



## Briefing: Budget 2024 Initial Baseline Exercise

Date submitted: 29 January 2024

Tracking number: BRF- 4127

Security level: Policy and Privacy

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Penny SIMMONDS <b>Minister for the Environment</b> Hon Simon WATTS <b>Minister of Climate Change</b> Hon Chris BISHOP <b>Minister Responsible for RMA Reform</b>	Review and discuss with officials at meeting scheduled for 845am on 1 February	2 February 2024

Actions for Minister's office staff
Return the signed briefing to the Ministry for the Environment ( <a href="mailto:ministerials@mfe.govt.nz">ministerials@mfe.govt.nz</a> ).

Attachments (as attachments to email)
1. Letter from Minister of Finance, dated 21 December 2023 2. Summary table – Proposed cost savings package

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Chief Advisor	Simon King	022 047 5541	
Secretary for the Environment	James Palmer	022 059 8100	✓

Minister's comments

# Budget 2024 – Initial Baseline Exercise

## Key messages

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1. We have heard from you that the Coalition Government wants the Ministry for the Environment (the Ministry) to become a leaner organisation with a more focused work programme. The proposed savings package outlined here puts us on track to achieve this, including stopping work that does not align with your priority work programme.
2. The mini-Budget on 20 December 2023 returned \$301.6m over 4 years to the centre from Vote Environment. This includes departmental and non-departmental funding reducing by \$82m from 2027/28. It left \$15m per annum for Resource Management (RM) activities from 1 July 2024 and will require a substantial reduction in the work programme.
3. On 21 December 2023, the Minister of Finance wrote to you, setting a further savings target for the Ministry of \$49.1m per annum as part of the Budget 2024 Initial Baseline Exercise (**Attachment 1**). The letter also requests additional targeted savings of at least \$100m over the four-year forecast period relating to the Waste Disposal Levy and Waste Minimisation Fund.
4. This advice explains how the Ministry can achieve its requested savings targets (**Attachment 2**). The proposed cost savings package reduces the Ministry's departmental budget by \$18.5m or 12% (on average) over the forecast period.
5. We had already begun reducing the size of the Ministry's workforce and expenditure on consultants in anticipation of departmental funding dropping 26% from this year's peak as time-limited funding expired. This makes options for meeting the baseline savings target later in the four-year forecast period particularly challenging without materially degrading the Government's ability to develop and implement policy that responds to New Zealand's varied environmental challenges.
6. The combined effect of the proposed savings will result in a reduced capability and capacity to support your work programmes, and prioritisation will be required across and between Ministerial portfolios. Progress towards achieving environmental and climate outcomes is also likely to be slower.
7. If our invited RM Reform budget bid is not successful, additional reprioritisation will be required, reducing our overall capacity to meet both government programmes and our legislative and stewardship obligations.
8. You are scheduled to meet jointly with officials to discuss this advice on 1 February. This will provide us time to incorporate your direction and finalise a savings package for the Minister of Finance by 16 February, as requested.

## Recommendations

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We recommend that you:

### *Targeted savings*

- a. **Note** that reallocating any part of the waste levy funds or using them for purposes other than those prescribed in the Waste Minimisation Act 2008 will require legislative change.
- b. **Note** that all targeted savings options for the waste levy will reduce investment in waste minimisation and resource recovery infrastructure and adversely affect emissions targets, primarily from biogenic methane.
- c. **Note** that realising savings from levy revenue given to councils will create an additional cost pressure that is likely to still need to be met from elsewhere.
- d. **Agree** on your preferred option for achieving the targeted savings requested from the waste levy:
  - Option 1: \$100million of levy revenue redirected to the consolidated Crown account over the four-year forecast period.

Yes | No

- Option 2: More than \$100 million of levy revenue redirected to the consolidated Crown account over the four-year forecast period.

Yes | No

- Option 3: Broadening the scope of the waste levy to fund a more comprehensive set of Government waste priorities and relieve fiscal pressures.

Yes | No

- e. **Note** that we have not proposed using the waste levy to offset the Ministry's baseline savings target, although this could be achieved through Option 3.
- f. **Note** that we will provide you with further advice on implementing your preferred levy option, including whether the savings are realised from the 50% allocated to the Waste Minimisation Fund, the 50% share redistributed to councils, or both.

### *Baseline savings target*

- g. **Note** the proposed cost savings package that meets the Ministry's baseline savings target of \$49.1m per annum.

- h. **Note** that the Ministry's share of the proposed cost savings package averages \$18.5m over the forecast period, or 12% of yearly departmental appropriation.
- i. **Note** that redundancies (with associated compensation costs) are unavoidable over the forecast period, and the Ministry will have less capacity and capability to progress your priorities.
- j. **Note** that the proposed cost savings package includes the following reductions in non-departmental funding where work programmes were no longer aligned with the new Coalition Government's priorities:
- Stopping the Ministry's contribution to the Climate Change Development Fund
  - Stopping the Climate Resilience for Māori initiative from 2025/26
  - Stopping the Community Environment Fund from 2025/26
  - Stopping a Tangata Whenua capability building programme
  - Returning funding to support a possible function for the Climate Change Commission advising on agricultural emissions pricing
  - Returning uncontracted Climate Emergency Response Fund (CERF) funding for waste minimisation
  - Returning funding allocated to the Indigenous Biodiversity Fund
  - Scaling back the Contaminated Sites Remediation Fund (CSRF)
  - Scaling back freshwater farm plan system implementation
  - Scaling back investment in the Pukekohe integrated catchment management plan
  - Scaling back the Kaipara Moana Remediation programme.
- k. **Agree** to request that the Climate Change Commission returns all of it the budget funding it received to perform a possible function advising on agricultural emissions pricing.

Yes | No

- I. **Discuss** with officials and suggest your preferred approach to meeting the baseline and targeted savings targets.

Yes | No

## Signatures

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James Palmer  
**Secretary for the Environment**

**Date: 29 January 2024**

Hon Penny SIMMONDS  
**Minister for the Environment**

Hon Simon WATTS  
**Minister of Climate Change**

Hon Chris BISHOP  
**Minister Responsible for RMA Reform**

# Budget 2024 Initial Baseline Exercise

## Purpose

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1. This paper provides advice on how the Ministry can meet its savings targets requested by the Minister of Finance as part of the Budget 2024 Initial Baseline Exercise.

## Background

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2. On 21 December 2023, the Minister of Finance wrote to you outlining savings targets for the Ministry as part of an Initial Baseline Exercise for Budget 2024. A written response is required by 16 February. The letter included:
  - a request for savings options representing at least 7.5% of our eligible base, equating to a target of **\$49.1m** annually from 2024/25
  - a request to identify additional significant targeted savings and revenue options of **at least \$100m** over the four-year forecast period relating to the Waste Disposal Levy and Waste Minimisation Fund
  - an invitation to submit a Budget 2024 bid for “Resource Management Reforms – Replacement”
  - an instruction to prioritise a reduction in contractor and consultant spend
  - no invitation to bid for cost pressures, with the expectation this is funded through internal reprioritisation.
3. The letter explicitly requests savings be found from low-value work, work that does not align with the new Coalition Government’s priorities and non-essential back-office functions (including contractor and consultant spending).

### Baseline savings calculation

4. Agencies were allocated targets of either 6.5% or 7.5% of eligible baselines. The Ministry was set a 7.5% target as our FTE growth since 2017 was over 50%.
5. Eligible baselines were calculated using the average yearly forecast appropriations (2024/25 to 2027/28) for in-scope departmental and non-departmental operating spending (excluding capital). Our eligible baseline included the Waste Disposal Levy (legislatively hypothecated and identified for significant targeted savings) and Product Stewardship Scheme (pass-through only), despite a substantial portion of this being funding to third parties. Including

these items effectively doubled the funding subject to our savings target and, therefore, the nominal sum required.

### Impact of the mini-Budget

6. The proposed cost savings package outlined here comes with important context.
7. The Ministry's existing departmental funding peaks in 2023/24 as time-limited funding expires, dropping 26% over the next four years. We had been preparing prudently for this.
8. The mini-Budget on 20 December 2023 returned \$301.6m to the centre. This includes departmental and non-departmental funding reducing by \$82m from 2027/28. It left \$15m per annum for RM activities from 1 July 2024.
9. The current savings exercise builds on the mini-Budget and forecast reduction with a compounding effect, as shown in the table below:

<b>MfE Budget (dept)</b>	<b>\$m</b>	<b>% decrease from 23/24</b>
Current 23/24	267,875	
Previous 24/25	225,742	15%
24/25 mini-Budget	174,090	35%
24/25 baseline savings	155,930	42%

### RM Reform budget bid

10. We are providing separate advice on a RM Reform budget bid, BRF – 4087 refers, as invited by the Minister of Finance. This bid covers the operation and maintenance of the RM system including the ability to regularly update legislation and national direction, as discussed with the Minister Responsible for RMA Reform.
11. Significant reprioritisation would be required within our revised baseline if this bid is not successful. This would materially impact our ability to deliver the priorities across all Ministerial portfolios and our legislative and stewardship obligations.

## Analysis and advice

### Targeted savings

12. The Ministry was asked to submit targeted policy savings relating to the Waste Disposal Levy (levy) and Waste Minimisation Fund (WMF). Savings must be significant – at least \$100m over the four-year forecast period.

13. The statutory purpose of the levy is to raise revenue for promoting and achieving waste minimisation and increase the cost of waste disposal (and incentive materials recovery) to recognise that disposal imposes costs on the environment, society, and the economy. The Waste Minimisation Act 2008 (WMA) requires the Ministry to collect and distribute the levy by:
- paying 50% to councils for spending on waste minimisation activities, e.g. recycling collections
  - spending the remainder on:
    - i funding Waste Minimisation Fund (WMF) and Plastics Innovation Fund (PIF) projects
    - ii collecting and administering the levy and funds (including assurance, compliance and monitoring activities, and refunds).
14. Modelling shows the levy will peak around \$260m per annum from July 2024 before tapering off as waste reduction policies and investments take effect:

<b>Forecast levy allocation of \$'000</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
MCA 5 Waste Minimisation Administration	12,704	5,906	5,906	5,906
MCA 5 Contestable Waste Minimisation Fund	115,855	121,598	119,395	115,794
MCA 5 Waste Disposal Levy Disbursement to TLA	128,559	127,504	125,301	121,700

15. Reallocating any portion of the levy for a different purpose than currently prescribed in the WMA will require legislative change. Options for doing so are outlined below.

#### *Options and advice*

16. Levies are only imposed where appropriate for a particular group to fund a specified objective or function. A levy states who it is drawn from (e.g. waste disposal) and what it must be spent on (e.g. waste minimisation purposes).
17. Any portion of the levy redirected to the Crown account will turn the levy into a tax on the waste sector, which has legislative design implications.
18. Using the levy to fund 'non-waste' outcomes will impact waste minimisation and associated emission reduction outcomes (including from biogenic methane).



19. Either change is likely to be controversial. Some of the risks associated with amending the existing scheme can be mitigated by not reducing the portion of the levy revenue allocated to councils.
20. Councils must allocate their levy on activities that promote or achieve waste minimisation, such as recycling collection services and are frequently committed to long-term contracts. Waste-related costs for local government extend well beyond what levy revenue can cover. A drop in levy revenue will likely result in service level reductions or rate increases.

**Option 1: \$100m of levy revenue redirected to the consolidated Crown account.**

21. To meet the requested target, \$25m per annum could be de-hypothecated from the waste levy, replacing it with a tax.

**Option 2: More than \$100m of levy revenue redirected to the consolidated Crown account.**

22. If you wanted to go further, even higher savings could be realised by redirecting more than \$25m annually of levy revenue into general Crown accounts.
23. The more levy revenue is allocated for non-waste purposes, the higher the risk of failing to achieve environmental outcomes.
24. It also leaves an increasingly large gap in the Government's ability to address the estimated \$2.1-\$2.6 billion deficit needed to improve New Zealand's waste infrastructure.

**Option 3: Broadening the scope of the waste levy to fund a wider set of Government waste priorities and relieve fiscal pressures**

25. This option involves amending the WMA to widen the scope of the levy to fund a broader range of waste-related activities, including those currently covered by other Crown appropriations. It can be considered either as an alternative or in addition to the options above.
26. An expanded set of priorities for the levy could include:
  - addressing the environmental impacts of waste, such as remediation of historic landfills that are increasingly vulnerable to severe weather events.
  - funding more of the Ministry's waste work programme – note this option has **not** been included as part of the Ministry's departmental baseline savings target.
  - substituting and consolidating other existing initiatives, such as the Contaminated Sites Remediation Fund (CSRF).

- contributing to the direct costs of managing waste collection, storage, transport, and processing (excluding disposal) associated with civil emergencies.
- increasing emissions reductions from the waste sector as recommended by the Climate Change Commission.

27. Indicative cost savings to the Crown from some of these options are outlined in the table below. Officials can provide further advice if desired.

<b>Activity</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total over four years in Millions</b>
Funding for historical landfills (savings to be realised by closing the CSRF and funding via the levy)	4.63	5.13	2.63	2.63	<b>15.01</b>
MfE's non-levy funded waste work programme	16.28	16.48	7.6	7.6	<b>47.96</b>
Emergency waste management costs, e.g. earthquakes, weather events <sup>1</sup>	10.0	10.0	10.0	10.0	<b>40.0</b>
<b>Total</b>	<b>30.91</b>	<b>31.61</b>	<b>20.23</b>	<b>20.23</b>	<b>102.97</b>

### *Risks and implications*

28. There are a range of risks associated with changing how levy revenue can be spent:

- The levy is a revenue source for councils and a funding mechanism for industry, councils, iwi, and the community / charitable sector. Reducing access to funds could negatively impact sector confidence in and acceptance of the levy regime.
- Loss of legitimacy as a levy to improve waste outcomes may result in more avoidance behaviour. Increased compliance, monitoring and enforcement may be needed, exacerbating cost pressures for councils and the Ministry.

<sup>1</sup> The Ministry is aware of at least \$217m in Crown funding directed to address waste related issues in Hawke's Bay and Gisborne regions following Cyclone Gabrielle. If \$10m per annum of levy revenue were set aside to fund the impacts of similar events, it would reduce an ongoing fiscal pressure on the Crown and meet the \$100m targeted savings criteria.

- Diverting levy funds from resource recovery infrastructure may impact the achievability of government targets, particularly those in the 2023 Waste Strategy. One of these targets has been suggested as a possible cross-government measure for tracking progress on environmental outcomes.
- Waste accounts for 9% of New Zealand's biogenic methane and contributes (with agriculture) towards the statutory target of a 10% reduction by 2030 under the Climate Change Response Act 2002. The waste sector's contribution is achieved at an average levy investment rate of \$39 per tonne of CO<sub>2</sub>e, around half the current NZ ETS price (NZU, January 2024, \$69).
- Waste Levy funding for emissions reductions has been modelled into emissions abatement under the emissions reduction plan and forecast achievability of emissions budgets.

### **Baseline savings target**

29. The Minister of Finance asked the Ministry to meet a baseline savings target of \$49.1m annually, representing 7.5% of our eligible base.
30. As outlined above, meeting this target comes on top of the \$301.6m already returned to the centre in the mini-budget, an extra \$100m of targeted savings from the waste levy, and a baseline that was already substantially declining by 26% as time-limited funding ended.
31. Creating a baseline savings package that meets the target has been enormously challenging. Redundancies (with associated compensation costs) are unavoidable over the forecast period, and the Ministry will have less capacity and capability to progress your priorities. Careful sequencing and prioritisation across portfolios will be vital. An unsuccessful RM Reform budget bid will significantly compound these challenges.

### *The approach to realising savings*

32. Given the scale of cuts needed, there will be significant risks with any savings package. Applying a consistent haircut across all parts of the Ministry was also ruled out as unlikely to produce optimal outcomes.
33. In line with the direction from the Minister of Finance, we have developed a savings package that focuses on scaling or stopping:
  - lower value programmes
  - programmes that do not align with the new Coalition Government's priorities.
  - non-essential back-office functions, including contractor and consultant spending.

34. The savings package we are presenting:

- includes savings from work stopped following government direction around its priority work programme.
- aligns the Ministry's resources with the priorities and targets in your response letters to the Prime Minister and the coalition agreements, noting the dependencies with RM Budget bid and waste levy changes outlined above.
- seeks to fulfil the Ministry's regulatory stewardship responsibilities under legislation, including the Public Services Act, Environment Act, Environmental Reporting Act, Resource Management Act, Climate Change Response Act, Waste Minimisation Act, and treaty settlement acts, noting the potential impact on capacity and capability outlined above.
- reflects the intent of the Ministry's recent operating model review, including our ability to continue improving efficiency through a more agile and efficient workforce.

*Overview of the Ministry's baseline savings package*

35. A breakdown of how the \$49.1m of annual savings is split across the Ministry's non-departmental and departmental funding over the four-year forecast period is outlined in the tables below.

Combined total

	2024/25	2025/26	2026/27	2027/28
<b>Non-Departmental</b>	<b>30,940,000</b>	<b>27,660,000</b>	<b>31,825,000</b>	<b>31,825,000</b>
<b>Departmental</b>	<b>18,160,000</b>	<b>21,440,000</b>	<b>17,275,000</b>	<b>17,275,000</b>
<b>Total target</b>	<b>49,100,000</b>	<b>49,100,000</b>	<b>49,100,000</b>	<b>49,100,000</b>

Non-departmental savings

<b>Eligible Baseline</b>	<b>542,133,000</b>	<b>491,237,000</b>	<b>483,460,000</b>	<b>485,167,000</b>
<b>Savings</b>	<b>30,940,000</b>	<b>27,660,000</b>	<b>31,825,000</b>	<b>31,825,000</b>
<b>% Saved</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>	<b>7%</b>

Departmental savings

<b>Eligible Baseline</b>	<b>174,090,000</b>	<b>153,105,000</b>	<b>146,571,000</b>	<b>143,861,000</b>
<b>Savings</b>	<b>18,160,000</b>	<b>21,440,000</b>	<b>17,275,000</b>	<b>17,275,000</b>
<b>% Saved</b>	<b>10%</b>	<b>14%</b>	<b>12%</b>	<b>12%</b>

### *Initiatives within the baseline savings package*

36. A summary table of the proposed baseline savings package is at **Attachment 2**. Further explanations on the key savings initiatives is provided below.

#### Climate change

37. Non-departmental climate change savings consist of:

- stopping the Ministry's contribution to the Climate Change Development Fund (CCDF) established in 2001 to assist developing countries to better address the challenges of climate change. It focuses on the Pacific region and Indigenous representation. Only \$300k of New Zealand's \$5m per annum commitment to the CCDF is funded by the Ministry.
- stopping the Climate Resilience for Māori initiative from 2025/26, releasing \$10m annually for the remainder of the forecast period. This funding was intended to enable solutions designed by Māori for Māori and will reduce support for communities most vulnerable to climate change.
- returning \$2.8m per annum from the Climate Change Commission from budget funding allocated for a possible function advising on agricultural emissions pricing. This funding is not fully committed as Cabinet decisions on an agricultural pricing system are still pending.

38. As part of the Initial Baseline Exercise, the Climate Change Commission has only proposed returning \$1.4m per annum for the first two years of the forecast period. It notes that reduced funding will limit its ability to adequately prepare for a future advisory function.

39. We recommend that all budget funding for the proposed function is returned to the centre from 2024/25. Funding can be reconsidered should a future role for the Commission be agreed, noting that appropriate lead in time will be required.

40. Departmental climate change savings are proposed to be realised by:

- consolidating and reducing staff, contractors, and consultants.
- scaling back work on the Carbon Neutral Government Programme, Māori Climate Action, Climate Data Initiative, and Voluntary Carbon Markets.

41. This will slow or halt progress in these areas and reduce our overall capacity to support the government's climate priorities more broadly.

#### Waste minimisation

42. Non-departmental waste minimisation savings consist of:

- returning \$16.7m of uncontracted Climate Emergency Response Fund (CERF) funding, with potential implications for emissions abatement needed to meet climate targets.
- reducing the Contaminated Sites Remediation Fund (CSRF) by \$2.6m annually in the second half of the forecast period, potentially leaving less available for vulnerable landfills. An expanded Waste Disposal Levy could potentially help fill this gap under option 3 above.

43. Departmental waste minimisation savings are proposed to be realised by:

- consolidating and reducing staff, contractors, and consultants.
- returning non-committed CERF funding for waste emissions data and administering the CERF grants programme. Funding has been kept available to support roll-out of kerbside standardisation changes.

### Freshwater

44. Non-departmental freshwater-related savings consist of:

- scaling back the freshwater farm plan system implementation by \$4.9m. Some funding will remain to provide centralised support to enable recognition and accreditation of industry assurance programs, consistency and coordination of risk management frameworks, support to catchment groups, building capability in the workforce, improving catchment data and dispute resolution. This is consistent with councils' and industry expectations and the government's priorities.
- scaling back investment in the Pukekohe integrated catchment management plan by \$3.6m. This initiative has broader application as a prototype for vegetable growing management. Reductions beyond \$3.6m risk other funding parties pulling out.
- stopping a Tangata Whenua capability-building programme that supports the RMA Making Good Decisions Programme, saving \$4.5m.
- scaling back the Kaipara Moana Remediation programme by \$10m annually in the second half of the forecast period. We have an existing MOU and contractual arrangement with Northland Regional Council and Kaipara iwi/hapū and this will significantly impact the potential environmental benefits in the catchment. All funding for this project is matched with equal contribution in funding or effort by the local community and councils, so the impact to the project will be greater than the \$20m projected savings.

45. Departmental savings from freshwater-related activities can also be found by:

- consolidating and reducing staff, contractors, and consultants.

- stopping some work related to implementing the National Policy Statement for Freshwater Management 2020.
- proportionately scaling back the Jobs for Nature Secretariat to reflect the programme ending in 2025.

### Biodiversity

46. Non-departmental biodiversity-related savings are realised from returning \$20.55m of funding allocated to the Indigenous Biodiversity Fund. This funding was intended to support councils and communities implementing the National Policy Statement on Indigenous Biodiversity.

### Urban and Infrastructure

47. Departmental savings could also be made by stopping and scaling work programmes not aligned with Coalition Government priorities. This includes work on the Urban Design Protocol and improving air quality.

### Back-office enabling functions and services

48. Departmental savings from reducing the Ministry's back-office enabling functions and services are proposed to be realised by:
- consolidating and reducing staff, contractors and consultants.
  - reducing information communication technology, accommodation, business support, legal, finance, people and procurement functions by reducing service levels and right-sizing capacity to reflect the Ministry becoming a smaller organisation.
  - delivering efficiencies through process improvement and automation.
  - reducing outstanding leave liabilities and reducing staff training and travel budgets.
  - stopping the hiring of contractors to develop an internal Te Tiriti Rights & Interests training tool.
  - scaling down and finding efficiencies in our programme management capabilities

### Partnerships and engagement

49. Non-departmental partnerships and engagement savings are realised by ending the Community Environment Fund in 2025/26, returning \$2.172m per annum in the last two years of the forecast period.

50. This will reduce funding available for community groups and environmental awareness initiatives, including Environment Hubs Aotearoa and Para Kore, with which the Ministry has worked in partnership for ten years. s 9(2)(f)(iv)

51. Departmental savings from reducing our partnership and engagement activity are proposed to be realised by:

- consolidating and reducing staff, contractors and consultants.
- scaling down our financial contributions to external partners.
- reducing funding for engaging with and supporting Treaty partners.

### Evidence and data

52. Evidence and data are critical to making robust decisions and effective investments by understanding the state of our natural environment and the impact of different activities on environmental outcomes.

53. Given the importance of evidence articulated in the coalition agreements, we have been cautious not to reduce evidence and data funding more than necessary and have not included non-departmental savings.

54. Departmental savings on evidence and data are proposed to be realised by:

- consolidating and reducing staff, contractors and consultants.
- s 9(2)(f)(iv)
- scaling back work to improve environmental monitoring networks and information requiring progress over a slower timeframe.
- rescopng and scaling back work to improve digital data and resource management interfaces.
- scaling back our work on behavioural science and systems change.
- scaling back science investment, including soil sequestration research, and reducing the scope of work to better direct environment and climate research.

55. Despite the conservative approach, the proposed savings will limit improvements in the quality, quantity and focus of evidence and data, reducing the ability:

- to improve the effectiveness of environmental systems and investments.
- to target interventions (including regulations) to where they are most needed.



- to regularly assess whether interventions deliver results and return on investment.
- for people, industries, and businesses to access evidence and data more efficiently.

## Other considerations

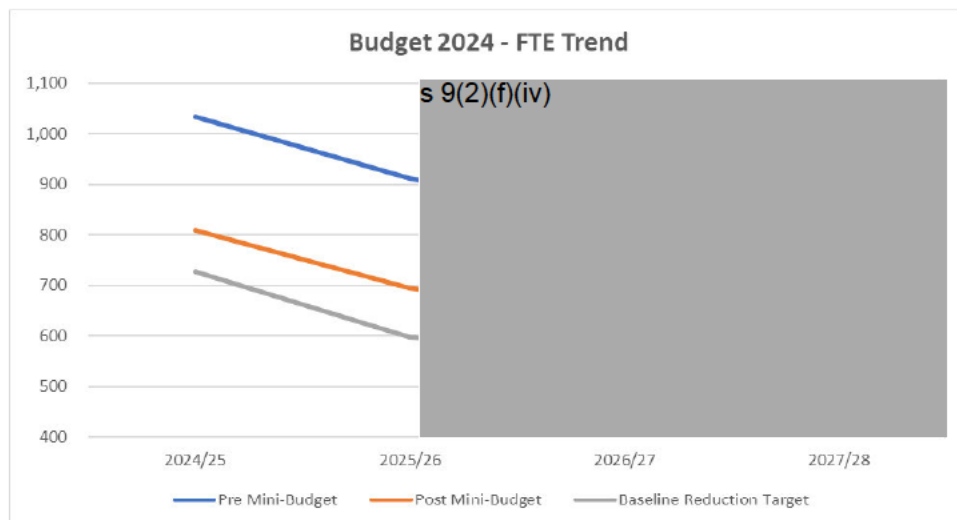
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### Consultation and engagement

56. Given the 2024 Initial Baseline Exercise is budget sensitive, no external consultation or engagement has been undertaken.

### Risks and mitigations

57. Implementing the cost savings package will require the Ministry to become a smaller and leaner organisation.
58. As at 29 January 2023 the Ministry has 1064 FTEs. 174 FTE are on fixed term contracts (the latest of which ends on 30 June 2026) and 39 are contractors. Our current attrition rate is 15.9%, although we are seeing signs this is slowing down.
59. The implications of the mini-Budget and baseline savings targets on the Ministry's capacity is modelled in the graph below:



60. Redundancies are unavoidable over the forecast period, although a successful RM budget bid will potentially change their scale and timing. We estimate redundancy costs in the order of \$4-5m for every 100 FTE reduction in permanent staff, depending on staff tenure. Staff would also be entitled to outstanding leave on top of redundancy.

61. A rapid and large-scale reduction in staff negatively impacts our ability to achieve the efficiency gains needed to operate effectively and increases the risk the Ministry loses key talent required to meet government deliverables. A slower, phased approach to reducing headcount ensures the Ministry's new structure is fit-for-purpose and provides more opportunity to realise efficiency gains and secure the right skills mix.
62. Several options in the proposed cost savings package reduce funding in ways that are also likely to have employment implications in communities and may result in further job losses.

## Legal issues

63. Progressing any of the options to change the waste levy will require legislative amendments to the Waste Minimisation Act 2008.
64. Stopping, returning and scaling existing departmental and non-departmental funding will have to be done in accordance with existing contractual arrangements, relationship management agreements and Treaty Settlements where these exist.
65. Options that could reduce emissions reductions could be challenged on the basis of not meeting statutory obligations under the Climate Change Response Act 2002. There is high public interest in public policy and stakeholders are motivated and well-funded to challenge decisions.
66. Implementing structural changes to reduce the size of the Ministry will be subject to various process requirements and employment law. The Ministry has a highly unionised workforce and the risk of challenge is high.

## Next steps

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67. We are meeting with you jointly to discuss this advice on Wednesday 1 February at 8.45 am.
68. We will make changes per your direction and provide an updated cost-saving package if required.
69. This timeline will enable us to finalise the Ministry's cost savings package for submission to the Minister of Finance and the Treasury by 16 February as requested.

## **Attachments (as attachments to email)**

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1. Letter from the Minister of Finance, dated 21 December 2023
2. Summary table – Proposed cost savings package