



Aide memoire: Next steps following Budget 24 Decisions

Date submitted: 9 May 2024

Tracking number: BRF-4621

Security level: Policy and Privacy

Actions sought from ministers	
<i>Name and position</i>	<i>Action sought</i>
Hon Penny SIMMONDS Minister for the Environment Hon Simon WATTS Minister of Climate Change Hon Chris BISHOP Minister Responsible for RMA Reform	For noting only

Appendices and attachments
Nil

Key contacts at Ministry for the Environment			
<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
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Next steps following Budget 24 Decisions

Purpose

1. This aide memoire summarises Budget 24 decisions relating to Vote Environment and outlines the:
2. impacts of these for the Ministry for the Environment (the Ministry) and third parties, and corresponding risks to manage
 - next steps for implementing and communicating these decisions
 - upcoming opportunities to engage with us on prioritisation decisions needed to finalise the Ministry's 2024/25 work programme.

Summary

3. We have been engaging with you since November 2023 to achieve the Coalition Government's objectives for fiscal sustainability more broadly, and for the Ministry's resourcing and work programme specifically. There have been a series of decisions during this period which impact the Ministry's future funding, relating to:
 - i. the return of Resource Management Reform Implementation funding to the centre through the 2023 Mini Budget (\$301.6m over four years)
 - ii. meeting the Budget 24 savings targets for Vote Environment, including the Initial Baseline Exercise (7.5 percent of the eligible baseline equating to \$196.4m over four years / \$49.1m per annum)
 - iii. a targeted savings initiative relating to the Waste Disposal Levy and Waste Minimisation Fund; initially this was for at least \$100m over four years; final savings are \$177.8m over four years
 - iv. an invitation to submit an initiative for Resource Management Reform – Replacement funding; a scaled option has been approved through Budget 24
 - v. requests from the Minister of Finance (MoF) for advice on additional savings options relating to CERF-funded initiatives, the Waste Disposal Levy and Waste Minimisation Fund, and the Tagged Contingencies
 - vi. an Independent Rapid Review (IRR) of the Ministry's Budget 24 savings package.
4. These were in addition to the Ministry's already declining baseline which was falling by 26 per cent from 2023/24 to 2027/28 (at OBU 2023) due to time-limited funding ending.
5. The Ministry's final savings package (including the RM Reform – Replacement initiative) was submitted and approved by Cabinet on 29 April 2024. This paper summarises the impacts on the Ministry's funding, including implications for third parties. It outlines next steps for communicating and implementing these decisions, to support Budget Day

announcements. It also outlines upcoming opportunities to engage with us on prioritisation needed to finalise the Ministry's 2024/25 work programme.

Key issues

6. This briefing covers a range of topics, and we want to highlight three in particular:
 - i. Key risks relating to some of the non-departmental savings that have significant flow-on impacts for third parties. This relates particularly to the Community Environment Fund s 9(2)(f)(iv) and also to some Essential Freshwater Fund Projects and the closure of the Environmental Legal Assistance Fund.
 - ii. The prioritisation conversations we plan to have with you ahead of Budget Day to inform the Ministry's intended work programme for 2024/25, specifically agreeing work that will stop or be scaled.
 - iii. s 9(2)(f)(iv) which could assist you to mitigate some of the risks associated with the de-prioritisation of work, by transferring funding into outyears.

Next steps

7. The Ministry intends to engage with you ahead of Budget Day, to discuss prioritisation needed to ensure the Ministry's 2024/25 work programme meets our smaller fiscal envelope. s 9(2)(f)(iv)
8. In parallel and informed by the above, we will work with your offices and the Treasury on Budget communications. Given the significant impacts on third parties of some of the funding decisions, we are taking a strong and proactive approach. We are preparing a detailed Comms and Engagement Plan and will work with your offices to refine this and support you as needed with implementation in the lead up to Budget Day, including providing talking points and key messages.
9. We will seek further guidance from the Treasury on how IRR recommendations, and Cabinet decisions relating to the waste levy, are to be progressed; as these require further savings to be identified ahead of Budget 25. We will provide you with further advice on this.

Budget decisions and impacts

10. Over the last year the Ministry has been actively taking steps to become a smaller, fit for purpose organisation, driven by the knowledge that our baseline funding was declining even before the fiscal sustainability programme was introduced. In December 2023 we introduced a new operating model designed to optimise our delivery and ensure we have the capability needed to deliver on both the Government's priorities and our stewardship responsibilities. This also resulted in a more than 20 percent reduction in senior leadership positions.

11. The Ministry's operating model remains fit for purpose but the scale of downsizing resulting from the 2023 Mini Budget and Budget 24 decisions amplifies the challenges we are facing.

Net savings returned to the centre

12. The table below summarises the net savings returned to the Crown from the December 2023 Mini Budget and Budget 24 decisions (as a proportion of our eligible baseline). It shows \$92.2m of new Budget 24 funding over four years for the Resource Management Replacement work programme, which partially replaces the \$301.6m of Resource Management Reform Implementation funding returned in the Mini Budget.
13. The final baseline savings package for Vote Environment meets the 7.5 percent savings target of \$196.4m. The targeted waste levy-related savings of \$177.8m are additional and exceed the initial \$100m threshold¹. The remaining undrawn ETS Market Governance tagged contingency of \$34.3m was also returned to the centre as part of the Budget 24 package. The final total savings of \$408.5m represents a 15.4 percent return, which is more than double the 7.5 percent savings target.
14. When combined with the Mini Budget savings, total savings for the Crown from Vote Environment since December 2023 is \$710.1m, which is 24.1 percent of the eligible baseline. Adding back in the new RM Reform – Replacement funding gives a total net impact from Budget 24 and the 2023 Mini Budget of \$617.8m: a 21 percent saving (nearly three times the 7.5 percent savings target).

Budget 24 final position

2024/25	2025/26	2026/27	2027/28	Total
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New spending initiatives

Resource Management Reforms - Replacement	23.525	23.911	23.911	20.888	92.235
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Savings

Initial baseline savings exercise (7.5%)	(49.100)	(49.100)	(49.100)	(49.100)	(196.400)
Additional Targeted Waste levy-related savings	(88.226)	(61.130)	(14.499)	(13.899)	(177.754)
ETS Market Governance contingency savings	(9.437)	(9.437)	(9.437)	(6.000)	(34.311)
Final total B24 savings	(146.763)	(119.667)	(73.036)	(68.999)	(408.465)
Avg annual Eligible baseline (per Treasury) incl ETS Mkt Gov	664.368	664.368	664.368	660.931	2,654.034
Final B24 savings % achieved	22.1%	18.0%	11.0%	10.4%	15.4%

Total savings returned to Crown since December 2023

Final total B24 savings above	(146.763)	(119.667)	(73.036)	(68.999)	(408.465)
Add RM mini-Budget savings	(61.107)	(78.027)	(80.156)	(82.306)	(301.596)
Total savings returned to Crown since Dec 2023	(207.870)	(197.694)	(153.192)	(151.305)	(710.061)
Avg Eligible baseline (before mini-Budget) incl ETS Mkt Gov	736.329	736.329	736.329	732.892	2,941.879
Final B24 + mini-Budget savings % achieved	28.2%	26.8%	20.8%	20.6%	24.1%

Total savings returned to Crown since December 2023 offset by RM new spending initiative

Total savings returned to Crown since Dec 2023	(207.870)	(197.694)	(153.192)	(151.305)	(710.061)
Resource Management Reforms - Replacement	23.525	23.911	23.911	20.888	92.235
Net impact of B24 + mini-Budget	(184.345)	(173.783)	(129.281)	(130.417)	(617.826)
Avg Eligible baseline (before mini-Budget) incl ETS Mkt Gov	736.329	736.329	736.329	732.892	2,941.879
Final B24 + mini-Budget savings + new RM initiative %	25.0%	23.6%	17.6%	17.8%	21.0%

¹ Cabinet has agreed that further waste levy savings opportunities will be identified for outyears as part of Budget 25

Ministry Financial Position

15. Given these decisions, the table below shows total available Vote Environment funding as at BEFU 2024*. Each element of this table is discussed in the following sections.

\$m	23/24	24/25	25/26	26/27	27/28
Departmental Appropriations	244.2	184.3	157.5	155.0	149.3
Non-Departmental Appropriations (Crown excl ETS)	182.0	234.8	129.2	77.6	81.8
Non-Departmental Appropriations (waste-levy & PS tyres)	123.7	258.0	335.4	389.2	426.3
Total Appropriations (excl ETS)	549.9	677.1	622.0	621.9	657.4

*Source is Budget Economic and Fiscal Update 2024 appropriations. Emissions Trading Scheme (ETS) non-cash related appropriations are excluded due to their size and the fact these are outside the control of the Ministry. Contingencies are also excluded and discussed further below.

Impacts on departmental funding

16. The table below summarises the impacts of Ministerial decisions since OBU 2023 on the Ministry's departmental baseline. Departmental funding falls 39 percent from 2023/24 to 2027/28.

Departmental Appropriations	23/24 \$'000	24/25 \$'000	25/26 \$'000	26/27 \$'000	27/28 \$'000
Departmental Output Expenses					
Improving New Zealand's Environment	167,776	102,416	80,254	85,497	82,501
Managing Climate Change in New Zealand	54,584	49,500	50,226	50,666	47,899
Spatial Planning Board	4,112	-	-	-	-
Climate Change Chief Executives Board	3,532	3,435	3,434	4,132	4,132
Environment Work Programme (Waste & HSNO)	-	15,150	16,480	7,600	7,600
Waste Minimisation Administration	13,342	12,704	5,906	5,906	5,906
Product Stewardship Administration	867	1,047	1,154	1,185	1,215
Total Departmental Appropriations (excl contingencies)	244,213	184,252	157,454	154,986	149,253
Reduction from peak year (23/24)	-	59,961	86,759	-89,227	-94,960
Third Party funded in grey shading					-39%

17. As a result of reduced funding, we expect to reduce the Ministry's workforce as follows:

	2023/24	2024/25	2025/26	2026/27	2027/28
FTE	1,060 ²	812	684	s 9(2)(f)(iv)	

18. As previously advised, we anticipate a significant impact on the Ministry's work programme. The savings initiatives submitted in Budget 24 identified that there would be reduced departmental funding and associated deliverables for the following:

- i. freshwater investment programmes, the Jobs for Nature Secretariat, and the implementation of freshwater policy

² 1,060 is the FTE number used in Budget advice and reflected our FTE at that time (permanent, fixed-term and seconded out.) This was lower than the affordable level of FTE given our 2023/24 funding (1,230) and reflects the Ministry's decisions to actively manage our workforce growth in 2023/24 in the light of fiscal constraints. From 2024/25 the FTE includes permanent staff only.

- ii. evidence, data, and analysis³ used to inform policy on climate resilience and environmental science and health; government, community, industry, and business access to data to inform decisions relating to resource use and climate adaptation; work to update the National Environmental Standard on Drinking Water and Air Quality; science assurance across multiple policy areas; and environmental reporting and monitoring on the outcomes of environmental policy and investment
 - iii. climate change data, evidence, reporting, and policy work programmes, including Māori Climate Action initiatives, the Climate Change Chief Executives Board, the Carbon Neutral Government Programme, Climate Data Infrastructure, enablement of a scaled-up, high-quality Voluntary Carbon Market, and Emissions Trading Scheme Market Governance improvements
 - iv. waste minimisation activities e.g. support for kerbside standardisation changes
 - v. communications, engagement, and partnership functions
 - vi. back-office enabling functions and services such as ICT, accommodation, business/admin support, programme/project management, legal, finance, people and capability, procurement; funding for staff travel, learning and development; and work in Māori Governance and Performance and Treaty Partnerships.
19. Further discussion is needed with you to finalise your forward work programme deliverables within the available funding.

Next steps for finalising the Ministry's 2024/25 work programme

20. The Ministry is currently designing both its business plan for 2024/25 and the change proposal that will give effect to this in 2024/25 and beyond. The business plan will set out our work programme, including clearly articulating the statutory responsibilities and international reporting obligations that must be resourced and delivered, as well as showing what work will be deprioritised because of reduced funding. (Of note, MoF's 24 April 2024 letter to Hon Simmonds confirming the Ministry's Budget 24 baseline savings re-iterated the Government's expectation that the Ministry will continue to prioritise meeting its Treaty of Waitangi obligations). We will engage with you further ahead of Budget Day to confirm these prioritisation decisions. A more detailed business plan will be finalised in the first quarter of 2024/25 and refreshed on a quarterly basis.
21. In parallel, we are developing a change proposal that will set out the proposed impacts on roles and organisational structure given our reduced budget. The change proposal will see our workforce reduce by around one third by July 2025. We will update you on progress in our weekly meetings and provide a draft of the proposal document one week before it is released to staff. At this stage we are expecting to go out for consultation in the first week of June. We anticipate that the changes will come into effect from 1 November 2024. The scale of change for the organisation during this June to November

³ This reduced investment in science and data comes in the context of a tightening of investment across the board in the broader science system, which will reduce access to the evidence needed to inform decision making.

2024 period will be significant, and the change process itself will be resource intensive as we transition to a much smaller organisation.

Impacts on non-departmental funding

22. The table below summarises the impacts of Ministerial decisions since OBU 2023 on the Ministry's non-departmental baseline. Non-departmental funding excluding waste minimisation and product stewardship falls 55.1 percent from 2023/24 to 2027/28.

Non Departmental (excl ETS)	23/24 \$'000	24/25 \$'000	25/26 \$'000	26/27 \$'000	27/28 \$'000
Non-Departmental Category					
Climate change	1,480	8,170	10,170	170	170
Climate Change Commission	18,433	16,103	14,904	14,904	14,904
Community funding	5,294	3,378	2,875	2,875	2,875
Environmental Protection Authority	37,599	36,899	35,616	35,616	35,393
International obligations	768	785	785	785	745
Indigenous Biodiversity	-	-	-	-	2,950
RMR implementation	400	-	-	-	2,285
Treaty obligations	12,128	5,125	5,182	4,671	4,444
Contaminated sites	2,379	7,772	5,128	2,628	2,628
Waste minimisation (debt impairment (levy))	-	5,000	5,000	5,000	5,000
Waste Minimisation Fund	120,958	195,705	265,895	318,225	352,569
Product Stewardship Schemes	2,750	57,342	64,456	66,004	68,760
Reducing emissions from waste	20,247	23,300	23,600	-	-
Water initiatives (partially levy-funded)	83,272	133,308	30,900	16,000	15,400
Total Non-Departmental (excl contingencies)	305,708	492,887	464,511	466,878	508,123
<i>Third Party funded in grey shading</i>					
Total Non-Departmental excl WMF & PS tyres	182,000	234,840	129,160	77,649	81,794
Reduction from 23/24					-55.1%

23. The rest of this section summarises the key funding changes to non-departmental initiatives and outlines the implications for third parties, some of which are significant. We particularly draw your attention to s 9(2)(f)(iv) as well as the scaling of some Essential Freshwater Fund Projects, and the closure of the Environmental Legal Assistance Fund.
24. We are developing a detailed Comms and Engagement Plan for these changes and will work with your offices to refine and support you as required with implementation in the lead up to Budget Day, including providing talking points and key messages.

Indigenous Biodiversity*

Initiative	23/24 \$m	24/25 \$m	25/26 \$m	26/27 \$m	27/28 \$m
Current funding (non-dept)	2.950	6.490	6.210	3.925	3.925
B24 return of funding	-	(6.490)	(6.210)	(3.925)	(3.925)
Reforecast at Supps/Mains	(2.950)	-	-	-	2.950
Post B24 funding (non-dept)	NIL	NIL	NIL	NIL	2.950⁴

*This funding sits in the 'Indigenous Biodiversity' category of the Non-Departmental (excl ETS) Table at para 21

25. This funding was intended to support councils and communities implementing the National Policy Statement on Indigenous Biodiversity (NPS-IB) and incentivising the protection and restoration of indigenous biodiversity. The return of funding will have minimal immediate impact as the implementation programme had not yet started. However, community groups had been anticipating funding being available for initiatives relating to indigenous biodiversity.
26. The Ministry will begin to communicate the removal of funding through its engagement with key stakeholders following Budget announcements.

Community Environment Fund*

Initiative	23/24 \$m	24/25 \$m	25/26 \$m	26/27 \$m	27/28 \$m
Current funding (non-dept)	2.672	1.428	2.172	2.172	2.172
B24 return of funding	-	(1.428)	(2.172)	(2.172)	(2.172)
Reforecast at Supps/Mains (due to changes in milestone payments)	(0.678)	0.678	-	-	-
Post B24 funding (non-dept)	1.994	0.678	NIL	NIL	NIL

*This funding sits in the 'Community Funding' category of the Non-Departmental (excl ETS) Table at para 21

27. The Community Environment Fund (CEF) is a multi-year funding stream administered by the Ministry to strengthen partnerships, raise environmental awareness and encourage participation in environmental initiatives in the community. There are currently two CEF programmes underway, both with contract end dates of 30 June 2025: 1) Para Kore and 2) Environment Hubs Aotearoa.
28. Para Kore is a national Māori zero waste organisation which delivers a zero-waste education programme called Oranga Taiao. Para Kore has received one-off project-level funding support from the Ministry over the last 10 years. Given the success of these

⁴ According to Multi-Year Appropriation (MYA) rules, the underspend can be transferred to future years instead of being returned to the Treasury. In this case, the Treasury proposed shifting the underspent amount from 2023/24 to 2027/28 rather than 2024/25.

projects, in 2020 the Ministry began funding their operations to significantly expand and enhance the impact of their work programme.

29. Environment Hubs Aotearoa (EHA) is a nationwide network of organisations working with communities to protect, nurture and improve environmental outcomes. The financing provided to EHA is redistributed to 22 Environment Centres to support operating costs and leverage a considerable volunteer effort. The Ministry helped establish EHA in 2015 to improve the impacts and investments the Ministry was making to environment centres. Throughout 2018-2020 the Ministry built up the capability and capacity of the organisation, and in 2020 the Ministry transferred the administration of the environment centre funding programme to EHA to operate.

30. s 9(2)(f)(iv)

31. As these are Budget sensitive decisions, EHA and Para Kore will be notified of the decision to terminate their contracts at the time of Budget announcements. Given contractual obligations for notice periods (a minimum of three months for Para Kore) and the need to provide transition support to these organisations given the impacts on their operations, the Ministry is currently targeting a closure date in November 2024. You may wish to consider using the amended Waste Disposal Levy if you wanted to further mitigate the anticipated impact of these closures too.

Environment Legal Assistance Fund*

Initiative	23/24 \$m	24/25 \$m	25/26 \$m	26/27 \$m	27/28 \$m
Current funding (non-dept)	0.600	0.600	0.600	0.600	0.600
B24 return of funding	NIL	(0.600)	(0.600)	(0.600)	(0.600)
Post B24 funding (non-dept)	0.600	NIL	NIL	NIL	NIL

*This funding sits in the 'Community Funding' category of the Non-Departmental (excl ETS) Table at para 21

32. Established in 2001, the Environment Legal Assistance (ELA) Fund supports not-for-profit groups that wish to advocate for environmental issues in resource management cases in the courts, and appearances at Boards of Inquiry for proposals of national significance. Funding is available to cover costs associated with presenting cases; the maximum grant is \$50,000 (excluding GST) per group per application for any one case. Funding decisions are made by an Independent Advisory Panel (the Panel), which makes recommendations for each application. Panel members' terms are due to expire on 30 June 2024.
33. We will need to communicate the closure of the ELA Fund to Panel members, applicants, community groups (including iwi organisations) who rely on this fund to support costs associated with legal challenges, and the public. As these are Budget sensitive decisions we will inform panel members, and then other affected groups, of the closure of the fund at the time of Budget announcements, including through the

publication of an item on the fund's webpage and the Ministry's website. Officials will also provide you with talking points in relation to the closure of the fund.

34. Approved applications will continue to be funded through their funding deeds with those deeds having a term beyond 30 June 2024.

Regional Planning (ENGOS)*

Initiative	23/24 \$m	24/25 \$m	25/26 \$m	26/27 \$m	27/28 \$m
Current funding (non-dept)	0.800	0.800	0.800	1.104	1.104
Mini budget return of funding	-	(0.400)	(0.400)	(1.104)	(1.104)
B24 return of funding	-	(0.400)	(0.400)	-	-
Reforecast at Supps/Mains	(0.400)	-	-	-	0.400
Post B24 funding (non-dept)	0.400	NIL	NIL	NIL	0.400

*This funding sits in the 'RMR Implementation' category of the Non-Departmental (excl ETS) Table at para 21

35. Through the Regional Planning fund, the Environmental Defence Society (EDS) and Forest & Bird were contracted to receive \$600,000 each over a three-year period (\$200,00 per annum) for a pilot programme to support their engagement with regional councils on the development of new regional plans to resolve concerns and help avoid more costly and litigious processes at a later stage.
36. Due to the repeal of the Natural and Built Environment Act (2023) and Spatial Planning Act (2023) and extension of Fresh Water Plans deadlines to 2027 (under the Resource Management Act 1991) this pilot programme no longer meets its original intent of supporting the implementation of the new Resource Management system. On 7 February, the Ministry was directed to cease funding these pilot projects by the end of 2023/24 and to begin engaging with Forest & Bird and EDS on this decision.
37. On 22 February 2024, Ministry officials notified Forest & Bird and EDS of its intent to cease funding these pilot projects later this financial year. Since then, all parties have been in on-going discussions about how to mitigate the impacts that this early closure will have on regional planning processes, additional pressures on councils to facilitate engagement in their planning development, and organisational risks. A formal notification of project closure is expected to be sent to Forest & Bird and EDS in May, with an effective end date in early June 2024.

Freshwater Improvement Fund*

38. There are three savings initiatives relating to the Freshwater Improvement Fund which result in reduced funding in 2024/25 for the initiatives shown in the table below: Freshwater Farm Plans; Te Tuatara o Pukekohe – Integrated Catchment Management Plan; and Tangata Whenua – capability building to strengthen participation in freshwater management.

Initiative	23/24 \$m	24/25 \$m	25/26 \$m	26/27 \$m	27/28 \$m
Current funding (non-dept)	87.379	90.568	15.000	-	-
B24 return of funding: Freshwater Farm Plans – scaled back programme	-	(4.900)	-	-	-
B24 return of funding: Te Tuatara o Pukekohe – Integrated Catchment Management Plan	-	(3.600)	-	-	-
B24 return of funding: Tangata Whenua – capability building to strengthen participation in freshwater management	-	(4.500)	-	-	-
Reforecast at Supps/Mains	(20.000)	20.000	-	-	-
Post B24 funding (non-dept)	67.379	97.568	15.000	NIL	NIL

*This funding sits in the 'Water Initiatives (partially levy-funded)' category of the Non-Departmental (excl ETS) Table at para 21

Freshwater Farm Plans – scaled back programme

39. The return of savings will reduce the funding available to build capability in the workforce required to support the Freshwater Farm Plan System. 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.
40. Officials will need direction from Ministers on future amendments to the Freshwater Farm Plan System. Once the direction is clear, officials can work with Ministers to ensure the remaining funding is appropriately targeted. The total amount of funding for this initiative was not well known and some funding remains. As such, communications relating to its reductions are not needed at this stage.

Te Tuatara o Pukekohe – Integrated Catchment Management Plan

41. The investment for the Pukekohe vegetable growing area has funded the co-design of an Integrated Catchment Management Plan by growers (Pukekohe Growers Association and HortNZ), councils (Auckland Council and Waikato Regional Council) and mana whenua (Ngaati Te Ata, Ngaati Tamaoho, Waikato-Tainui, and Ngaati Tiipa) to address degradation due to the intensification of vegetable growing in the region. This work has a broader application as a prototype for vegetable growing management.
42. Budget 24 reduces funding for this work in 2024/25. There was no further funding beyond this point. The Ministry will need to manage communication with the partners (councils, local iwi and the horticulture sector) to explain the withdrawal from this commitment and avoid breaching the Memorandum of Understanding governing the relationship.
43. The governance group, Te Tautara o Pukekohe, is aware that fiscal constraints may impact original funding decisions. The next step will be to convene an out of cycle meeting with the governance group to convey the decision. The proposed work plan is readily scalable and remaining funding for approved projects can be contracted and

actioned rapidly to optimise outcomes for the region and wider vegetable growing sector.

Tangata Whenua – capability building to strengthen participation in freshwater management

44. The Local Government Act and Resource Management Act require councils to involve Māori in decision making, and councils have consistently advised that deficits in Māori technical capability are a barrier to progressing freshwater reform.
45. The funding being returned was earmarked to fund mana whenua participation in a resource management training programme that would support entry into the Making Good Decisions programme, which is the qualification needed to be a hearings commissioner. The return of the funding may result in fewer capable practitioners to support the planning processes.
46. While initial discussions were held with a potential service provider, no contracts had been put in place for funding this programme. The impacts are limited to 2024/25 as there was no further funding beyond this point.

Climate Change Development Fund*

Initiative	23/24 \$m	24/25 \$m	25/26 \$m	26/27 \$m	27/28 \$m
Current funding (non-dept)	0.270	0.300	0.300	0.300	0.300
B24 return of funding	-	(0.300)	(0.300)	(0.300)	(0.300)
FNA to Framework Convention on Climate Change	(0.030)	-	-	-	-
Post B24 funding (non-dept)	0.270	NIL	NIL	NIL	NIL

*This funding sits in the 'International Obligations' category of the Non-Departmental (excl ETS) Table at para 21

47. The Climate Change Development Fund (CCDF) was established in 2001 to assist developing countries to better address the challenges of climate change. It focuses on the Pacific region and Indigenous representation. The Ministry will stop its contribution to the fund (\$300k of New Zealand's \$5m per annum commitment).
48. This decision needs to be communicated to MFAT, who are jointly responsible for the \$5m commitment and are the agency responsible for our bilateral relationship with developing country recipients of the fund. We will do this close to Budget Day on a 'no surprises' approach.
49. The CCDF has recently undergone a review and is a public-facing fund. The decision will need to be communicated publicly, including on the Ministry's website, to inform past and potential future recipients. CCDF recipients to date have included partners and organisations such as the United Nations Framework Convention on Climate Change (UNFCCC), the OECD Climate Change Experts Group (CCXG), and the European Roundtable for Climate Change and Sustainable Transitions (ERCST). Consideration may be given to whether alternative funding is made available to these organisations, and / or how we manage their expectations given the long-standing nature of the fund.

Climate Resilience for Māori and Māori Climate Action initiatives*

Initiative	23/24 \$m	24/25 \$m	25/26 \$m	26/27 \$m	27/28 \$m
Current funding (non-dept)	1.000	8.000	10.000	10.000	10.000
B24 return of funding	-	-	-	(10.000)	(10.000)
Post B24 funding (non-dept)	1.000	8.000	10.000	NIL	NIL

*This funding sits in the 'Climate Change' category of the Non-Departmental (excl ETS) Table at para 21

50. This funding is for kaupapa Māori and tangata Māori (for Māori, by Māori) community actions and solutions to address some of the risks associated with climate change and related operational costs (referred to as the Māori Climate Platform). The short-term priority is setting detailed workplans for the community actions and solutions which the next two years of funding (\$18m) will enable. This could include piloting of activities to better understand what types of initiatives might be effective in supporting the communities most vulnerable to the effects of climate change, particularly those living in coastal, rural and remote areas. This could then inform next steps including a potential future Budget bid.

51. s 9(2)(i)

52. We will work with the Office of the Minister of Climate Change regarding the communication of the above funding decisions to the relevant parties.

Climate Change Commission*

Initiative	23/24 \$m	24/25 \$m	25/26 \$m	26/27 \$m	27/28 \$m
Current funding (non-dept)	18.433	19.103	19.112	19.112	19.112
B24 return of funding	-	(3.000)	(4.208)	(4.208)	(4.208)
Post B24 funding (non-dept)	18.433	16.103	14.904	14.904	14.904

*This funding sits in the 'Climate Change Commission' category of the Non-Departmental (excl ETS) Table at para 21

53. Funding of \$3m per annum (ongoing) was allocated to the Climate Change Commission in Budget 2023 to perform a possible function advising on agricultural emissions pricing. Cabinet decisions on an agricultural pricing system are still pending. This funding will be returned in full. In the Budget 2024 process it was also agreed that the Commission's overall baseline funding will reduce by 7.5 percent from 2025/26 (\$1.21 million per annum).

54. The Climate Change Commission (and the Environment Protection Authority) have been informed of the outcomes of Budget 24, to support their planning for 24/25.

Waste Disposal Levy and Waste Management Fund

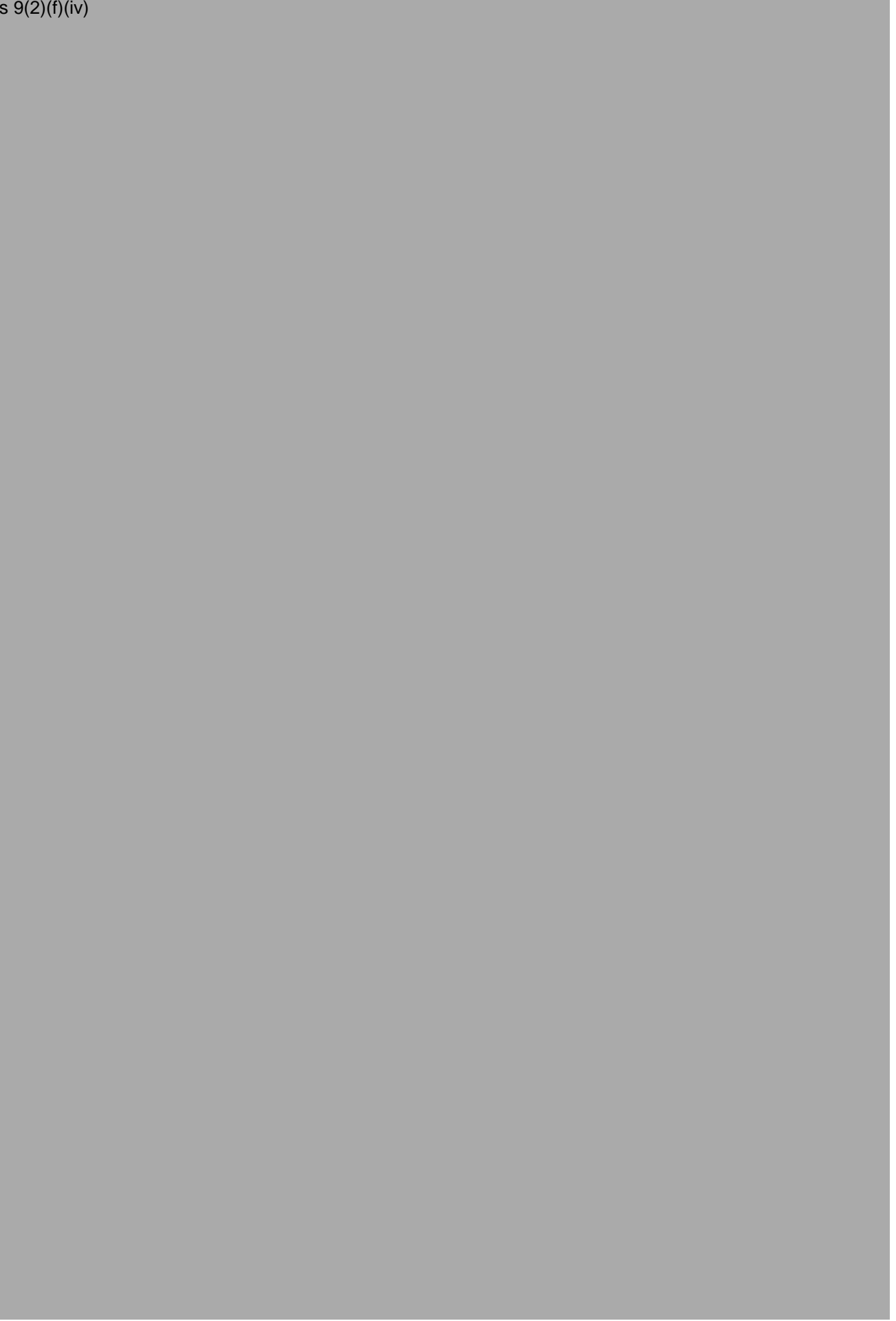
55. Cabinet has agreed changes to the Waste Minimisation Act 2008 and further step increases to the waste disposal levy over a three-year period (2025/26 to 2027/28) that will increase levy revenue and enable the levy to be spent on a broader range of environmental outcomes.
56. The amendments and additional re-prioritisation using levy revenue will enable around \$220m in Crown savings over a four-year period beginning in 2024/25. The proposals will also enable ongoing outyear funding for the waste-related work programme and for contaminated sites remediation, and time-limited funding for the Kaipara Moana Remediation Programme and Freshwater Improvement Fund.
57. Cabinet agreed that the Ministry will work with the Treasury and other agencies as necessary to identify further savings opportunities from Budget 25 (i.e., additional environmental funds and initiatives administered by other agencies that could be funded by the levy). Cabinet also directed officials to identify a suitable annual quantum for waste-related investment (noting there are limits to how much levy revenue can be strategically invested without the risk of crowding out private investment or creating on-going subsidies for onshore processing).
58. Legislative amendments are required to achieve this outcome, with a draft Bill proposed to be introduced as part of Budget night legislation and progressed through all stages under urgency. The new legislation is proposed to be in force by 1 July 2024, which will enable the use of the levy for the wider range of purposes. These changes will need to be communicated to the sector, including disposal facility operators who will need to factor in levy increases that will take effect from 1 July 2025.
59. The Ministry has been invited to report back to Cabinet on the performance of government spending funded by the levy, and to independently review the process for making investment decisions using the levy.

Proposed savings to be generated with re-prioritisation and legislative changes (\$000s)	
	24/25 to 27/28
Levy revenue (central govt)	597,642
Waste-related savings	(104,114)
CERF - Waste Initiatives - MYA	(46,900)
Contaminated Sites Remediation Fund	(10,384)
Waste-related work programme	(46,830)
Additional environmental savings	(115,925)
Kaipara Moana Remediation - MYA	(53,925)
Freshwater Improvement Fund	(62,000)
Total savings	(220,039)
<i>Remaining levy revenue to be allocated on waste and environmental priorities</i>	<i>377,603</i>

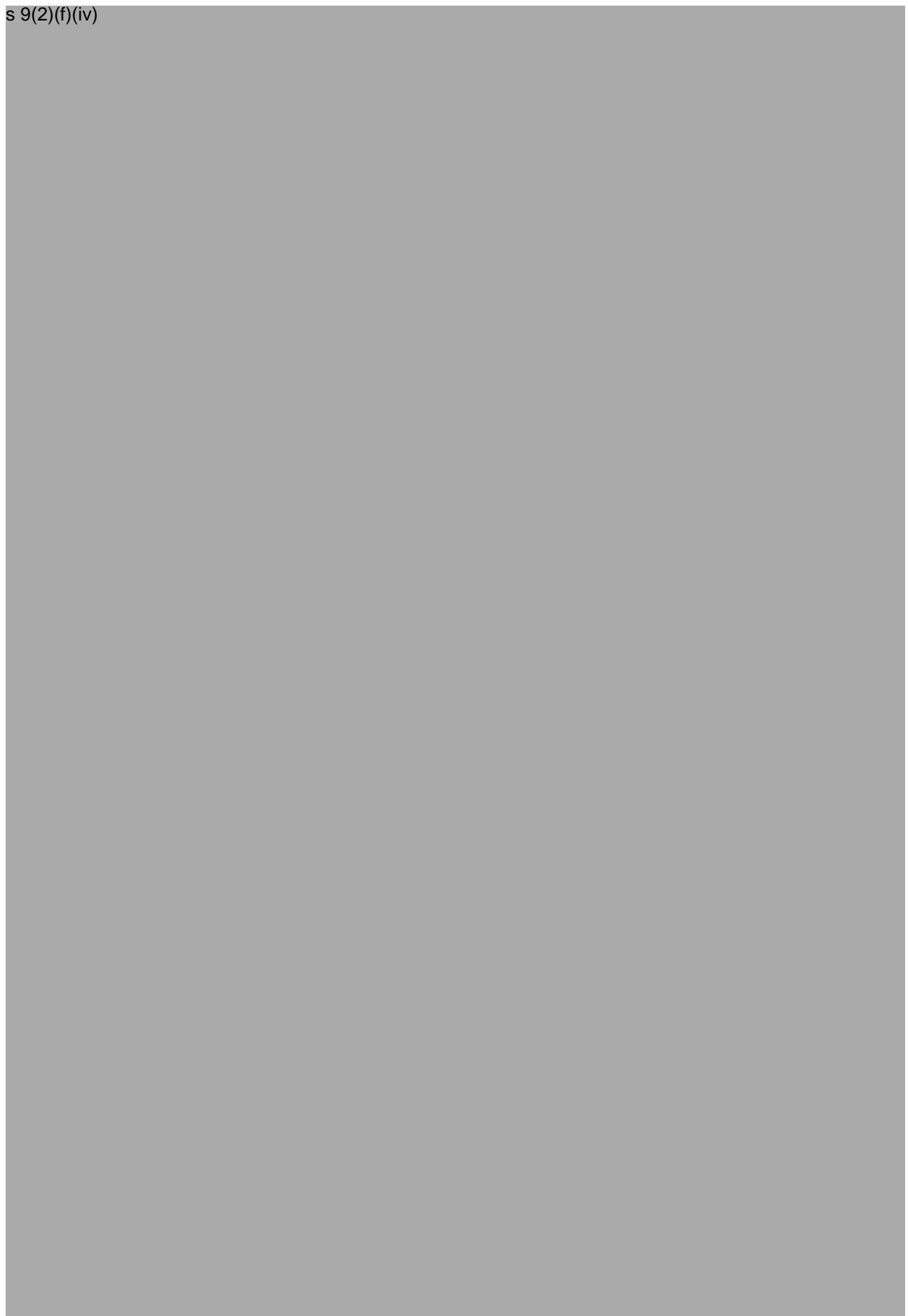
* Note the above table does not show the levy revenue (TLA portion).

s 9(2)(f)(iv)

s 9(2)(f)(iv)

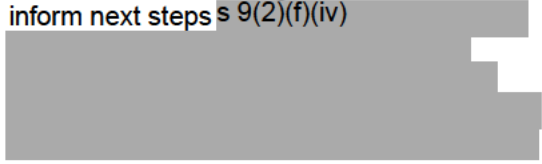
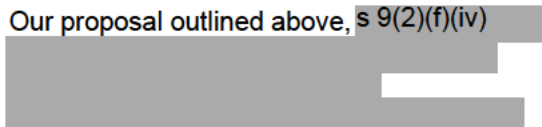


s 9(2)(f)(iv)



Independent Rapid Review of Vote Environment

72. On 12 March 2024, MoF and the Minister for the Environment jointly commissioned an Independent Rapid Review (IRR) of Vote Environment, led by Iain Rennie. The purpose of the review was to identify further realisable savings over the forecast period to support value for money in public spending.
73. The Reviewer submitted their written report to MoF on 3 April 2024 and this has been shared with you. The report noted that the Ministry's Initial Baseline Exercise savings were generally well prepared and aligned with the Government's expectations of agencies. The report recommendations are below, with the Ministry's initial response:

IRR Recommendation	Ministry response
The proposed termination of the Climate Resilience for Māori non-departmental appropriation from 2026/27 (\$20m savings over the forecast period) may create a significant risk for reinstatement of the appropriation in Budget 26 and the maintenance of a consistent, lower baseline from 2025/26 (e.g. \$6 million per annum) may be a preferable, lower risk approach;	The short-term priority is setting detailed workplans for the community actions and solutions which the next two years of funding (\$18m) will enable. This could include piloting of activities to better understand what types of initiatives might be effective in supporting the communities most vulnerable to the effects of climate change. This will then inform next steps s 9(2)(f)(iv) 
Recommends that consideration is given to further non-departmental appropriations savings in Budget 24 with priority given to reductions in Kaipara Moana Remediation non-departmental appropriation (scalable savings up to \$20m over the forecast period);	Kaipara Moana Remediation funding will now be sourced from the waste levy, which enabled this programme to be offered up as Crown savings as part of Budget 24 decisions.
Recommends that MfE reports to Ministers in the Budget 25 process on providing additional efficiency savings in departmental output appropriations following full implementation of the department's new operating model; Notes that resourcing for climate change work programmes is the single largest driver of MfE funding between 2017/18 and 2027/28 with a tripling of funding and staff resourcing; Recommends that the efficiency and cost-effectiveness of MfE's climate change responsibilities, including MfE's coordination of public sector climate change responses, is undertaken with recommendations for improvement, to be completed in time for inclusion in the Budget 25 process;	The Ministry is committed to the Government's Fiscal Sustainability Programme and is keen to continue to approach any further savings in a systematic and holistic way. The Ministry will need to absorb considerable cost pressures in the coming years within a much smaller baseline, as well as deliver on Ministerial priorities. Realising further baseline savings will be challenging and is likely to require some rationalisation of the priority work programmes our Ministers have outlined in their respective letters to the Prime Minister. Our proposal outlined above, s 9(2)(f)(iv)  would help to manage these pressures.

IRR Recommendation	Ministry response
<p>Recommends that the Minister for the Environment directs the refreshed board of the Environmental Protection Authority (EPA) to prepare a fiscally sustainable operating model for the EPA in time for consideration in the Budget 25 process.</p>	<p>The EPA has already commissioned a review of its operating model and the findings will be presented shortly, which will help to identify areas of improvement or change needed to ensure the EPA is fit for purpose and sustainable in the future. We will provide further advice once we have considered the findings of the review.</p>

75. We understand that MoF intends to meet with the Reviewer in May 2024. We are seeking guidance from the Treasury on how the IRR recommendations will be progressed.

Next steps

76. The Ministry intends to engage with you ahead of Budget Day to discuss prioritisation needed to ensure the Ministry's 2024/25 work programme meets our smaller fiscal envelope. In support of delivering your priorities and managing the difficult trade-offs required, we will seek your agreement to retain and draw down from the Tagged Contingencies, and to rephase further 2023/24 underspends, as permitted by the current NRC rules. Officials are available to discuss this with you in the meantime.
77. In parallel and informed by the above, we will work with your offices and the Treasury on Budget communications. Given the significant impacts on third parties of some of the funding decisions, we are taking a strong and proactive approach. We are preparing a detailed Comms and Engagement Plan and will work with your offices to refine this and support you as needed with implementation in the lead up to Budget Day, including providing talking points and key messages.
78. We will seek further guidance from the Treasury on how IRR recommendations, and Cabinet decisions relating to the waste levy, are to be progressed; as these require further savings to be identified ahead of Budget 25. We will provide you with further advice on this.

Signatures



Arun Patel

General Manager – Finance & Procurement

Date: 9 May 2024

Hon Penny SIMMONDS
Minister for the Environment

Date:

Hon Simon WATTS
Minister of Climate Change

Date:

Hon Chris BISHOP
Minister Responsible for RMA Reform

Date: