

Agreeing what Budget 25 savings options and RM looks like

Preparation for Joint minister meeting at 1.00pm 12 December
2024

Focus for Te Pūrengi

(Laura)

- Level of RM offset we will recommend to Ministers – 25% or 50% (main focus)
- Grants and funds - whether to recommend putting additional savings into reprioritisation for RM, and/or towards a new consolidated environmental fund.

High level questions/ discussion points for Ministers

Arun

- 1. How far do you want to go in improving the environmental investment landscape through B25?**
- 2. What are Ministers expectations for how waste levy savings are allocated?**
- 3. Do Ministers support our recommended offset level for RM implementation costs?**

We have \$49.9m available to allocate over 4 years pre Budget 25 decisions



Baseline_OBU and updated as per EWP and WMA proposed changes					
	FY 2024/2025	FY 2025/2026	FY 2026/2027	FY 2027/2028	FY 2028/2029
Climate	52,161,000	51,966,000	53,341,000	50,327,000	51,046,000
Climate Change Chief Executive Board (IEB)	3,435,000	3,562,000	4,329,000	4,310,000	4,363,000
Environment	108,797,000	84,140,000	91,470,000	87,923,000	89,528,000
Environment Work Programme	15,150,000	13,123,000	11,219,000	11,219,000	11,219,000
Product Stewardship Administration	1,047,000	1,154,000	1,185,000	1,215,000	1,245,000
Waste Minimisation Administration	12,704,000	12,704,000	12,704,000	12,704,000	12,704,000
	193,294,000	166,649,000	174,248,000	167,698,000	170,105,000

Volte Model updated appropriation view - as of 3 December					
	FY 2024/2025	FY 2025/2026	FY 2026/2027	FY 2027/2028	FY 2028/2029
Climate	50,591,696	46,265,420	43,648,990	42,049,898	43,144,355
Climate Change Chief Executive Board (IEB)	3,653,085	3,567,200	3,745,043	3,801,786	3,892,350
Environment	100,780,445	89,814,397	84,045,358	80,263,160	82,073,364
Environment Work Programme	17,121,943	15,122,016	14,170,280	13,934,658	14,267,742
Product Stewardship Administration	497,480	1,154,000	1,185,000	1,215,000	1,245,000
Waste Minimisation Administration	11,607,350	10,532,858	9,737,133	9,453,160	9,688,164
	184,251,998	166,455,892	156,531,804	150,717,662	154,310,976

Variance breakdown

Excluding RM cost included					
	FY 2024/2025	FY 2025/2026	FY 2026/2027	FY 2027/2028	FY 2028/2029
Climate	1,569,304	5,700,580	9,692,010	8,277,102	7,901,645
Climate Change Chief Executive Board (IEB)	(218,085)	(5,200)	583,957	508,214	470,650
Environment	8,016,555	(5,674,397)	7,424,642	7,659,840	7,454,636
Environment Work Programme	(1,971,943)	(1,999,016)	(2,951,280)	(2,715,658)	(3,048,742)
Product Stewardship Administration	549,520	0	0	0	0
Waste Minimisation Administration	1,096,650	2,171,142	2,966,867	3,250,840	3,015,836
Surplus /(deficit)	9,042,001	193,109	17,716,196	16,980,338	15,794,025
Surplus related to Crown funded appropriations		20,983	17,700,609	16,445,156	15,826,931
Check	9,042,002	193,108	17,716,196	16,980,338	15,794,024

Total surplus/(deficit) 49,993,679

- Comparing our OBU funding profile to forecasted spend, we have out years with unallocated funding of \$16.8m/pa over 3 years (total \$49.9m)
- This has arisen from three main funding increases; drawing down the wages contingency (averages \$8.2m/pa), and Environmental work programme (\$7.6m/pa) which was not included into forward funding projections as B24 ended. The benefit from wages contingency is time limited to 2030/31. In addition there are assumed further drawdown of WMF to Waste admin (\$6.8m/pa)/Environmental work programme (\$3.6m/pa).
- Outyear costs have been based on reducing FTE profile from 862 FTE now to 9(2)(1)(iv) FTE by 1 July 2027. Staff costs increase by 2% pa and there is \$4m included for change costs over the next two years.
- The change process has placed staff up to 30 June 2026. Beyond that staff reductions have been split across appropriation and are subject to future decisions.
- Non-FTE costs are assumed from 24/25 budget plus 2% inflation, and increased legal spend from \$2.4m/pa to \$3.9m/pa.
- Appropriations have yet to be balanced from the change process, due to centralised model and redistribution of staff across work programmes.

Choices to reprioritise funds to RM Bid, apply elsewhere or return

FULL RM COST 9(2)(f)(iv) **over 4 years**



Baseline_ OBU and updated as per EWP and WMA proposed changes					
	FY 2024/2025	FY 2025/2026	FY 2026/2027	FY 2027/2028	FY 2028/2029
Climate	52,161,000	51,966,000	53,341,000	50,327,000	51,046,000
Climate Change Chief Executive Board (IEB)	3,435,000	3,562,000	4,329,000	4,310,000	4,363,000
Environment	108,797,000	84,140,000	91,470,000	87,923,000	89,528,000
Environment Work Programme	15,150,000	13,123,000	11,219,000	11,219,000	11,219,000
Product Stewardship Administration	1,047,000	1,154,000	1,185,000	1,215,000	1,245,000
Waste Minimisation Administration	12,704,000	12,704,000	12,704,000	12,704,000	12,704,000
	193,294,000	166,649,000	174,248,000	167,698,000	170,105,000

- For a \$73.7m bid we could apply \$49.9 leaving Crown to provide \$26.7m.
- In addition we have choice to increase or substitute other savings from 24/25 year underspend and Grants/Funding above the high target level. An illustration is provided below.

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Volte Model updated appropriation view - as of 11 December					
	FY 2024/2025	FY 2025/2026	FY 2026/2027	FY 2027/2028	FY 2028/2029
Climate	50,591,696	43,887,809	41,849,775	9(2)(f)(iv)	
Climate Change Chief Executive Board (IEB)	3,653,085	3,391,448	3,592,430		
Environment	100,780,445	130,140,291	112,305,614		
Environment Work Programme	17,121,943	14,326,657	13,567,505		
Product Stewardship Administration	497,480	1,133,762	1,167,426		
Waste Minimisation Administration	11,607,350	9,888,326	9,247,753		
	184,251,998	202,768,292	181,730,504		

	Total surplus/(deficit)	(26,711,495)
Transfer from:	24/25 underspend of \$7.7m unallocated	5,000,000
Transfer from:	Funds and Grants B25 above target	11,000,000
	Net Funding required	(10,711,495)

Variance breakdown

With full RM cost included					
	FY 2024/2025	FY 2025/2026	FY 2026/2027	FY 2027/2028	FY 2028/2029
Climate	1,569,304	8,078,191	11,491,225	9(2)(f)(iv)	
Climate Change Chief Executive Board (IEB)	(218,085)	170,552	736,570		
Environment	8,016,555	(46,000,291)	(20,835,614)		
Environment Work Programme	(1,971,943)	(1,203,657)	(2,348,505)		
Product Stewardship Administration	549,520	20,238	17,574		
Waste Minimisation Administration	1,096,650	2,815,674	3,456,247		
Surplus /(deficit)	9,042,002	(36,119,292)	(7,482,504)		
Surplus related to Crown funded appropriations		(37,751,548)	(8,607,819)		
Check	9,042,002	(36,119,292)	(7,482,504)		

9(2)(f)(iv)

9(2)(f)(iv)

Total surplus/(deficit) (26,711,495)

RM Bid costs have been increased below in Personnel, Other Costs and Total

Note other spending areas have been retained to about what is being spent when 24/25 budget was set.

No RM

Measure	Values				
	Sum of Jun-25	Sum of Jun-26	Sum of Jun-27	Sum of Jun-28	Sum of Jun-29
Total Contractor Cost	-	-	-	9(2)(f)(iv)	
Total Data & Science Cost	9,945,000	10,143,900	10,346,778		
Total IT Cost	14,199,863	14,483,860	14,773,537		
Total Legal Cost	2,238,400	3,783,168	3,828,831		
Total Other Cost	21,465,931	21,057,214	21,417,359		
Total Personnel Costs	128,860,576	109,294,676	98,318,363		
Total Professional Consulting Cost	4,878,472	4,976,041	5,075,562		
Total Travel Cost	2,663,757	2,717,032	2,771,373		
Grand Total	184,251,998	166,455,892	156,531,804		

With RM

Row Labels	Sum of Jun-25	Sum of Jun-26	Sum of Jun-27	Sum of Jun-28	Sum of Jun-29
Total Contractor Cost	-	-	-	9(2)(f)(iv)	
Total Data & Science Cost	9,945,000	10,143,900	10,346,778		
Total IT Cost	14,199,863	14,483,860	14,773,537		
Total Legal Cost	2,238,400	3,783,168	3,828,831		
Total Other Cost	21,465,931	42,451,214	36,311,359		
Total Personnel Costs	128,860,576	124,213,076	108,623,063		
Total Professional Consulting Cost	4,878,472	4,976,041	5,075,562		
Total Travel Cost	2,663,757	2,717,032	2,771,373		
Grand Total	184,251,998	202,768,292	181,730,504		

Overview of offset options

Option	Offset/savings potential	Question for TP	Considerations
This year's underspend	\$5m	Do we bank this for RM?	Do we need this for spend in 24/25. Currently not seeing a lot of cost pressure against the budget.
Surplus related to unallocated fund - Wages contingency - Existing levy offset for waste/HSNO policy - Other	\$49.9m \$24.6m \$22.8m \$2.5m	<p>Alone this is 67.7% of the RM bid</p> <p>Today's convo needs to focus on how much we can justify holding onto.</p>	<p>Using all this funding to offset the RM bid provides cover for cost pressures/emerging risk</p> <p>This surplus doesn't continue into future so funding is not suited for long-term costs</p> <p>More things to consider on the next slide</p>
Grants and Funds residual savings	Still moving... ~ \$8m-\$16m	What's the priority here?	Tradeoffs with: <ul style="list-style-type: none"> Keeping more existing funds going (e.g. enviroschools, Māori climate) Using residual savings to stand up a consolidated fund instead
Further op model efficiencies + scaling functions	to be scoped	Would we be comfortable putting up a \$ figure before identifying the savings?	We don't have time to scope specifics, so would need to put up a number we are comfortable with and ID specifics early 25 via efficiencies work – potential overlap with Seymour process
Reprioritising planned work within Env	to be scoped		e.g. national direction, market-based mechanisms/biodiversity credits, water allocation (already delayed), farm planning
Reprioritising planned work within climate	to be scoped		eg: the sustainable finance work programme, including the taxonomy, VCM work, and the sustainable finance strategy; international engagement; CCUS work; adaptation framework; elements of the land use work programme (methane review follow up; afforestation work); + <i>market governance?</i>

Specific considerations for deciding what portion of the surplus you are comfortable to offset RM

1. Do you want more **buffer for legal costs** – we are already assuming \$1.5m/yr more than FY24/25 + 4 FTE & \$2m non-FTE as part of RM bid
2. Maintaining **real wage value** – is more than 2% is needed, noting MoF direction to stay at this level
3. **Planned work programmes where we expect non-FTE costs to grow** (e.g. ramping up taxonomy work via CfSF)?
4. Do we have a **case for more than 2% inflation**?
5. Is **\$4m for future change process sufficient**?
6. **What other future costs do we need to keep funding for** – e.g. MfE and crown entity cost pressures + anticipated future costs from Performance plan (e.g. EPA Ecotox models, initial \$ kickstart for ETS register upgrade)

Funding RM implementation

What is our recommended level of offset for RM implementation costs?

	RM Bid	25% savings (excl. new entities)	50% savings (excl. new entities)	75% savings (excl. new entities)
FTE Cost	9(2)(f)(iv)			
Non FTE Cost				
New entities				
Total				

FTE & Non FTE cost includes:

- Core policy work incl. standardised zoning, environmental limits, treaty settlements, scoping/establishing new entities
- Improving consenting & monitoring
- Spatial planning
- Policy enablement to support transition to new system

New Entities includes:

- Planning tribunal
- National regulator

25%
Underspend + 9(2)(f)(iv) of unallocated funds

- Keeps buffer for future cost pressures
- But probably more buffer than we can defend keeping – would likely then return to centre via Seymour process

50%
Underspend + 9(2)(f)(iv) of unallocated funds

- Keeps some buffer for future cost pressures (9(2)(f)(iv))
- Options to keep more buffer if we put other option on the table:
 - Residual Grants and funds savings?
 - \$X of Op model efficiencies or reprioritisation

75%
Underspend + all unallocated + more

- Provides no buffer for future cost pressures
- Requires decisions to stop work on Minister priorities and/or Stopping MfE core functions

RM Bid – overview

1. In Budget 24, MFE was allocated \$90m for initial phases of new RM Reform. This equates to roughly 131 FTEs.
2. Minister Bishop has indicated limited reprioritisation of work programmes will occur between Phase 2 and Phase 3 work programmes in 2025 and into 2026.
3. This means there is a peak of extra resources (up to 72 FTEs) needed in 2025, with additional resources needed to cover this work.
4. However, once National Direction work is completed towards end of 2025, resources from within the ‘baseline’ FTEs will be able to be redirected into the Phase 3 work, meaning we can revert to the downward trajectory of FTEs by 2028/2029.

Workstream	Extra FTEs (at peak)	Non-FTE \$
Coordination of multiple policy decisions	5	-
Standardised zoning, including an expert group	10	\$2m
Additional legal assistance	4	\$2m
Science and data for environmental limits	8	\$4.59m
Treaty legislative obligations and upholding settlements	8	\$16m
Scoping and establishing new entities (policy work)	6	\$4m
Adding spatial planning capacity	5	-
Improving RM consenting and e-planning monitoring and performance system + business case	4	\$6m
Support system actors to implement new system	18	\$3m

We are treating the RM Bid in two parts:

- Part 1 – Ministry costs for policy development, legislative drafting, system improvements, and implementation
- Part 2 – costs for new entities that may be established as a result of future government decisions, such as a planning tribunal and national regulator, which may also be subject to cost recovery.

	RM Bid	25% Offset	50% Offset	75% Offset
Part 1: Ministry Costs				
FTE Cost	9(2)(f)(iv)			
Non FTE Cost				
Sub-total				
Part 2: New RM Entities				
New entities	9(2)(f)(iv)			
Total of Part 1 and Part 2				

Underspend + 9(2)(f)(iv) of unallocated funds

Keeps buffer for future cost pressures

But probably more buffer than we can defend keeping – would likely then return to centre via Seymour process

Underspend + 9(2)(f)(iv) of unallocated funds

Keeps some buffer for future cost pressures (\$17.1m)

Options to keep more buffer if we put other option on the table:

Residual Grants and funds savings?

\$X of Op model efficiencies or reprioritisation

Underspend + all unallocated + more

Provides no buffer for future cost pressures

Requires decisions to stop work on Minister priorities and/or Stopping MfE core functions

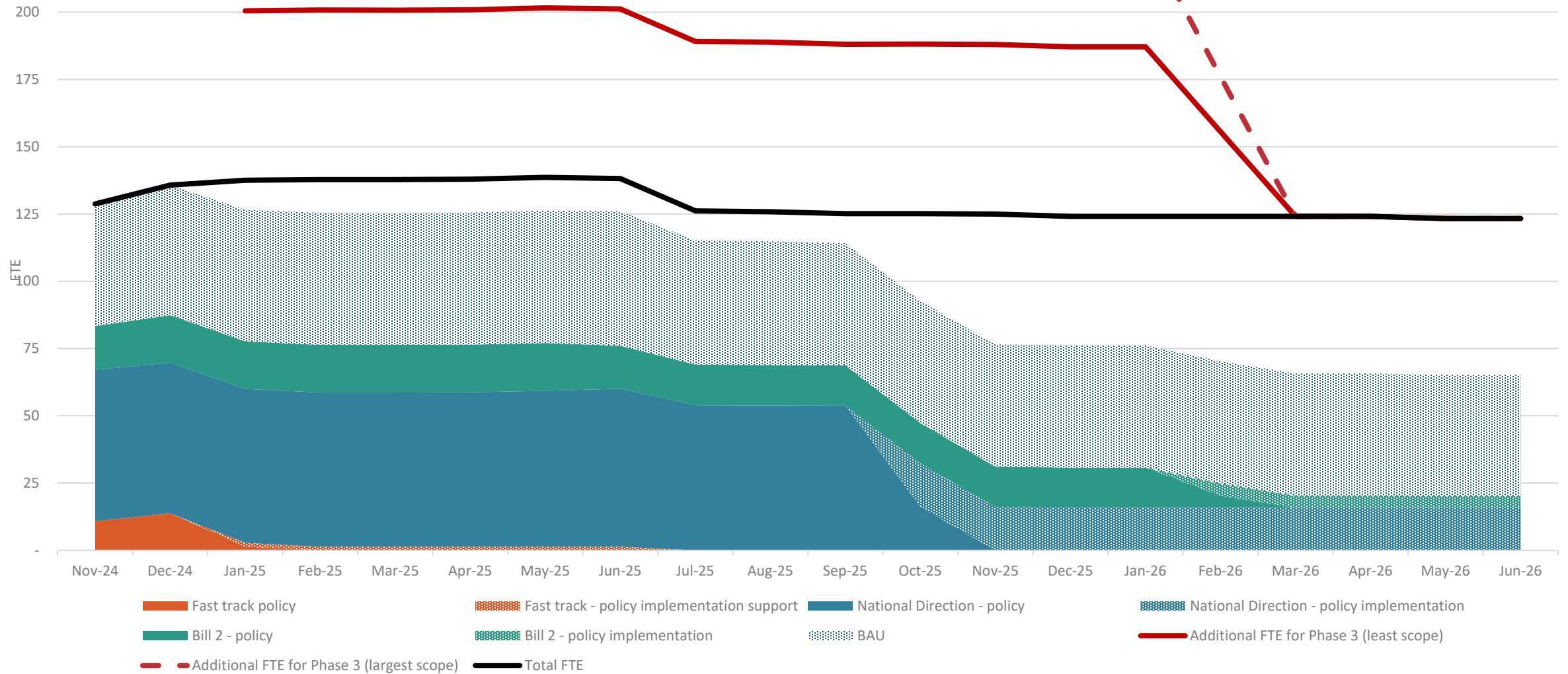
RM Bid – overview (Nadeine)

1. In Budget 24, MFE was allocated \$73.653m for initial phases of new RM Reform.
2. This equates to roughly 131 FTEs in EMA, with some in SSP and PIE (doesn't map exactly due to operating model).
3. Minister Bishop has indicated limited reprioritisation of work programmes will occur between Phase 2 and Phase 3 work programmes in 2025 and into 2026.
4. This means there is a peak of extra resources (up to 72 FTEs) needed in 2025, with additional resources needed to cover this work – either through extending some fixed term contracts (if permitted) and recruitment.
5. However, once National Direction work is completed towards end of 2025, resources from within the 'baseline' FTEs will be able to be redirected into the Phase 3 work, meaning we can revert to baseline numbers over the following two years, as illustrated in the diagram on the following page.

Workstream	Business Group	Extra FTEs (at peak)	Non-FTE \$
Coordination of multiple policy decisions	EMA	5	-
Standardised zoning, including an expert advisory group	EMA	10	\$2m
Additional legal assistance to help meet the accelerated timing of the legislation	BTS	4	\$2m
Science and policy work to develop workable environmental limits	SSP	8	\$4.59m
Treaty legislative obligations and upholding settlements	EMA	8	\$16m
Scoping and establishing new entities (policy work)	EMA / PIE	6	\$4m
Adding spatial planning capacity	EMA / PIE	5	-
Improving the current RM consenting and monitoring system and developing a strategic business case for a future major overhaul	SSP	4	\$6m
Enablement and collateral needed to support system actors to implement the new system quickly	PIE	8	\$3m

	RM Bid	25% savings (excl. new entities)	50% savings (excl. new entities)	75% savings (excl. new entities)
FTE Cost	9(2)(f)(iv)			
Non FTE Cost				
New entities				
Total				

Workstreams and shortfall to deliver Phase 3 (EMA Only)



Grants & Funds – update on developments

Initial advice for Ministers

Environment – Savings potential of between \$10.8-11.8m each year (9(2)(g)(i))

Climate – Savings potential of \$1.25m each year (annual ave) from halving the \$10m 2025/26 climate resilience allocation

Developments

Support for total savings focus – Ministers supportive of a combined view across all funds (TSY informed)

9(2)(g)(i)

Climate – Minister Watts interested in retaining currently allocated funding (\$10m 2025/26)

Re use of waste levy:

Clarity that not appropriate to use to part-fund RM reform

9(2)(h)

Further testing of appropriateness of levy use for Landcare Trust (\$0.8m p.a.) now required

Updated overall savings picture

\$10m savings each year looks certain / comfortable

Additional savings of \$0.8-2m each year subject to further assessment 9(2)(g)(i) Landcare funding source)

MoF's 'high' savings ask in total is \$7.9m (\$5.4 + \$2.5m) each year; additional savings above the ask of \$2-4m each year look possible

Te Pūrengi decisions/guidance required

9(2)(g)(i)

Our position on climate resilience for Māori – retain (strong value for money?) or support a saving?

Risk appetite for use of levy (recognising legal advice about how 'direct' uses need to be)



Ministry for the
Environment
Manatū Mo Te Taiao

Budget 25 Joint Minister Meeting

[Budget 25 Joint Minister Meeting Pack.pptx](#)

Overview of the asks

	Grants & Funds	Waste Levy	RM Implementation	Seymour letter
The Ask	<p>By 23 Dec - ID savings options based on low/high targets</p> <ul style="list-style-type: none"> - \$1.25m / \$2.5m for climate - \$2.67m / \$5.3m for environment funds (annual average savings). 	<p>By 23 Dec - Present options for capping the Waste Minimisation Fund (WMF) at \$15m, \$30m, and \$60m.</p> <p>Early 25 – agree overall quantum for waste investment, and how residual levy funds are then used</p>	<p>By 23 Dec - Submit a bid for implementation of Resource Management reforms - but with options to offset the costs by 25%, 50%, and 75% through scaling and/or reprioritisation.</p>	<p>By 13 Feb – ID most appropriate and critical savings from climate portfolio</p>
Key question for today	<i>How far do you want to go in improving the environmental investment landscape through B25?</i>	<i>What are your expectations for how waste levy savings are allocated?</i>	<i>Do you support our recommended level of absorption for RM implementation costs?</i>	N/A
How it all comes together	<p>B25 provides the platform to (i) successfully implement RM reform and (ii) use the Waste Disposal Levy for wider environmental purposes, potentially through a new environmental investment fund that supports RM work and other govt priorities</p> <p>Savings identified to offset the RM bid could reduce the amount of savings available to be put forward from the climate portfolio through the Seymour process – from a Vote Environment perspective, this is more desirable as RM savings stay within the Vote, rather than retuning to the center via the Seymour process.</p>			

Enhancing the grants & funds landscape

How far do you want to go in improving the environmental investment landscape through B25?

Our environment grants and funds review has identified

- The overall savings targets from MoF, across climate and enviro funds together, can be met - and if desired exceeded
- Unclear whether savings are possible or desirable for climate resilience for Māori (ongoing discussion)
- Together, annual average savings of around \$10m is possible – this then provides for \$2-4m additional savings

The fund landscape has become siloed and incoherent - a reset is recommended to more effectively support Government priorities

- A more consolidated environment investment fund has potential for greater value for money and investment flexibility (an environment equivalent of social investment)
- As the environmental management system is deregulated, greater local flexibility in appropriate activities to manage effects will be needed - a fund can help
- A fund would need stand-up funding - from either Crown savings and/or use of the Waste Disposal Levy

Options for grants and funds approach connect to other Budget 25 decisions, including:

- Waste Levy: some savings options are dependent on waste levy transfer; decisions on broader use of the Waste Levy provide an opportunity to stand-up a consolidated environment fund
- Resource Management: additional savings beyond MoF targets could be used to offset the RM bid instead of supporting the stand-up of a new fund

Use of waste levy revenue

What are your expectations for how waste levy savings are allocated?

Use of the levy - and the right mix of uses - is a big strategic opportunity for Budget 25 (and beyond).

- 9(2)(h)
- Projections for levy take are **XX** for 25/26 rising to **YY** by 28/29 (estimates only)

In early 2025, decisions are required on how much of the levy to spend in any year and on what mix of activity:

- The WMF is a core use of the levy - different caps have been assessed: \$50M is needed to cover ERP commitments and other high value initiatives
- Decisions on funding for other waste investments beyond WMF are still needed
- This then leaves headroom for broader allocation choices (tied to environmental outcomes) estimated to be between **XX-YY** each year (over the four-year period)

There are a range of choices for how this headroom is allocated

- Enable savings for the Crown through transfer of levy funds to existing environmental investments – *B24 set the expectation this would be the primary focus for allocating headroom*
- New investment in discrete initiatives (e.g. funding the EPA ecotoxicological models)
- New investment through establishment of a broad investment fund (e.g. funding for local and regional initiatives that align to Government priorities and support deregulation of environmental management)