and how she sees it being funded.**

The Minister has expressed interest in using Budget 25 to reset the fund landscape, consistent with the Minister of Finance's request to consider consolidation.

The Ministry supports a broad investment fund that can be used for multiple purposes. This would support improved investment management and better value for money over time.

In practice, a broad fund needs some scale to get going, which the streamlining of current funds – as in the table below – would not sufficiently support. (In other words, what is left would be sub-scale to justify moving to a broader fund.)

If the Minister is interested in starting a broader fund, either additional levy funding and/or a repurposing of savings in Crown funding from the wider fund review would need to be used.

This would depend on the preferred use of savings more broadly, and future decisions on a Waste Levy Investment Framework (expected in early 2025, prior to or as part of B25 Cabinet decisions)

We note that the Budget 25 ask of the Ministry can be met *without* establishing a broad fund, and waste levy funding for new investment isn't expected to be possible until B26, so the timing of establishment is an option.

#### Specific proposals across environment funds (refer Appendix 4 of the initial brief for rationale)

We would like to confirm Minister Simmond's is comfortable with the proposed savings approach for each fund in the table below.

It would be particularly helpful to understand the Minister's intentions for the environmental training programmes. Given the wider possible savings, on balance this funding should continue and be assessed through Budget 26 following more focused work on the investment value and capability investment generally. If the Minister wants to stop funding, appropriate signalling is important (the choice of 1 or 2 years, which the Minister queried, is simply a judgment).

| Category  | Funds                                    | Annual average savings<br>(25/26-28/29) | Total savings<br>(25/26-28/29) |
|---|--|---|--------------------------------|
| Funding not required for allocated purposes                 | Climate Emergency Response Funding       | \$3.725m                                | \$14.90m<br>(All in 25/26)     |
|   | Regional planning implementation         | \$0.57m                                 | \$2.28m<br>(All in 27/28)      |
|   | Indigenous biodiversity fund             | \$0.74m                                 | \$2.95m<br>(All in 27/28)      |
| Use of the Waste Disposal Levy instead of Crown expenditure | Kaipara Moana Remediation Fund           | \$3.53m                                 | \$14.1m<br>(All in 28/29)      |
|   | Promotion of Sustainable Land Management | \$0.8m                                  | \$3.2m                         |
| Sub-total – limited impact on work programme                |  | \$9.365m                                | \$37.43m                       |

| Category  | Funds  | Annual average savings<br>(25/26-28/29)     | Total savings<br>(25/26-28/29)     |
|---|--|---|------------------------------------|
| Stopping or<br>downscaling funds<br>to make savings | Water science and<br>economics                 | \$1.5m                                      | \$6.0m                             |
|   | 9(2)(g)(i)                                     |   |                                    |
| <b>Sub-total – notable impact on work programme</b> |  | <b>\$1.5 - 9(2)(g)(i) m</b>                 | <b>\$6 - 9(2)(g)(i) m</b>          |
| No Change   | UNEP programme<br>contribution                 | \$0m  | \$0m                               |
|   | International<br>Subscriptions                 |   |                                    |
|   | Waikato River<br>Co-Governance<br>Contribution |   |                                    |
| <b>Total</b>  |  | <b>\$10.865 - 9(2)(g)(i) m</b>              | <b>\$43.43 - 9(2)(g)(i) m</b>      |
| <b>Savings options requested in letter</b>          |  | <b>High: \$5.34m</b><br><b>Low: \$2.67m</b> | <b>\$21.36m</b><br><b>\$10.68m</b> |

It is further noted that an additional saving to those above is possible from the fund for climate resilience for Māori (a reduction from \$10m to \$5m in 2025/26, giving an annual average saving over the budget period of \$1.25m).

### Timing

The Ministers' offices received our initial budget 2025 briefing on Friday afternoon. This was later than intended, due to the need to address questions from ministers' offices and some internal feedback.

**Monday Dec 9** – we asked for feedback by 10am to provide enough time for the team to incorporate decisions and direction into the final briefing for ministers by **9am Friday morning (13 December)**

**Thursday Dec 12** – Vote Environment ministers joint Budget 2025 meeting (see below)

**On December 18** we will provide a draft letter for Minister Simmonds to finalise and send to MoF on behalf of All Vote Environment Portfolio ministers

**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 (notes on this next).

### Thursdays joint minister meeting

- Minister Bishop will let the others know how he is approaching the RM bid, and we will support them to discuss any implications of this for the rest of the Vote Environment portfolios.
- Minister Simmonds** may also want to discuss the potential for additional grants and funds savings (up to approx. \$6m avg savings per annum) – there are three options:
  - Return additional savings to the centre
  - offset the cost of the RM bid
  - Transfer savings to enable a
- It would also be useful to get collective agreement on preferences for the broader use of the waste levy, and next steps to discuss with Ministerial colleagues (i.e. MoF).

### Minister Seymour exercise

- Savings/reprioritisation to support RM bid will reduce the possible savings we can offer through the Minister Seymour exercise.
- In his letter, Minister Seymour said he would work closely with Minister Watts to identify “the most appropriate and critical savings options from across the portfolio,”. No target was set.
- Treasury has advised us that guidance is coming shortly. They have indicated Minister Seymour may want to talk directly with Minister Watts before Christmas.
- Other agencies involved are *MSD, Transport, HUD, DOC, DIA, MPP, MCH and TPK*.
- The Climate portfolio was selected because of the growth in the portfolio since 2017/18, which Iain Rennie noted in his rapid review. Climate spending tripled between 2017/18 and 2023/24 from \$16.4m to \$52.2m. Environment spending more than tripled from \$49.2m to \$166.78m in the same period. **OBU figures are below**

Vote Environment - Financial Position & Outlook OBU 2024

| Departmental Appropriations               | 15/16<br>\$'000 | 16/17<br>\$'000 | 17/18<br>\$'000 | 18/19<br>\$'000 | 19/20<br>\$'000 | 20/21<br>\$'000 | 21/22<br>\$'000 | 22/23<br>\$'000 | 23/24<br>\$'000 | 24/25<br>\$'000 | 25/26<br>\$'000 | 26/27<br>\$'000 | 27/28<br>\$'000 | 28/29<br>\$'000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Departmental Output Expenses</b>       |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Improving New Zealand's Environment       | 46,621          | 46,351          | 49,243          | 44,183          | 58,836          | 86,347          | 123,669         | 153,731         | 166,784         | 108,797         | 84,140          | 91,470          | 87,923          | 89,528          |
| Managing Climate Change in New Zealand    | 11,330          | 11,882          | 16,454          | 24,126          | 27,844          | 25,000          | 28,751          | 47,129          | 51,673          | 52,161          | 51,966          | 53,341          | 50,327          | 51,046          |
| Spatial Planning Board                    | -               | -               | -               | -               | -               | -               | 4,916           | 6,751           | 3,903           | -               | -               | -               | -               | -               |
| Climate Change Chief Executives Board     | -               | -               | -               | -               | -               | -               | -               | 3,231           | 3,504           | 3,435           | 3,562           | 4,329           | 4,310           | 4,363           |
| Environment Work Programme (Waste & HSNO) | -               | -               | -               | -               | -               | -               | -               | -               | -               | 15,150          | 16,480          | 7,600           | 7,600           | 7,600           |
| Waste Minimisation Administration         | 1,690           | 1,922           | 2,435           | 3,766           | 5,010           | 7,397           | 9,062           | 11,118          | 13,388          | 12,704          | 5,906           | 5,906           | 5,906           | 5,906           |
| Product Stewardship Administration        | -               | -               | -               | -               | -               | -               | -               | -               | 721             | 1,047           | 1,154           | 1,185           | 1,215           | 1,245           |
| <b>Total Departmental Appropriations</b>  | <b>59,641</b>   | <b>60,155</b>   | <b>68,132</b>   | <b>72,075</b>   | <b>91,690</b>   | <b>118,744</b>  | <b>166,398</b>  | <b>221,960</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          |
| Third-Party funded in grey shading        |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 | 34.5%           | 33.5%           |

- Savings in the climate portfolio would mean less opportunity to carry out more discretionary work some of which are high government or ministerial priorities, eg: the sustainable finance work programme, including the taxonomy, VCM work, and the sustainable finance strategy; international engagement; CCUS work; adaptation framework; elements of the land use work programme (methane review follow up; afforestation work).

We are figuring out the best way into this and will be providing advice to Minister Watts in advance of his bilateral with Minister Seymour on drivers of growth, recommended areas for identifying savings, and areas we recommend are out of scope