



Briefing: 2024/25 work programme prioritisation – initial advice

Date submitted: 21 June 2024

Tracking number: BRF-4955

Security level: CLASSIFICATION

MfE priority: Not Urgent

Actions sought from ministers		
Name and position	Action sought	Response by
To Hon Chris BISHOP Minister Responsible for RMA Reform	Meet with officials to discuss the draft work plans Agree in principle the approach to retaining and drawing down contingencies	24 June
To Hon Simon WATTS Minister of Climate Change		
To Hon Penny SIMMONDS Minister for the Environment		
CC Hon Andrew Hoggard Associate Minister for the Environment	Meet with officials to discuss the draft work plans	

Actions for Minister's Office staff
Return the signed briefing to Ministry for the Environment (ministerials@mfe.govt.nz) — please send both hard <i>and</i> soft copies to ensure we meet our public record obligations.

Appendices and attachments
<ol style="list-style-type: none"> Draft work plan for Minister Bishop Draft work plan for Minister Watts Draft work plan for Minister Simmonds Draft work plan for Associate Minister Hoggard

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

2024/25 Work Programme prioritisation – initial advice

Purpose and context

1. The purpose of this briefing is to provide a starting point for discussions about work programme prioritisation among the four Environment and RMA Reform ministers, following Budget 24 decisions.
2. We have provided draft forward work plans for each of your portfolios which highlight a range of potential prioritisation options with a view to aligning with your priorities, and our reduced baseline. We look forward to further discussions with you as we finalise these plans.
3. Following Budget 24, the Ministry has begun consulting on staffing-related changes needed to achieve the required savings. This closes on July 2. We have also started changing our general approach to policy development and implementation to align with the Coalition Government's approach. This includes scaling back some engagement activities, any risks from which we will need to carefully manage.
4. There are a range of activities we undertake that are non-scalable, such as the provision of ministerial servicing, but as part of our overall transformation programme, and our proposals for structural change, we continue to look for ways to deliver greater value for money.
5. We have also moved to a quarterly planning cycle to align with the government's approach and DPMC guidance so we can adapt and manage our work on an ongoing basis.

Impact of Budget 24

6. The cumulative impact of the 2023 Mini Budget and Budget 24 decisions delivered net savings for the Crown from Vote Environment of \$617.8m over four years – equal to 21 percent of our eligible baseline.
7. The Ministry is currently consulting on changes to implement the baseline savings reduction. The change proposals, if agreed, would reduce FTE from 996 (as at end May 2024) to 819 in 2024/25 and 690 in 2025/26. The change process is expected to be completed by 1 November 2024.

8. The table below shows remaining Vote Environment Operating Expenditure between 2023/24 and 2027/28 as at the Budget Economic and Fiscal Update (BEFU) 2024¹.

\$m	2023/24	2024/25	2025/26	2026/27	2027/28
Departmental Output Appropriations	244.2	184.3	157.5	155.0	149.3
Non-Departmental Appropriations (Crown excl ETS)²	182.0	234.8	129.2	77.6	81.8
Non-Departmental Appropriations (waste levy and product stewardship)	123.7	258.0	335.4	389.2	426.3
Total Appropriations (excl ETS)	549.9	677.1	622.0	621.9	657.4

Departmental funding (row 1)

9. The Ministry's departmental funding was expected to peak in 2023/24 as time-limited funding expired. We had been prudently preparing for this. Budget decisions have sharply accelerated this decline, reducing our baseline 39 percent by 2027/28.

Non-departmental funding (row 2)

10. Non-departmental funding (Crown, excluding the ETS, waste levy and product stewardship) falls 55 percent from 2023/24 to 2027/28. This is mainly due to the return of time-limited funding for implementing resource management reform, freshwater initiatives (linked to the Jobs for Nature Programme), and CERF and CRRF funding for waste emissions reductions and infrastructure projects.
11. There have also been reductions in funding for community and sector groups, local government, and iwi / Māori.

Waste levy and Product Stewardship (row 3)

12. Third-party funding from the waste disposal levy was forecast to grow as scheduled increases to levy rates were implemented.³ These forecasts have grown further following additional levy rate increases made by Budget legislation.
13. The Waste Minimisation Act 2008 amendments made by Budget legislation also expanded the scope of the waste levy so it can fund a broader range of activities, including some currently funded by the Crown. The broader levy scope will enable these activities to continue whilst offsetting some existing expenditure within Vote Environment – creating net savings for the Crown.

¹ 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.

² Includes some freshwater funds, contaminated sites remediation, and reducing emissions from waste funding to be funded by the waste levy in the future.

³ Noting that half of the revenue collected is a pass-through paid back out to territorial local authorities.

14. Product Stewardship is a pass through for the Tyrewise scheme and remains relatively steady at approximately \$60m throughout the forecast period.

Impact on appropriations and Ministerial portfolios within Vote Environment

15. The Budget splits Vote Environment down further into separate Environment and Climate Change appropriations. This split is shown in the tables below (again, excluding the ETS non-cash appropriation).

Environment appropriation \$m	2023/24	2024/25	2025/26	2026/27	2027/28
Departmental Output Appropriations	186.1	131.3	103.8	100.2	97.2
Non-Departmental Appropriations (Crown excl ETS)	278.8	461.7	432.9	445.2	486.5
Total Appropriations (excl ETS)	464.9	593.0	536.7	545.4	583.7

Climate change appropriation \$m	2023/24	2024/25	2025/26	2026/27	2027/28
Departmental Output Appropriations	58.1	52.9	53.7	54.8	52.0
Non-Departmental Appropriations (Crown excl ETS)	26.9	31.2	31.6	21.6	21.6
Total Appropriations (excl ETS)	85.0	84.1	85.3	76.4	73.7

16. The Budget does not include a separate appropriation for the RMA Reform portfolio. This means the resource management work programme is funded from the Environment appropriation.

17. Based on Budget decisions specifically related to resource management matters, we have estimated the split of net savings (\$617.8m over four years) by Ministerial portfolio within Vote Environment as below:

- Environment (including Associate Environment): -\$323.1m
- RMA Reform: -\$209.4m (includes the \$92m of new funding)
- Climate Change: -\$85.4m.

Proposed 2024/25 work programme for discussion

18. The Ministry has \$184.3m of departmental funding for next financial year⁴, with the Environment appropriation continuing to decline in outyears. While this is more funding than we received in 2017/18, the Ministry now has more legislative

⁴ The Waste Minimisation Act 2008 amendments made by Budget legislation expanded the waste levy scope to potentially fund the Ministry's waste management and minimisation and hazardous substances responsibilities for example:

- policy development and implementation
- collecting and using waste data and evidence
- work related to international agreements on chemicals and waste.

and regulatory responsibilities, and higher costs. This funding also supports your collective reform agenda.

19. Budget 24 decisions mean that not everything can be funded, particularly not all at once. Choices will need to be made both within and across your portfolios to fit within the Ministry's smaller fiscal envelope. The Ministry is also anticipating a productivity dip in coming months as our staff undergo a major change process, and as we implement the new operating model, reset core systems, processes and work programmes.
20. We have a reasonably good understanding of your reform priorities based on:
 - Coalition agreements and party manifestos
 - your portfolio priority letters to the Prime Minister
 - Cabinet Quarterly Plan deliverables
 - direction received as part of work already underway.
21. In addition, the Ministry has ongoing work associated with meeting existing statutory responsibilities, international obligations and Treaty settlement agreements. We also have back-office costs needed to support the organisation, and work that supports multiple Ministerial portfolios.
22. As part of our advice on meeting the baseline savings target (BRF-4168 refers) we had provided an overview of where changes were likely needed to our existing work programme. We have now refined this advice alongside your priorities to create draft forward work plans for each portfolio (**Appendices 1 – 4**).
23. We intend the draft forward work plans to be a starting point for discussion and refinement. The bars broadly show the timing of work, but not the comparative resourcing. They also generally only include work led by you, rather than contributions we are making to work led by other Ministers – which can be significant.
24. We have already started changing our development processes to better align with your needs, such as how we are approaching public participation and engagement. This is helping to reduce our resourcing forecasts. However, some activities are less scalable, and some core deliverables have actually increased⁵.

⁵ In 2022/23 Ministerial Services supported the Ministry and Ministers to respond to: 714 pieces of correspondence, compared to 813 pieces this financial year; 433 OIAs, compared to 487 this financial year; 794 WPQs, compared to 1,265 this financial year. 2023/24 figures are as of 21 June 2024 and do not include the 60 OIAs and 104 pieces of correspondence currently on hand, many of which are expected to be completed this financial year.

25. We have identified some potential areas to consider stopping, scaling or deferring but there is still more work planned than we can deliver. Further reductions will be required to match our smaller appropriation.
26. The Ministry has adopted a quarterly business planning process for managing our forward work plan, broadly aligned to DPMC's quarterly monitoring of the Government's Action Plan. We will provide you with regular updates as part of each quarterly reporting cycle.

Longer-term considerations

27. Taking a longer-term view, there are further opportunities to invest resources in ways that better address market failures, leverage economies of scope and scale, and provide greater certainty and opportunity for investment.
28. Additional opportunities that we would like to discuss with you include:
 - Improvements to the environmental and climate data system to improve standardisation, accessibility and interoperability
 - Opportunities for greater use of environmental pricing tools and economic instruments
 - Supporting policy implementation, including opportunities for digitisation and capability and capacity building
 - Tidying up legislative frameworks to improve operational and administrative efficiency.

Cost Pressures and Fiscal Sustainability Programme

29. The Ministry faces a range of cost pressures relating to salaries and wages, inflation, unexpected events, legal challenges, new and existing Ministerial priorities, and potential further transition costs if a second phase of organisational change is required in the future. These costs will need to be absorbed within a smaller baseline given the savings returned through the 2023 Mini Budget and Budget 24.
30. There is also an expectation that the Ministry, like all public sector agencies, will keep contributing to processes to identify efficiencies and produce value for money. We understand that the Treasury is soon releasing its Financial Sustainability Programme and Performance Plans to inform Budget 25.
31. The Independent Rapid Review (review) of Vote Environment recommended we report to ministers as part of the Budget 25 process on potential further savings, on the basis that the full implementation of the Ministry's revised operating model might realise further efficiencies. The review also recommended that we scrutinise the cost-effectiveness of the Ministry's climate change responsibilities

given that climate change funding has increased significantly since 2017/18 [BRF-4932 refers].

32. Realising further baseline savings from Vote Environment will be challenging, especially given the cost pressures identified above, and will require additional rationalisation of the Ministry's work programme.

Strategy for Addressing Vote Environment Cost Pressures and Fiscal Sustainability

33. While Budget 24 has set the Ministry's baseline for the next four years, ministers still have options for retaining and rephasing underspends and contingencies to help address cost pressures and / or fund priorities. The table below shows the latest position for Vote Environment contingencies (\$54.9m total over five years).

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Salary/wages tagged contingency	(7.000)	(7.750)	(8.450)	(7.700)	(7.700)	(38.600)
Cluster underspend contingency:						
Current balance (from 22/23 underspends)	(3.658)	-	-	-	-	(3.658)
Potential maximum additional 23/24 underspends (capped)	-	(12.675)	-	-	-	(12.675)
	(3.658)	(12.675)	-	-	-	(16.333)
Total contingencies	(10.658)	(20.425)	(8.450)	(7.700)	(7.700)	(54.933)

34. In support of delivering your priorities, meeting cost pressures, and managing the difficult trade-offs required by the Ministry's smaller fiscal envelope, **we seek your agreement in principle to retain, rephase and draw down these contingencies** – to be formally confirmed by you in the coming months, subject to Minister of Finance (MoF) approval / oversight.
35. Your agreement in principle now will enable us to complete the technical work necessary to formally agree these decisions, along with any funding transfers between appropriations to reflect the work programme.

Salary and Wages Tagged Contingency

36. The Ministry has \$38.6m over five years in contingency (available from 2023/24) to fund salary and wage cost pressures.
37. Wage inflation pressures have increased significantly over the last few years, resulting in part from the Public Sector Pay Adjustment (PSPA) ratified in February 2023. Without the use of this contingency to address this cost pressure, baseline funding will need to be further reprioritised to meet the increased costs, and some output delivery will be reduced.
38. The Treasury have advised that this contingency remains in place as it is within the scope of extra financial recommendations agreed by Cabinet. The expiry date for drawing down this contingency has been extended to 31 December 2024.

39. We seek your agreement in principle to progress the work needed to rephase and drawdown the salary and wages tagged contingency at OBU 2024. We understand that the Treasury will support such a request.

Natural Resources Cluster (NRC) Tagged Contingency

40. Under current NRC settings, Vote Environment appropriations ministers have delegated financial flexibility to retain up to \$17.3m of Ministry underspend in an NRC Tagged Contingency. MoF is required to have oversight (rather than *approval*) of such decisions, for the purposes of assuring that the cluster rules have been correctly applied.
41. Under the current rules, the NRC Tagged Contingency can be used to fund priority activities or cost pressures that cannot be met from within baselines, providing these do not entail significant policy changes or create a funding cliff.
42. So far, the Ministry has retained \$4.6m of 2022/23 underspend. \$1m was transferred to the EPA in OBU 2023, leaving \$3.6m. We seek your agreement in principle to progress the work needed to draw down and rephase this \$3.6m at OBU 2024. We understand that the Treasury will support such a request.
43. We had also intended to seek your agreement in principle to retain and draw down the remaining \$12.7m of 2023/24 underspend at OBU 2024, which would use up our full \$17.3m allocation. This would be possible under the current NRC rules which are due to finish on 30 June 2025.
44. However, the Treasury have prepared advice to MoF which recommends that she seeks Cabinet's agreement in the next few months to end the NRC early. If agreed, there would be no ability to add this year's underspend to the tagged contingency, and the remaining \$12.7m allocation would return to the centre.
45. We consider that Vote Environment Ministers would be disadvantaged by such a decision. Drawing down the full NRC tagged contingency would help ensure the Ministry has sufficient funding to deliver your work programme priorities and address cost pressures. It also preserves your ability to holistically consider the future use of this funding as part of broader fiscal sustainability work and Budget 25 decisions about the Ministry's baseline funding.
46. We seek your direction on whether to start preparing the technical advice needed to draw down the additional \$12.7m of 2023/24 underspend. While this is technically permitted under the current NRC rules (with MoF oversight), we understand that the Treasury would not support such a request.

Next steps

47. We are scheduled to meet with you to discuss the draft work plans at Appendices 1-4 on Monday 24 June 2024. We will use your feedback to refine these work plans to finalise the Ministry's forward work programme that fits within our smaller

fiscal envelope. This is the first meeting on work programme prioritisation and further meetings are likely to be required to finalise the work programme.

48. Your agreement in principle to retaining and rephrasing contingencies will enable us to complete the technical work necessary, including costing changes to the work programme, to formally agree these decisions. We will provide you with further briefings to enable these decisions to be taken in line with your direction.

Recommendations

We recommend that you:

- a. **note** that \$617.8m in net savings over four years has been returned to the centre from Vote Environment since November 2023, equating to 21 percent of our eligible baseline
- b. **note** the Ministry is currently consulting on changes to implement the baseline savings reduction that if agreed, would reduce FTE from 996 (as at end May 2024) to 819 in 2024/25 and 690 in 2025/26
- c. **meet** with officials on Monday 24 June 2024 to discuss the draft work plans for each Minister at Appendices 1-4 that fit within our smaller fiscal envelope

Yes | No

- d. **note** the Ministry faces significant cost and delivery pressures that will need to be funded within a significantly smaller baseline, and drawing down available contingencies would help ensure your priorities can be delivered
- e. **agree in principle** to rephrase and draw down the salary and wages tagged contingency (\$38.6m over 5 years) – to be confirmed at OBU 2024, subject to MoF approval

Yes | No

- f. **agree in principle** to rephrase and draw down the \$3.6m of 2022/23 underspend already retained in the NRC Tagged Contingency – to be confirmed at OBU 2024, subject to MoF oversight

Yes | No

- g. **note** the Treasury have prepared advice to the Minister of Finance recommending she seeks Cabinet's agreement to end the NRC cluster early that if agreed, would remove the ability to add this year's underspend to the NRC tagged contingency, and the remaining \$12.7m currently allowed under NRC rules would return to the centre

- h. **direct** whether you want officials to start preparing the technical advice needed to draw down the additional \$12.7m of 2023/24 underspend

- i. **note** that while this is still currently permitted under the current NRC rules (with MoF oversight), we understand the Treasury would not support such a request
- j. **note** that officials will provide you with further briefings seeking your approval to drawdown the tagged contingencies in line with your work programme priorities and fiscal sustainability objectives
- k. **note** that the Ministry has adopted a quarterly planning process for managing our forward work plan and will provide you with regular updates as part of each quarterly reporting cycle.

Signatures



James Palmer
Chief Executive
Date 21 June 2024

Hon Penny Simmonds
Minister for the Environment
Date

To Hon Simon WATTS
Minister of Climate Change
Date

Hon Chris BISHOP
Minister Responsible for RMA Reform
Date

Appendix 1 – Draft work plan for Minister Bishop

Draft Ministerial Portfolio work plan for: Minister of the Environment

Classified

Highlighted text = Coalition Agreement

Proceed

Stop

Scale

Defer

2024		2025				2026	
Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Jun	Jul-Dec

Reform Priorities	Fast-Track Approval Bill - Legislative process		Fast-Track Approval Bill – Implementation and ongoing decision making				
	Resource Management (Freshwater and Other Matters) Amendment Bill (RM Bill #1) - Legislative process						
	RM Bill #2 - finalise policy and drafting		RM Bill #2 - Legislative process		RM Bill #2 implementation support		
	Integrated national direction package - finalise policy, targeted engagement and drafting (instruments below)						
	Primary Industries: <ul style="list-style-type: none"> NPS-FM and NES-FM Stock Exclusion Regulations NES-DW NPS-IB NES-CF NES-MA 						
	Housing and urban development <ul style="list-style-type: none"> NPS-UD Enabling 'granny flats' NPS for Papakāinga (new) NPS-HPL NES for Heritage (new) Natural Hazards National Direction (new) 		Integrated national direction package - public engagement		Integrated national direction package –final decisions and gazettal		Implementation support for integrated national direction package, including plan changes
	Infrastructure/ Energy <ul style="list-style-type: none"> NPS & NES Infrastructure (new) NES-TF NPS-REG, NES-ET & NES- ETA NZCPS 						
	Support for Electrify NZ (including offshore renewables)						
	Support for Going for Housing Growth – freeing up land for development and removing unnecessary planning barriers						
	Phase 3 policy development to replace the RMA		Phase 3 – delegated policy decisions and drafting			Phase 3 – legislative process	
Convene RMMG to set strategic direction and coordinate RM activity across Government							
Strategic RMA operational decision making							

Statutory obligations	NPS-UD / MDRS plan process, monitoring, plan process and decision making (potential to scale monitoring only on tier 1 councils)					
	Housing Growth Targets – ongoing monitoring and compliance					

Other work	Freshwater rights and interests legal processes – Wai 2358 and Ngāi Tahu						
	Māori Rights & Interests						
	Environmental limits and targets						
	Policy development on urban trees and green spaces, urban design protocol						
	RM Digital Futures – Data/digital investment to achieve data consistency across local and central government						
Pou Taumohetua and Work Programme							

Classified

Appendix 2 – Draft work plan for Minister Watts

Appendix 3 – Draft work plan for Minister Simmonds

Draft Ministerial Portfolio work plan for: Minister Simmonds

Highlighted text = Coalition Agreement

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		2024		2025				2026		
		Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Jun	Jul-Dec	
Reform Priorities	★ Waste levy Amendment in force	Implement waste levy changes and WMA amendment policy work (including potential CRS framework)		Cabinet decisions and development of new waste legislation amendments				Legislation amendments in force by late 26		
	Environmental Reporting Act to Cabinet	PCO drafting and introduction to House		Policy work on container policy and construction waste				Implement container policy		
		HSNO Amendments - streamlining chemical approvals including agrichemical sector review				Amendment enacted		In force 2027		
		non-GMO HSNO Act policy (MfE) and support GMO changes (MBIE)								
Collect and administer waste disposal levy funds to councils and CME obligations under the WMA and implementation/monitoring of operational regulated product stewardship schemes										
Statutory and international obligations	Regular reports under Environmental Reporting Act 2015								Regular reports under ERA 2026 (tbc)	
	MfE's continuing Environmental Reporting Act functions and stewardship responsibilities									
	EPA: Crown entity monitoring, reporting and board appointments									
	Investment of waste disposal levy funds including to vulnerable landfills and contaminated sites, Kaipara Moana and freshwater funds									
	Develop & consult on ERP2 waste policies		Implement ERP2 waste actions							
	Implement ERP1 Actions – waste and F-gases									
	Global Plastics Treaty Negotiations and implementation of international chemical conventions - Amendments and ratifications (Basel, Rotterdam, Stockholm, Montreal, Waiangi, Minamata)									
	SWERLA Monitoring Orders in Council									
	Minimum ongoing support for secretariat meetings and reports (inc Fiordland Marine Guardians secretariat)									
	Treaty settlement monitoring: Ongoing obligations include appointments, payments and meeting commitments to work programmes									
	Treaty Settlement negotiations Input as required									
	RMA operational decision making (includes collection of National Monitoring System data)									
Refrigerant Product Stewardship scheme (CoolSafe)										
Other work	★ Waste work programme to Cabinet	National disaster waste management plan				Farm plastics and agrichemicals Product Stewardship scheme				
	Ecolabelling trust options	Future kerbside policy work				Respond to OPMSCA food waste report recommendations		Large batteries, e-waste and plastic packaging product stewardship schemes		
	Action and investment plan	Phasing out plastics tranche 3 regulation development								
		HSNO - Implement PCE recommendations on chemical management				Soils reuse strategy				
	Contaminated land technical work									
	Kaiwhakatere programme – regional staff for RM Reform Implementation to support councils, iwi, and others navigate the RM system and provide local evidence and advice									
	At-risk landfills priority assessment tool		Environmental expenditure mapping							
									Fund evaluation framework tool	
	Standing function or centre of expertise on recovery (would need to stand up from scratch in a new event)									
	Natural Capital project		NES Air Quality (needed to ratify Minamata convention)							
Options for improving data	<ul style="list-style-type: none"> Improving the environmental and climate data systems to support RM and climate adaptation outcomes and derive a more effective and efficient system, with options for consideration by ministers: Resetting the purpose and use of RM data collection (e.g. National Monitoring System, e-planning) to support national objectives such as housing targets Effectiveness monitoring system for RMA Reform Climate Data Initiative – alignment and consistency (Min Watts priority) Waste system data monitoring and compliance Data standardisation, accessibility & interoperability Support for data and digital innovation (i.e., consent portals and use of AI to increase RM system capacity and speed, reduce timeframes and costs) Setting core environmental indicators Sharing environmental data to unlock investment and support local and community-led responses Collaborate with and support the environmental data owner network and science and research sector 									

Appendix 4 – Draft work plan for Associate Minister Hoggard

Draft Ministerial Portfolio work plan for: Minister Hoggard

Highlighted text = Coalition Agreement

Proceed

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Scale

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		2024		2025				2026	
		Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Jun	Jul-Dec
Reform Priorities		FWFP policy advice on redesign options		Drafting of FWFP policy changes					
		Interim implementation support				FWFP implementation			
		Biodiversity credits							
		Stop implementation of SNAs and roll out of FWFPs (part of RM Bill #1)							
		Water storage national direction				Implementation support for integrated national direction package, including plan changes			
		Biodiversity SNA Review (if progressed as changes to NPS-IB as part of Phase 2 RM Reform)							
		Review and replace NPSFM (being progressed as part of Phase 2 Rm Reform)							
		NES Drinking Water amendments							
Other work	Jobs for Nature Programme - formally ends 30 June 2025 and programme closure activities (evaluation, final CBA, final programme reporting) and transition complete by end of November 2025								