

Note: Budget 2025 RM Funding Bid Discussions

Key messages

1. This note provides high-level context on the implications and next steps in response to the advice you received from the Minister of Finance in preparation for her pending Cabinet paper. Specifically, indicating her pro decision to decline the RM Budget Bid, and asking for the full scope to be absorbed within MfE's current baseline.
2. Resource management reform and implementation are a key Government priority, forming part of the Government's Economic Growth agenda.
3. You have expressed an expectation that implementation will occur by 2027, with councils starting planning development under the new system by that time.
4. Implementation of a large part of the Phase 3 Replacement of the RMA is currently unfunded.
5. Through the Budget 25 process, you responded to an invitation to submit a bid for Phase 2 and Phase 3 implementation that:
 - i. sought \$9(2)(f)(iv) in funding to cover Ministry costs over 3 years, with peak funding in 25/26
 - ii. offered a savings offset of \$9(2)(f)(iv) or 50% to be absorbed by MfE within its current funding
 - iii. indicated an additional \$9(2)(f)(iv) over four years for establishment of new RM entities should be held in contingency
6. Treasury advice to MoF appears to have misunderstood the initial bid, particularly the two-stage implementation approach proposed which:
 - i. included the need for immediate resourcing and peak funding in this coming financial year to deliver Ministerial expectations for implementation of the new system by 2027; and
 - ii. noted that further work would be progressed via a programme business case that would cover the establishment of institutions, digital needs and cost recovery mechanisms to support a new planning system.
7. The Treasury advice was focused on the longer-term implementation timeframe, and flat-lined funding over the four years at \$9(2)(f)(iv) a year, with only the first two years approved at this stage. This amounts to \$9(2)(f)(iv) m, all to be funded by reprioritisation. There was no conversation with MfE during this assessment to clarify this advice or assumptions made.
8. This advice does not take into account the next 18 months of intense combined policy and initial implementation which was reflected in the initiative, with funding starting at \$9(2)(f)(iv) in 2025/26 and rapidly declining to \$9(2)(f)(iv) a year by 2028/29.
9. Without additional funding, the new system would not be ready for local government implementation until 2028 at the earliest (adding pressure to councils' long-term plan development in 2028). Establishment of a planning tribunal or compliance regulator and digital support such as e-plan and e-consent portal would also be delayed until 2027/28.
10. We have tested the option with TSY of increasing their recommended funding in the first two years by a total of \$9(2)(f)(iv) of one-off new funding to match the bid. TSY signaled this needs to be addressed through a Ministerial level conversation as soon as possible. We are preparing more detailed advice to support you in this conversation.

11. Out-year funding, from 2027/28 onwards would then be addressed through the business case process, with system architecture critical to success and efficiency of the system to be subject to a programme business case and B26 and B27 budget decisions.

Funding level proposed by Treasury for 2025/26

12. The Treasury recommended funding of $9(2)(f)(iv)$ per year for 2025/26 and 2026/27, a total of $9(2)(f)(iv)$, all to be funded by reprioritisation, with later funding to be based on a programme business case. This appears to be based on:
- taking the four year total of the initiative which was $9(2)(f)(iv)$ (excluding $9(2)(f)(iv)$ a year or $9(2)(f)(iv)$ in total for new regulators)
 - spreading that amount evenly over four years
 - deferring funding for the last two years pending a business case.
13. This approach has not recognised:
- the rapid transition outlined in the RM3 Cabinet paper
 - the need for peak funding this coming financial year to deliver critical system architecture (i.e., standardized zones) and initial implementation work to be completed by the end of 2025/26 to enable implementation by councils in 2027, as well as a digital support programme to get underway (i.e., e-plan and e-consent portal).

14. The RM B25 Budget Bid had reflected this, with funding peaking in FY25/26, then declining sharply over time:

2025/26	2026/27	2027/28	2028/29	Total
$9(2)(f)(iv)$				

15. To manage these pressures while delivering to Ministers' expectations, the Treasury recommendation of $9(2)(f)(iv)$ (all to be reprioritised) would need to be topped up by $9(2)(f)(iv)$ (one-off new funding) to match the Budget initiative estimates for the next two years:
- 2025/26: from $9(2)(f)(iv)$ to $9(2)(f)(iv)$, an increase of $9(2)(f)(iv)$
 - 2026/27: from $9(2)(f)(iv)$ to $9(2)(f)(iv)$, an increase of $9(2)(f)(iv)$.

Further detail - Implications for Ministerial expectations

16. The Government has an ambitious resource management reform programme, aligned to Government's economic growth focus, which includes:
- Phase 2: Targeted changes to the RMA and RMA national direction

- ii. Phase 3: Replacement of the RMA with a new system ready to be implemented by local government in 2027

17. In the shorter term, the level of funding suggested by the Treasury for 2025/26, Ministerial expectations for Resource Management Phases 2 and 3 for mid-2026 could not be delivered, and council plan development in 2027 could not be achieved.
18. New entities such as a planning tribunal and compliance regulator would not be able to be established until 2027/28 at the earliest, subject to the outcome of the business case and subject Budget decisions. Digital initiatives such as an e-plan and e-consent portal would also be delayed.

Phase 2

19. The Phase 2 national direction programme is the single biggest suite of national direction changes progressed by any Government at one time. It is expected to be progressed at the fastest pace that substantial national direction proposals have ever been delivered. This programme delivers key system and national direction changes across the Government's priority areas of infrastructure, housing, primary sector and renewable energy.
20. Policy work on the phase 2 programme will continue until at least the end of 2025 (which will then require implementation support in 2026). This will include public consultation, submissions analysis, policy advice, drafting and at least three cabinet processes in 2025.
21. The national direction programme is on top of, and complementary to, the delivery of the Resource Management (Consenting and Other System Changes) Amendment Bill that is currently before the Environment Committee and which will require implementation in late 2025 and into 2026.

Phase 3

22. The RMA is one of New Zealand's most complex pieces of legislation and the new Acts will be replacing it with a fundamentally different approach to land use planning and environmental protection
23. The sequencing of the B25 budget bid was based on the expectation that all critical system architecture would be in place for the replacement RM system by the end of 2026. This would enable local government to begin implementation from 2027 based on a 'fixed date' for rapid transition and would align with local government long term plans in 2028.
24. Delivery of this implementation timeline will require the two new Acts to be introduced by the end of 2025 to replace the RMA followed closely by new standardised zones, national direction, environmental limits, institutional design and a digital programme by the end of 2026.
25. To achieve this, the programme will need to be 80-90% complete by mid-2026 in delivering the following core architecture:
 - i. new system national direction under the two new acts which includes reassessing and transitioning all relevant RMA national direction into the new system

- ii. development of standardised zones, a core but technically complex part of the new system that will be key for local government planning
 - iii. secondary legislation direction and implementation support for the development of spatial plans
 - iv. central government direction on limits (one of the more complex elements of the previous RM reform process)
 - v. policy design of new institutional arrangements
 - vi. digital and e-planning programme to support local government planning processes to deliver system efficiency.
26. Without additional funding, implementation of the new system would need to be phased over a longer timeframe. The new system would not be ready for local government implementation until 2028 at the earliest, as the programme would need to be sequenced as follows:
- i. in 2025/26 – the phase 2 national direction programme and the Phase 3 primary legislation only
 - ii. in 2026/27 (following enactment of replacement legislation):
 - o the national direction, standardised zones and other secondary legislation
 - o the business case for digital investments such as an e-plan and e-consent portal
 - iii. Subject to programme business case and budget decisions for B26:
 - o In 2026/27, development of implementation support for local government to begin their planning processes.
 - o In 2026/27, establishment of new entities such as a compliance regulator and planning tribunal
 - o In 2027/28, roll out of digital improvements for system efficiency, including e-plan and e-consent portal

Next Steps

27. We are preparing detailed advice in preparation for you to discuss with the Minister for Finance. Supporting information will include a breakdown to help you be clear on:
- i. Scenario 1 - what we would deliver with funding requested through B25 with full funding – new system ready to be implemented by LG in 2027
 - ii. Scenario 2 - what we could deliver through the RM work programme with no additional Budget 25 funding
28. Should your engagement not change MoF's position, you will then need to explore two options:
- i. Decisions to rescope and adjusting the timeframe for Phases 2 and 3 of the Reform, including delaying implementation; or
 - ii. Engagement with other Vote Environment Ministers to identify options to delay or stop work across their Portfolio priorities to free up resources to deliver RM
29. However, reprioritising Ministry resources from other ministerial priority work and statutory obligations will not necessarily solve the problem as the capabilities needed for RM Reform is different than our other work programmes.
30. We will also undertake work on a programme business case to assist Treasury in understanding the long-term value of RM Reform and the need to invest in its delivery and implementation.

For further information or questions contact Jennifer Hutcheon, Dan Foote or Kevin Guerin