



Strategy-led Business Planning 25-26

Meeting date: 18 March 2025	Written date: 13 March 2025
Sponsor: Martin Workman/Laura Dixon	Prepared by: Charlotte Wood, Bridget Fraser, Strategy/Planning & Performance, and Sam De Costa, Finance.
What you're updating Te Pūrengi on We are seeking Te Pūrengi direction on scenarios and assumptions to use for Business Planning for 25/26, including seeking agreement to indicative planning envelopes. There are four parts to this item. <ol style="list-style-type: none">1. Verbal update on Budget 25 (Charlotte/Arun)2. Scenarios and assumptions to use for the initial stages of business planning3. Envelopes: information on fixed costs, FTE costs4. Next steps for business planning.	
Reason for Te Pūrengi's consideration Seeking direction on scenarios and assumptions to use for Business Planning for 25/26	
Have Te Pūrengi considered this item before? On 11 February Te Pūrengi were provided indicative budget envelopes as part of an update on the proposed reset of Appropriations. Te Pūrengi directed SSP and BTS to prepare a new paper that situates indicative business group envelopes within the wider business planning process for 2025/26. This paper presents these envelopes in terms of choices to take now to inform business planning, and the process by which envelopes and the assumptions that underpin them, can be adjusted during business planning.	
Recommendations or Actions sought We recommend that you: Provide direction on <ol style="list-style-type: none">Part 2: Scenarios and assumptions to use for the initial stages of business planning (slides 4-6)Part 3: Envelopes: information on indicative planning envelopes under two possible scenarios (slides 7-12) Financial: Confirm the financial assumptions for developing budget envelopes and establish the timeline for reporting back to Te Pūrengi. This includes considerations for Budget 25 and prioritisation decisions. Note next steps for business planning as presented in Part 4 (slides 14-16)	



Ministry for the
Environment
Manatū Mo Te Taiao

Strategy-led Business Planning 25-26

Memo to Te Pūrengi 18 March meeting

[Link to TP coversheet](#)

In this pack

Our context

This is our first business planning cycle under our Strategic Intentions for 2025-2029, and with increasing scrutiny on agencies to demonstrate how they will deliver medium-term (3-5yr) impacts within baseline funding via Performance Plans. Our current planning maturity & inability to easily map finance | FTE to work or capability means we are not able to easily or confidently align our resources with our work plan now or in future years and need to develop workarounds.

We have an ambitious work plan to deliver while facing decreasing resources (to ^{9(2)(f)(iv)} FTE by 27/28). We know further workforce and operating model change may be needed. While hard decisions will be required, we have a chance to align our workforce, transformation, financial and work planning through this next phase to position the organisation most effectively.

Budget 25 outcomes are still uncertain and will determine the how and where we need to reprioritise our work and FTE. There may be increasing tension between an agreed Operating Model incl. agreed business units and teams and a dynamic work programme requiring a range of capability to deliver.

Te Pūrengi have asked that our approach to business planning considers how we best allocate resources and cultivate a culture of innovation as the Ministry's priorities and operating environment changes via a 'road to budget 26' workshop.

Purpose and approach to this paper:

We are seeking Te Pūrengi direction on initial scenarios and assumptions to use for Business Planning for 25/26. The planned approach for this item is:

- 1. Verbal update on Budget 25**
- 2. High level decisions on scenarios and key assumptions:** for the initial stage of business planning (slides 4-6)
- 3. Approach to developing, assumptions & decisions needed to inform envelopes:** identify the areas driving costs to identify opportunity to strategically align resources to priorities (informed by FTE costs, approx. fixed costs (slides 7-11))
- 4. Related decisions, improvements & next steps incl next decisions:** for business planning (slide 12- 14)

Connecting Business Planning, Performance Plan, & Performance Framework

Business planning is a process focussed on identifying the work we will do and allocating resources to deliver. It includes:

- Considering how our **organisation's** resources can be best distributed to lift **organisational** and **impact** performance
- Identifying the **activities** we'll undertake and building line of sight by bringing these together into an **integrated work plan** to deliver our **strategy**
- Allocating resources out to **delivery units**.

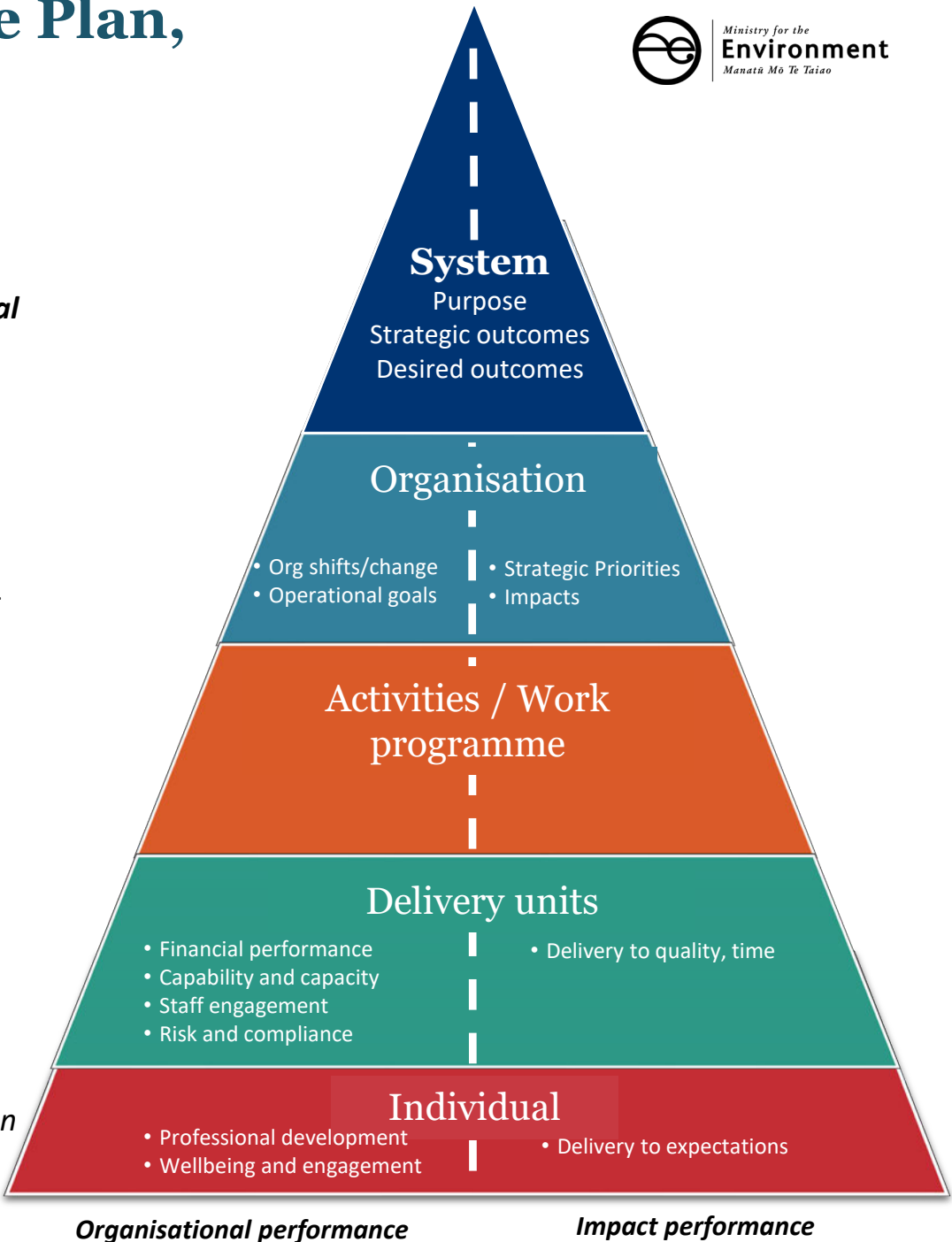
Alongside finalising the business plan, you will need to make decisions on how we update our Performance Plan.

Our Performance Plan is a reporting product that sits at the interface of the **system** and **organisation**, informed by the tiers below. It includes:

- Both **organisational performance** (e.g. workforce, finance, transformation i.e. our 'How') and **impact performance** (i.e. our 'What')
- Key **activities** in both our 'How' and 'What' that support us to achieve our **desired outcomes**, and prioritising choices within baseline funding

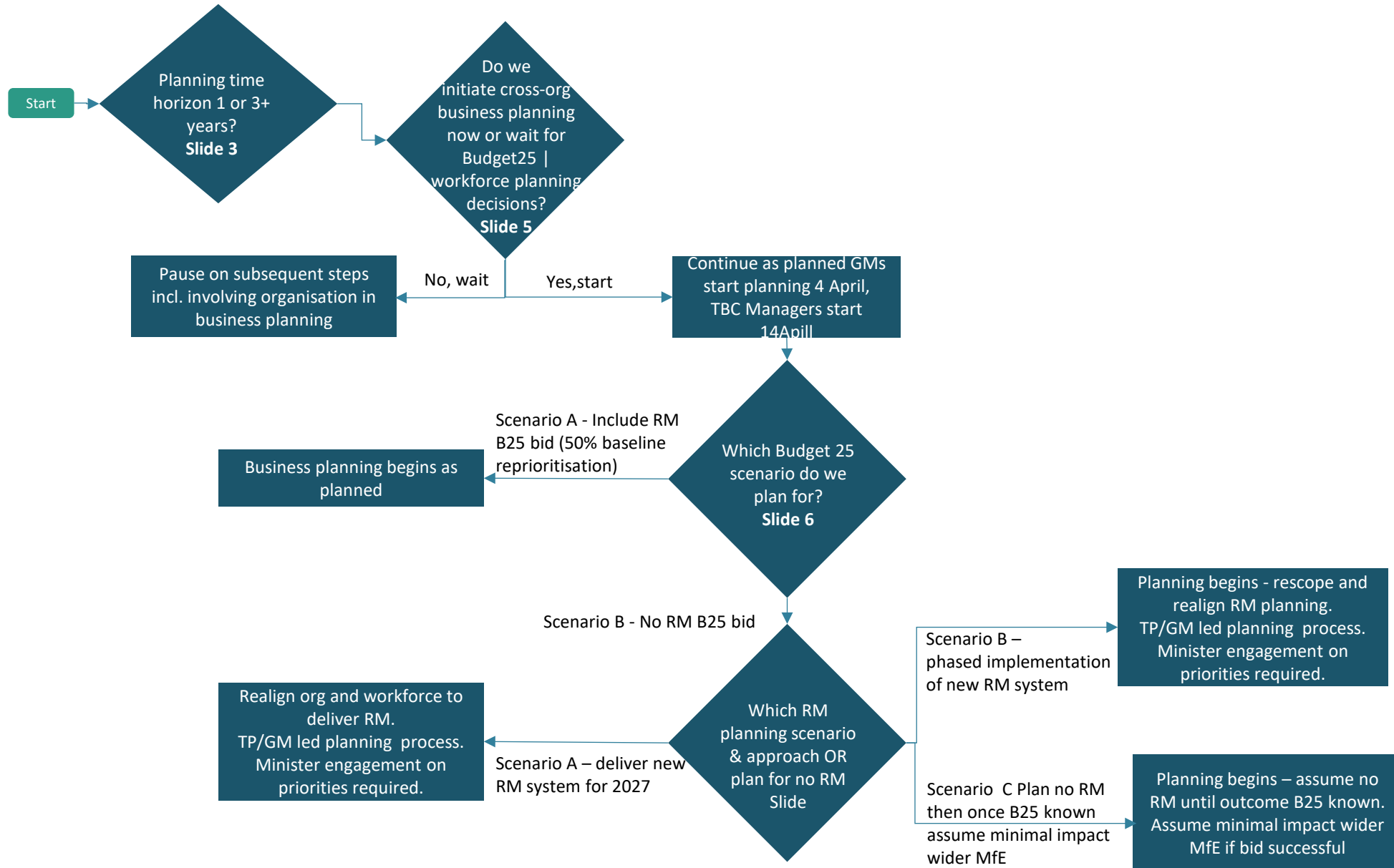
The following slide illustrates the flow of initial high level decisions needed. The first of those decisions is **What planning time horizon do we plan to through business planning?**

Our recommendation is a 3+ year horizon so that our business planning and performance plan processes align. This will support alignment of effort and data across the organisation. We suggest keeping the out-year planning at Tier 3 or above.



Decision tree to guide decision-making

The slide which contains the rationale and advice to support decisions below is indicated in the decision diamond. The rationale includes benefits and considerations of options in the slides referenced.



Related decisions 18th Mar:

Slide 8: What assumptions shape planning envelopes?

Slide 13: With all of the variables above do we involve managers in the planning or keep at GM level?

Decisions expected post 18 Mar

How strategy-led is different to previous years (early maturity)

How connected business planning needs to be to other work e.g. workforce planning, Transformation+

Indicative envelopes

Prioritisation approach

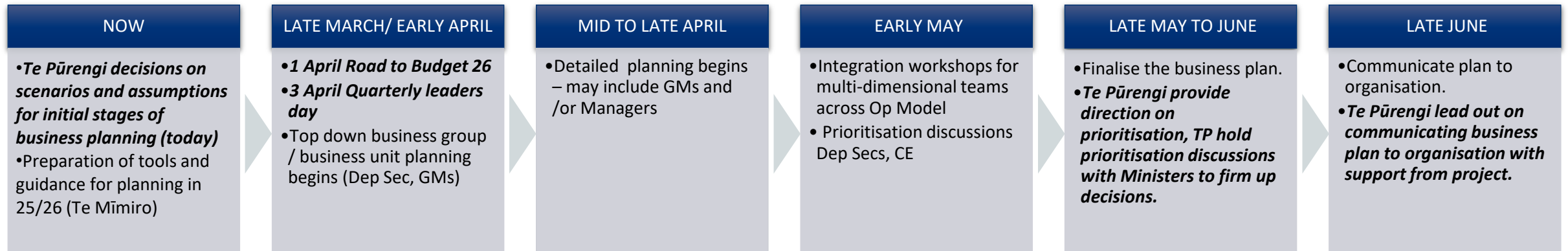
Initiating Business Planning 25/26

Do we initiate cross-organisation business planning now OR wait until Budget25 | workforce planning decisions are clearer?

Our recommendation is you make some initial high-level decisions now to enable us to progress with business planning, and we build in regular check-in / decision-making points with Te Pūrengi so we can adjust to changing context.

- Receiving direction for business planning now will enable us to deliver a business plan prior to 20 June which would enable teams to progress procuring work with confidence and help avoid underspends in Q1 flowing through to FY 25/26.
- The project schedule for business planning enables us to adjust to the impacts of Budget25 decisions later in the process if the planning scenario used for the initial stages of business planning is incorrect but this will involve further work.
- If MfE receives no funding from Budget25 we will need to move to a more directive process for business planning.

Below are the proposed phases of business planning for 25/26 highlighting key points for Te Pūrengi involvement. We will adjust this based on decisions you make today.



Which Planning Scenario & Approach

If we initiate Business Planning now, we are seeking decisions on which scenario(s) we ask the organisation to plan to through initial stages of business planning. Clarification of the scenario will reduce uncertainty & would inform assumptions that would shape indicative budget envelopes and planning guidance.

These decisions have trade-offs across the amount of work (and possible re-work) required by leaders, sharing of budget sensitive information, and how we plan for RM Phase 3. The outcome of the B25 RM bid has organisation-wide impacts.

Which Budget Scenario(s) to plan for

- A. Include RM B25 bid (50% baseline reprioritisation)? OR/AND
- B. No RM B25 bid?

A - Include RM B25 bid (50% baseline reprioritisation)		B - No RM B25 bid		Plan for both A and B	
Benefit	Consideration	Benefit	Consideration	Benefit	Consideration
Ensures RM Phase 3 planning continues smoothly	Shares budget sensitive info more widely	Keeps budget sensitive info tight	Requires decision on how we ask the organisation to plan for RM (see below) and a Tier 1-3 led approach	We're prepared for either scenario	More work
Enables earlier manager involvement in process	Possible rework				

We recommend choosing one scenario to plan for, and that this scenario is scenario A – MfE receive 50% of the RM B25 bid.

If you want to progress a no RM B25 bid scenario, do you want to ask business groups to plan to:

- A. Deliver Minister expectations for RM reform Implementation for 2027? OR
- B. Deliver a scaled/phased approach to RM reform implementation?

A - Deliver Minister expectations for RM reform Implementation for 2027?		B - Deliver a scaled/phased approach to RM reform implementation?	
Benefit	Consideration	Benefit	Consideration
Ensures RM Phase 3 planning continues smoothly and organisation is ready to mobilise	Significant replanning and phasing of our work programme More top-down approach need	Less disruptive for non-RM work planning	Disruptive for areas of the organisation supporting RM Phase 3

If a no RM B25 bid is your preferred scenario, we recommend progressing both options to manage Ministerial reputational risks.

Budget envelopes

- How we develop envelopes are largely a product of our organisational structure, existing fixed costs, and a well established work programme aligned to Ministerial priorities.
- The decision on which Budget 25 scenario(s) to plan for is one of the main variables that changes the envelopes.
- Given timing of decisions, business planning needs to begin without B25 decisions. We have identified 3 stages within business planning at which Te Pūrengi will have an opportunity to reset budget envelopes as more information becomes available.
- To distinguish between the envelopes set at each of the 3 stages we have called these envelopes:
 - **Indicative planning envelopes.** Used to constrain initial bottom-up planning by GMs/Managers.
 - **Updated envelopes.** These will be developed following completion of detailed planning. They will include updates on B25 decisions, guidance to support consistent prioritisation approaches, and reflect initial discussions on priorities with Ministers.
 - **Final envelopes.** These will form the basis of financial packs loaded for 25/26 year. Advice on final envelopes will include information from a detailed review of the classification of enabling services costs and direct costs to form an accurate view of appropriations. If appropriations are deemed at risk, Finance will propose any necessary changes to these envelopes.
- The following slides include high level **indicative planning envelopes at an organisation level** for your approval.

Assumptions to allow development of indicative planning envelopes

- **To construct these envelopes we have some assumptions we wish to test with you. These are as follows:**
 - The previously agreed operating model for 25/26 remains the same. Any FTE movement to enable work plan delivery can happen through workforce planning or talent mobilisation. You will be considering advice on workforce planning in the coming weeks.

Our recommendation is that for the initial stages of business planning we cost FTE as per current operating model as this makes for a simpler work planning process (given the impact of FTE cost on funding envelopes).
 - The envelopes use similar assumptions for spend for travel, training and non-FTE spend to last year. Legal cost (Crown Law) has grown from \$2.4m to \$3.8m due to additional \$1.5m potential cost pressure. These assumptions need to be confirmed before the envelopes are issued as part of business planning guidance. These assumptions will be tested with Te Mīmiro.
 - We assume Fast Track consenting cost is fully recovered (however application volumes are uncertain), and no savings adjustments from Minister Seymour's savings exercise (relatively minor impact on the 25/26 departmental baseline).
 - Funding is fully allocated to the business groups. No additional funds are held centrally.
 - IPETs are allocated to the business group who applied for them upon confirmation in OBU.
 - Similar to the current year a "claw back" and reallocation mechanism for changing budgets during the year could occur – we would recommend this.
 - MfE will have to balance appropriations afterwards where possible through mechanisms available in Public Finance Act.

Indicative planning envelopes – the numbers

To help guide conversations on scenarios and envelopes we have produced indicative planning envelopes for two possible scenarios:

1. No additional funding from B25
2. Waste Levy Dept Bid and RM from Budget 25, (original MfE bid for spending but Crown portion of funding to be determined).

This provides a range for likely budget scenarios for MfE.

Budget	Scenario 1: no B25 funding	Scenario 2: 50% of B25 funding, 50% funded by rephasing	Costs	Scenario 1: no B25 funding	Scenario 2: 50% of B25 funding, 50% funded by rephasing	Note
Initial budget (MBU)	163,208,000	9(2)(f)(iv)	TOTAL BUDGET	166,408,000	9(2)(f)(iv)	
IPET (thru MBU, if approved thru OBU 2025)	3,200,000		FTEs	742		1
B25 – EWP and WMA top up	0		People cost	114,148,362		2
B25 – RM 50%, 50% reprioritised	0		People cost % of total budget	69%		
Total budget MfE	166,408,000		Travel	1,803,845		
		Travel - % of people cost	2%	3		
		Training	913,187			
		Training - % of people cost	0.80%			
		Fixed/committed cost				
		Accommodation and Depreciation	5,500,000			
		IT	14,483,860			
		Legal	3,794,563	4		
		Data and science	10,143,900	5		
		Budget remaining for other costs (consultancy & other)	15,620,283			
			9% of total budget			

Key points and Decisions Required

- Scenario 1** Includes the **additional 28.3 fixed term** FTEs approved by Te Pūrengi up to March 2025 (EMA 21 FTEs , CCRME 5.3 FTEs, OCE 1 FTE, BTS – P&C 1 FTE). These are funded by re-purposing non-people cost to people cost without any overall increase in cost. This means MfE’s approved FTE will increase from 714 FTEs to 742 FTEs. With this FTE increase the majority (69%) of MfE’s budget is allocated to people costs.

In **scenario 2** , FTEs are increased from 742 to **9(2)(f)(iv)** mainly due to expected increase from RM implementation budget funding.

For both scenarios, it is assumed that the funding requirement for Fast-track Approval Consenting will be covered by third-party revenue. Any revenue shortfall would create a cost pressure to fund FTEs, which would need to be addressed through internal prioritisation.

- People cost in both scenarios includes 3% rem increase
- Travel cost is estimated at 2% and training is at 0.80% of total people cost for 2025/26 .
Decision required : Travel cost to be allocated **2%** and training at **0.80%** of total people cost for both scenarios or keep at same (\$) amount regardless of scenario **YES/NO**
- Legal cost is based on CPI adjusted 2024/25 initial legal budget plus \$1.5m additional cost pressure. Please note that Crown Law contracted cost information is yet to be confirmed.
Decision required : Allocate \$1.5m cost pressure to EMA and the rest to be allocated to business groups based on 2024/25 budget allocation **YES/NO**
- Data and science budget is based on CPI adjusted 2024/25 initial budget.
Decision required : a. Allocate the full \$10.1m to data and science or reprioritise (eg, up to \$2m) for other expenses if no budget 25 funding **YES/NO**
b. Based on the amount allocated , hold the full amount within SSP and distribute during the year based on priorities or allocate based on an agreed methodology **YES/NO**
- Decision required** : If RM bid is approved , hold the overhead portion of the funding (**9(2)(f)(iv)** if 50% funded) in BTS for allocation to priority spends as needed throughout the year **YES/NO**

Appropriation impacts of the budget – Pre Budget 25

Appropriation	Total Personnel Costs	Total Travel Cost	Total Data & Science Cost	Total IT Cost	Total Legal Cost	Total Other Cost	Total Professional	Total overheads	Grand Total	MBU	Variance
Central Corporate	39,824,093	1,063,366	4,149,563	12,122,356	222,360	9,610,384	1,034,188	- 68,026,310	-		
Climate	20,235,140	439,306	4,000,660	1,193,808	372,708	242,618	1,023,358	17,487,265	44,994,863	46,399,000	1,404,137
Climate Change Chief Executive Board (IEB)	1,865,276	36,191	216,240	-	71,400	25,582	81,600	1,237,360	3,533,648	3,742,000	208,352
Environment	39,429,016	1,029,698	1,245,007	166,704	3,102,595	1,642,952	2,551,632	39,021,852	88,189,456	89,527,000	1,337,544
Environment Work Programme	6,552,568	24,990	371,678	-	-	2,287,474	117,300	5,599,614	14,953,625	16,480,000	1,526,375
Product Stewardship Administration	-	-	-	274,809	-	676,935	53,856	142,484	1,148,084	1,154,000	5,916
Waste Minimisation Administration	4,420,270	123,481	160,752	726,183	25,500	280,296	114,107	4,537,735	10,388,325	5,906,000	(4,482,325)
Grand Total	112,326,364	2,717,032	10,143,900	14,483,860	3,794,563	14,766,240	4,976,041	- 0	163,208,000	163,208,000	

Note :

1. Appropriation view of the **scenario 1** is shown above. There is no overspend in appropriations except \$4.4m for the Waste Minimisation Administration (WMA), which will require a Budget 25 resolution or the envelopes contributing to WMA will need to be reduced.
2. The draft Cost Allocation policy was discussed at Te Pūrengi and the principle of using FTEs was supported. The above enabling costs have been allocated based on FTEs. As Te Pūrengi requested, enabling cost will have an assessment made on them to relate them directly to ministers outputs and will be approved with Business Group leaders. The application of this review will impact the above analysis. These steps are done nearer the final stages of Business planning.
3. In addition to the changes to the overhead allocation policy, any movement of staff between business groups could impact the appropriations. Eg if redeployments cross over appropriations, i.e., Climate staff moving to Environment or Waste Levy-funded areas.
4. Once business group/unit budgets are updated Finance will produce a detailed view of the direct and enabling services cost, along with the updated appropriation view to Te Pūrengi before finalising the budget. If unbalanced appropriations cannot be balanced by fiscally neutral adjustments (FNAs) budgeted expenditure will need to be reduced to balance appropriations.

Related Decisions on Te Pūrengi Forward agenda

The Te Pūrengi forward agenda has a range of upcoming decisions that will impact business planning | funding envelopes. Te Pūrengi may wish to consider the timing and sequencing of these decisions:

Upcoming decisions on Transformation and Workforce Planning

Decisions on **transformation** and **workforce planning** will have the biggest impact on business planning with these decisions happening in parallel to business planning. These decisions will be essential for business planning guidance.

Upcoming decisions on DSE and IT

For decisions on Data, Science and Evidence (DSE) and IT or other investments we recommend you only make **in-principle decisions** where there are funding implications, subject to decisions on final envelopes for business planning. These decisions will be included in business planning guidance as appropriate.

DSE Funding

- On 8 April DSE plan to bring a paper to Te Pūrengi for approval on the approach to DSE investment for FY25/26. This includes tabling a question about ring-fenced or centralised funds for our DSE investments.
- On 29 April they will submit a second paper to Te Pūrengi finalising our strategic investments and providing a cost for these and our ongoing commitments.
- The paper is requesting fund allocation for strategic DSE investment and ongoing commitments (i.e., science for reporting obligations etc.), and reactive BAU science would be rationalised and approved through regular business planning by the business unit that requires it. Any centralisation of funds would happen as part of finalising business envelopes.

IT

- As part of the IT Strategic Direction agreed by Te Pūrengi, an IT Investment Framework designed to enhance decision-making processes at the Ministry is under development. This framework aims to enable informed, enterprise-level decisions, reduce administrative workload, manage operating costs, and ensure accountability for technology investments. This work also encompasses an IT Application Catalogue, providing greater transparency across all technology systems in use at the Ministry, and an IT Investment Roadmap, which draws on information within the Application Catalogue to further inform IT investment decisions, as current state systems come to the end of contractual arrangements etc.
- By adopting this framework, the Ministry will be better equipped to prioritise and manage its IT investments, ultimately supporting the Ministry's transformation programme and enabling more efficient and effective use of technology resources. This framework was endorsed by Te Mīmiro on 27 February and will be presented to Te Pūrengi on 8 April. If approved, this will be implemented at pace and supported by communication of the proposed process to GMs and Managers (aligned to business planning guidance).

Planned improvements to Business Planning 25/26

Strategy-led

- **Alignment of work to** the impacts and outcomes in our **strategic intentions** (incl. strengthening planning in out-years, see below) to support Te Pūrengi final decisions.
- **Clearer** and more **consistent** approach to **prioritisation across the organisation**, including better understanding the relative priorities across work areas (e.g. priority tiers, top 10 priorities).

Process Improvements for integration & agility

- **Plan in a way that better enables us to respond to change** e.g. how we make shifts following B25 decisions and through quarterly planning cycles. This includes ensuring better clarity of essential work (statutory, international), discretionary (i.e. stewardship priorities fundamental to our purpose and strategic outcomes), and where work is a comparatively lower priority i.e. could be readily rescope or deferred if required in future.
- **Support increased integration of planning** through integration workshops to enable multi-dimensional teams incl. enabling functions to collectively plan priority work and help improve understanding of needs from other teams including enabling functions and capabilities to enable talent mobilisation.
- **Pull the full MfE work plan together via MfE's Programme Director & Business Group Programme Managers** ensuring different aspects of our work complement each other, greater clarity of dependencies and improved understanding of the cumulative impact of our work towards strategic impacts and outcomes sought in the system.

Strengthen Planning in out years (depending on planning horizon decision)

Beyond the 1 year horizon we propose involving Tier 3s in planning focused on outyears i.e. 3 year horizon to:

- **Plan for medium term work, aligned to strategic priorities, outcomes | impacts and baseline funding** - This would require developing a 3+ year view for domains or functions and then working across the organisation to identify potential roadblocks and cost pressures related to achieving strategic impacts and outcomes MfE will be held accountable for aligned to our Performance Plan.
- Ensure confidence of **efficiency of business group** and **MVP scaling** and identify areas related to the next phase of operating model shifts that could support further efficiency.

Next Steps

Upcoming touchpoints for Te Pūrengi in the short term include:

- Discussion to land **indicative envelopes** by business group & any follow-on actions from 18th Mar meeting
- 1 April: (TP Planning Day): Te Pūrengi to land the expectations and priorities for leaders through the 25/26 business planning & beyond. This requires you to consider how business planning, workforce planning and transformation+ should align to most efficiently allocate resources and cultivate a culture of innovation as the Ministry's priorities and operating environment changes ('Road to Budget 26').
- 3 April: The Quarterly Leadership Forum provides an opportunity for you to lead out on organisational priorities and expectations for T3 leaders through business planning.

Next steps for the Business Planning team:

Based on scenarios and assumptions confirmed today, the Business planning team will:

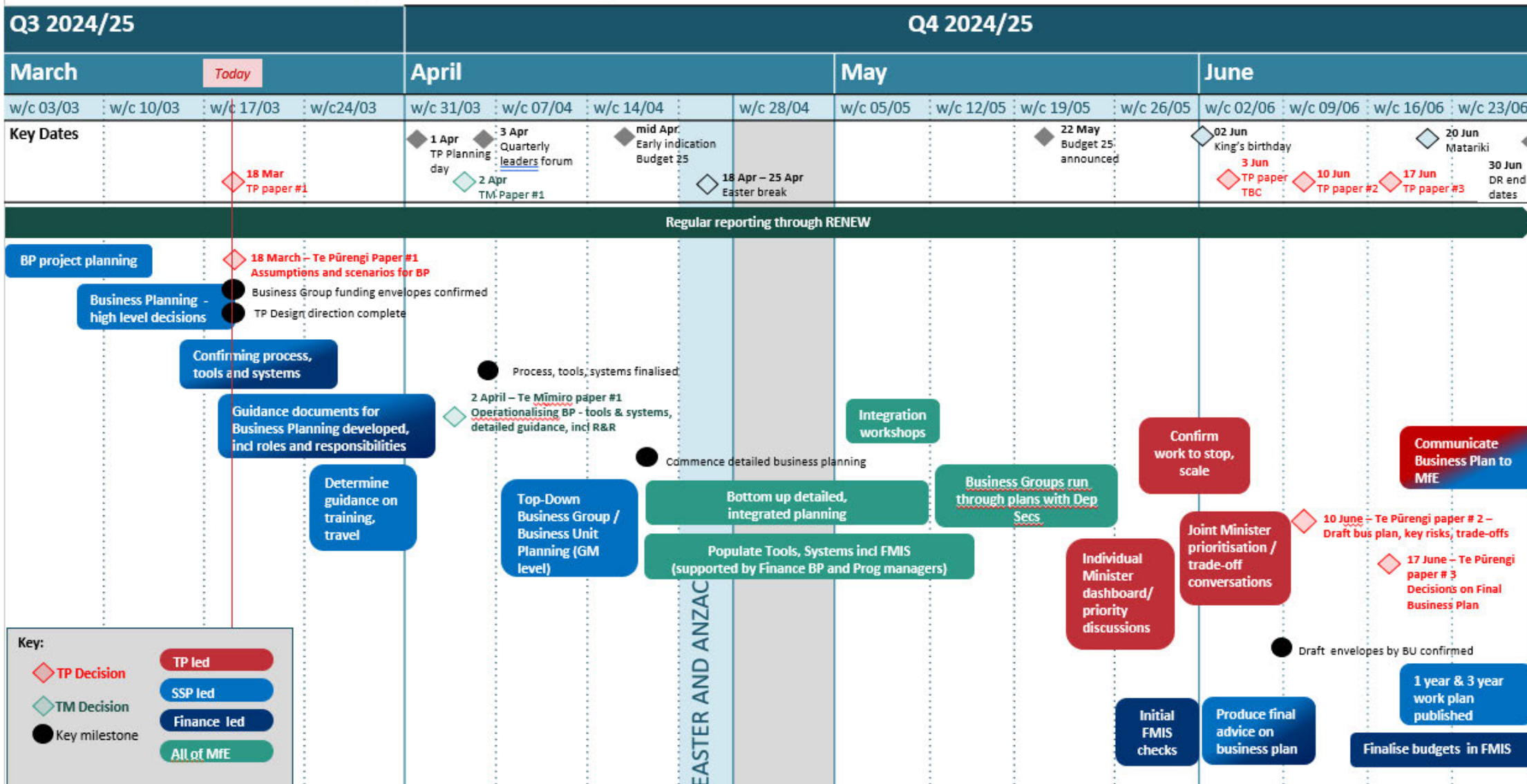
- Revise project plan based on 18th Mar decisions and progress follow-on actions
- Prepare for **next decisions** needed following 18th March meeting to enable next phase of planning. Decisions likely to incl confirmation of:
 - How strategy-led is different to previous years
 - How closely connected business planning needs to be to workforce planning | Transformation+ or other work
 - Indicative envelopes (assume by Business Group instead of Strategic Priority)
 - Prioritisation approach
- Confirm the tools to use for business planning with Te Mīmiro (FMIS, Planview & any additional tools). **Not dependant** on Te Pūrengi decisions.
- Start developing guidance for GMs and/or Managers to carry out business planning. **Dependant** on Te Pūrengi decisions.

Appendix 1

CLASSIFICATION

 Timeline as @
13 March

Business Planning 2025/26 high-level timeline



Key:

- ◇ TP Decision
- ◇ TM Decision
- Key milestone
- TP led
- SSP led
- Finance led
- All of MfE