

# The Treasury

## Budget 2022 Information Release

August 2022

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## Treasury Report: Natural Resources Cluster Spending Review Final Report

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<b>Date:</b>	17 February 2022	<b>Report No:</b>	T2021/3104
		<b>File Number:</b>	BM-2-7-2021-2

### Action Sought

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	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	<p><b>Note</b> the contents of this report</p> <p><b>Agree</b> to recommendations for further work</p> <p><b>Discuss</b> preferred funding envelope and package for Budget 2022 for the Natural Resources Cluster</p>	3 March 2022
Minister for the Environment Minister for Oceans and Fisheries (Hon David Parker)	<p><b>Note</b> the contents of this report</p> <p><b>Agree</b> to recommendations for further work</p> <p><b>Discuss</b> preferred funding envelope and package for Budget 2022 for the Natural Resources Cluster</p>	3 March 2022
Minister for Biosecurity Minister for Rural Communities Minister of Agriculture (Hon Damien O'Connor)	<p><b>Note</b> the contents of this report</p> <p><b>Agree</b> to recommendations for further work</p> <p><b>Discuss</b> preferred funding envelope and package for Budget 2022 for the Natural Resources Cluster</p>	3 March 2022
Minister of Forestry (Hon Stuart Nash)	<p><b>Note</b> the contents of this report</p> <p><b>Agree</b> to recommendations for further work</p> <p><b>Discuss</b> preferred funding envelope and package for Budget 2022 for the Natural Resources Cluster</p>	3 March 2022
Minister of Conservation (Hon Kiritapu Allan)	<p><b>Note</b> the contents of this report</p> <p><b>Agree</b> to recommendations for further work</p> <p><b>Discuss</b> preferred funding envelope and package for Budget 2022 for the Natural Resources Cluster</p>	3 March 2022
Minister for Food Safety (Hon Dr Ayesha Verrall)	<p><b>Note</b> the contents of this report</p> <p><b>Agree</b> to recommendations for further work</p> <p><b>Discuss</b> preferred funding envelope and package for Budget 2022 for the Natural Resources Cluster</p>	3 March 2022
Minister for Climate Change (Hon James Shaw)	<p><b>Note</b> the contents of this report</p> <p><b>Agree</b> to recommendations for further work</p> <p><b>Discuss</b> preferred funding envelope and package for Budget 2022 for the Natural Resources Cluster</p>	3 March 2022

**Contact for Telephone Discussion (if required)**

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Name	Position	Telephone	1st Contact
Shagufa Mirzad	Analyst, System Design and Strategy [39]	N/A (mob)	✓
Oliver Parsons	Team Leader, System Design and Strategy	[35]	

**Minister's Office actions (if required)**

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**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:**      **Yes (Annex 1 attached)**

# Treasury Report: Natural Resources Cluster Spending Review Final Report

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## Executive Summary

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In December 2020, the Minister of Finance agreed to establish the Natural Resources Cluster (“the Cluster”) – comprising the Department of Conservation (DOC), the Ministry for the Environment (MfE) and the Ministry for Primary Industries (MPI) – and to undertake a spending review of the Cluster agencies. This is the final report and outlines key findings from the spending review and provides advice and assessment on the proposed Budget packages.

## Key Themes from the Spending Review

The spending review focused on nine areas including: biosecurity, biodiversity, climate change, freshwater pollution control, research, science and innovation (RSI), partnerships with iwi and Māori, cost recovery, asset management and personnel. The following key themes were identified:

- **Regulatory and Legislative Changes:** The Natural Resources Cluster is undergoing large-scale change at the policy, regulatory and legislative levels. The large scale and number of these programmes has impacted on the capacity of stakeholders, regional councils, Treaty partners and industry to implement the changes. In particular, it has placed constraints on the implementation of the Essential Freshwater Package as stakeholder capacity to implement changes has been affected due to various reforms taking place simultaneously.
- **Personnel:** The Cluster grew from 4,930 full-time equivalent staff (FTE) in March 2016 to 6,860 FTE in March 2021. The scale, pace and complexity of policy, regulatory and legislative change programmes are affecting resourcing and capacity.
- **Iwi and Māori:** Although the Cluster has strong commitment to grow Māori capability, there is potential for stronger connections between work programmes and development of a more common approach to partnership and engagement across the Cluster.
- **Asset Management:** DOC has a large network of ageing assets that has grown alongside underinvestment in renewal, leading to financial sustainability issues. DOC has planned improvements in place which are expected to make the true cost of deferred maintenance clearer over the next two years.
- **Cost Recovery:** Cost recovery plays a significant role for the Cluster, representing around 35% of MPI’s departmental baseline, and 10% to 15% of DOC’s departmental baseline. Opportunities for greater and more consistent cost recovery within DOC and MPI have been identified.
- **Funds and Grants:** The Cluster has shown persistent underutilisation of resources, evidenced by the prevalence of expense transfers especially within non-departmental spending.

- **Research, Science and Innovation:** There is a lack of consistency in how organisations across New Zealand collect data, and sometimes an absence of data. The Cluster has no decision rights and limited advisory opportunities to direct funding for research, science and innovation that sits within MBIE. The Cluster needs a more strategic approach to investment in the priorities which will require whole of system collaboration and better linkage of funding to strategy.
- **Prioritisation:** The Cluster faces challenges from a wide range of shifting work programmes which make prioritisation difficult. Key challenges identified across biosecurity and biodiversity include, systems and infrastructure not keeping pace with trends in trade and risk, and the lack of a comprehensive endemic pest management strategy for New Zealand to enable investment prioritisation. Within climate change, an increase in MfE's leadership role and delivery expectations have created challenges for prioritising the work programme with the resources available.

## Budget 2022 Funding Options

The Minister of Finance has provided each Cluster with indicative operating funding envelopes for Budget 2022. The Cluster agencies are also seeking funding through the standard budget process and Climate Emergency Response Fund for cross-agency activities for implementing resource management reform, continuing the *Mycoplasma bovis* programme, and operating and capital expenditure on behalf of Crown entities.

Currently, the low, medium and high packages submitted by the Cluster exceed the indicative envelopes. The low package is generally focused on cost pressures and critical system risks, with limited levels of discretion. Because of this, the package is generally good value for money with limited delivery concerns but requires accepting some levels of service degradation.

The medium package is largely made up of well-prioritised initiatives. Our main concerns relate to the deliverability of the package, which could lead to large underspends and poor value-for-money.

The high package is largely made up of scaled-up initiatives within the medium package with two additional initiatives. This package is not feasible for the Cluster due to various delivery risks. We are confident that the Cluster agencies could manage cost pressures over the three-year period within the high package. However, the various delivery constraints are likely to lead to fiscal risks.

Key constraints to delivery of Cluster packages include:

- **Personnel:** The number of FTE sought under the low package appears manageable compared to the medium and high packages where we have concerns over the number and phasing of FTEs, as well as and achievability in the current labour market, especially for MfE.
- **Iwi and Māori:** Several initiatives propose engagement with iwi/Māori. There are components within several initiatives that add up to a significant capability build, which generates risks to achievability. This suggests a potential need to phase programmes so that they are more manageable for both Crown and Treaty partner capacity.
- **Asset Management:** Funding sought under the low package reflects the poor state of DOC assets. <sup>[33]</sup> due to constraints on DOC's delivery capacity, labour markets and supply chains.

- **Data and Information:** Several initiatives are seeking funding for new data and monitoring areas such as freshwater, resource management [33]  
The Cluster needs to ensure the development of data and monitoring across these areas are aligned to reduce duplication.
- [33]

## Reprioritisation

The Cluster has not submitted any reprioritisation options as part of its spending proposal, however the Cluster decided not to seek funding for all known cost pressures through Budget 2022. We understand the agencies have agreed to manage these through existing baselines, however we do not know the magnitude of these pressures.

Through the course of the spending review, the Treasury identified and tested a range of options with the Cluster prior to package submissions. In light of the submitted Budget packages, the two most relevant reprioritisation options Ministers may wish to consider are:

- [33]
- 

## Next Steps

The Minister of Finance, Minister for the Environment, Minister for Oceans and Fisheries, Minister for Biosecurity, Minister for Rural Communities, Minister of Agriculture, Minister of Forestry, Minister of Conservation, Minister for Food Safety and Minister for Climate Change are meeting on 3 March 2022 to discuss the findings of this report and a preferred envelope and package for Budget 2022.

Following this meeting and any subsequent direction from you, the Natural Resources Cluster will submit a final package to progress through the Budget on 10 March 2022.

## Recommended Action

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We recommend that you:

### **Commissioning**

- a **note** that the Minister of Finance and Cluster Ministers commissioned a spending review of the Department of Conservation, Ministry for the Environment, and Ministry of Primary Industries in July 2021
- b **discuss** a preferred funding envelope and package for the Cluster agencies to be progressed through the Budget process for Cabinet approval

### **Review Themes**

- c **note** that review of existing spending identified the following key themes:
  - i. The Natural Resources Cluster is undergoing large-scale change at the policy, regulatory and legislative level which has impacted on the capacity of stakeholders, regional councils, Treaty partners and industry to implement these changes
  - ii. The Cluster has grown significantly from 4,930 full-time equivalent staff (FTE) in March 2016 to 6,860 FTE in March 2021
  - iii. Although the Cluster has a strong commitment to grow Māori capability, there is potential for stronger connections between work programmes and development of a more common approach to partnership and engagement
  - iv. DOC has a large network of ageing assets that has grown alongside underinvestment in renewal, leading to financial sustainability issues, and increased risk of danger thus, creating a health and safety risk
  - v. [33]
  - vi. The Cluster has shown persistent underutilisation of resources, evidenced by the prevalence of expense transfers especially within non-departmental spending
  - vii. The Cluster needs a more strategic approach to investment in research, science and innovation which will require whole of system collaboration and better linkage of funding to strategy

### **Budget 2022 to 2024 Spending Proposals**

- d **note** that we have assessed the proposed packages as including initiatives that are generally good value-for money, however there are opportunities to improve the packages including rephrasing
- e **direct** Cluster officials to provide a revised package for the submission of the final package to the Minister of Finance on 10 March

**Agree / Disagree.**  
Minister of Conservation

**Agree / Disagree.**  
Minister for Food Safety

**Agree / Disagree.**  
Minister for Climate Change

**Agree / Disagree.**  
Minister of Forestry

**Agree / Disagree.**  
Minister for the Environment  
Minister for Oceans and  
Fisheries

**Agree / Disagree.**  
Minister for Biosecurity  
Minister for Rural Communities  
Minister of Agriculture

f [33]

g

**Reprioritisation**

*Funds and Grants*

h [33]

*Cost Recovery*

i [34]

**Agree / Disagree.**

Minister of Conservation

j [33]

k

**Yes / No.**

Minister for Biosecurity

Minister for Rural Communities

Minister of Agriculture

l [34]

**Agree / Disagree.**

Minister of Forestry

**Agree / Disagree.**

Minister for the Environment

Minister for Oceans and

Fisheries

**Agree / Disagree.**

Minister for Biosecurity

Minister for Rural Communities

Minister of Agriculture

**Further action Over the Three-Year Spending Plan Period**

m [33]

i. [33]

ii. [33]

iii.

iv.

v.

*Personnel*

n [34]

i. [34]

ii.

**Agree / Disagree.**  
Minister of Conservation

**Agree / Disagree.**  
Minister for Food Safety

**Agree / Disagree.**  
Minister for Climate Change

**Agree / Disagree.**  
Minister of Forestry

**Agree / Disagree.**  
Minister for the Environment  
Minister for Oceans and  
Fisheries

**Agree / Disagree.**  
Minister for Biosecurity  
Minister for Rural Communities  
Minister of Agriculture

*Iwi and Māori*

o [33]

i. [33]

ii.

**Agree / Disagree.**  
Minister of Conservation

**Agree / Disagree.**  
Minister for Food Safety

**Agree / Disagree.**  
Minister for Climate Change

**Agree / Disagree.**  
Minister of Forestry

**Agree / Disagree.**  
Minister for the Environment  
Minister for Oceans and  
Fisheries

**Agree / Disagree.**  
Minister for Biosecurity  
Minister for Rural Communities  
Minister of Agriculture

*Asset Management*

p [33]

**Agree / Disagree.**  
Minister of Finance

**Agree / Disagree.**  
Minister of Conservation

q [33]

i. [33]

ii.

iii.

iv.

**Agree / Disagree.**  
Minister of Finance

**Agree / Disagree.**  
Minister of Conservation

*Research, Science and Innovation*

r [34]

**Agree / Disagree.**  
Minister of Conservation

**Agree / Disagree.**  
Minister for Food Safety

**Agree / Disagree.**  
Minister for Climate Change

**Agree / Disagree.**  
Minister of Forestry

**Agree / Disagree.**  
Minister for the Environment  
Minister for Oceans and  
Fisheries

**Agree / Disagree.**  
Minister for Biosecurity  
Minister for Rural Communities  
Minister of Agriculture

*Regulatory / Legislative changes, Prioritisation and Deliverability*

s [34]

**Agree / Disagree.**  
Minister for Biosecurity

t [34]

***Agree / Disagree.***

Minister for Biosecurity

u[34]

***Agree / Disagree.***

Minister for Biosecurity

Oliver Parsons

**Team Leader, System Design and Strategy**

Hon Grant Robertson  
**Minister of Finance**

Hon James Shaw  
**Minister for Climate Change**

Hon Stuart Nash  
**Minister of Forestry**

Hon Kiritapu Allan  
**Minister of Conservation**

Hon Dr Ayesha Verrall  
**Minister for Food Safety**

Hon Damien O'Connor  
**Minister for Biosecurity**  
**Minister for Rural Communities**  
**Minister of Agriculture**

Hon David Parker  
**Minister for the Environment**  
**Minister for Oceans and Fisheries**

# Treasury Report: Natural Resources Cluster Spending Review Final Report

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## Purpose of Report

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1. In December 2020, the Minister of Finance agreed to establish the Natural Resources Cluster and to undertake a spending review of the Natural Resources Cluster agencies (Department of Conservation, Ministry for the Environment and Ministry for Primary Industries) [T2020/3726 refers].
2. The purpose of this report is to provide the Minister of Finance and Cluster Ministers with the key findings arising from the spending review to inform discussions about priorities, and multi-year funding options, including assessments of proposed packages developed by the Cluster agencies covering Budgets 2022, 2023 and 2024.

## Context

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3. An interim report was provided to the Minister of Finance and Cluster Ministers on 5 August 2021 that included preliminary findings and sought agreement to areas of focus for further work [T2021/1805 refers]. The interim report set out objectives for the spending review, including to:
  - determine how spending is aligned with the Cluster's outcomes and priorities
  - provide improved understanding on the effectiveness, efficiency, sustainability and resilience of current spending, including third party funding and expenditure
  - identify the assumptions, uncertainties, resilience levels and risks that underlie the predictability of future spending requirements
  - develop funding options that allow the Cluster to have adequate resources in the right places to deliver on desired outcomes and priorities over the medium-term
  - identify potential spending reprioritisation that can be redirected into more effective and efficient areas
  - identify areas of improvement to information, monitoring and reporting mechanisms that can be embedded ahead of any subsequent spending review, and
  - support a longer-term and more strategic funding track for the Cluster.
4. This report is organised into the following sections:
  - Section A sets out an overview of the Natural Resources Cluster spending review
  - Section B summaries key findings
  - Section C provides advice on packages submitted by the Cluster and Budget 2022 funding options
  - Appendix 1 sets out the individual assessments of Budget 2022 initiatives submitted by Cluster agencies, and
  - Appendix 2 sets out relevant supporting evidence from the Spending Review.

### Spending Review Approach

5. Spending reviews are designed to provide Ministers with a degree of assurance about how departmental baseline funding is spent and to what extent it contributes to achieving outcomes and priorities. Spending reviews are also intended to identify cost pressures and opportunities for reprioritisation and new investment.

### Cluster Outcomes and Ministerial Priorities

6. The key strategic outcomes as agreed by the Cluster Ministers are:
  - improving biodiversity and the sustainable use of land, water and oceans
  - improving the environment and the overall wellbeing of all New Zealanders
  - enabling resilience and growth of our economy, and
  - transforming New Zealand into a climate resilient nation.
7. The Natural Resources Cluster priorities as agreed by the Cluster Ministers are:
  - improving biodiversity and biosecurity
  - improving marine system resilience
  - implementing natural resource system reform
  - building a more inclusive and sustainable economy, and
  - enabling climate resilience.

### Focus of this Review

8. As agreed following the Interim Report of 5 August 2021, the spending review analysed nine areas of focus and, undertook detailed assessment of financial and non-financial data. These areas were biosecurity, biodiversity, including pest, predator and weed control, climate change, freshwater pollution control, research, science and innovation, partnerships with iwi and Māori, cost recovery, personnel, and asset management.

### Key Themes from this Review

#### ***A Period of Significant Change and Implementation Constraints are Impacting Agencies, Treaty Partners and Stakeholders***

##### *Regulatory and Legislative changes*

9. The Natural Resources system is undergoing large-scale change at the policy, regulatory and legislative level which has impacted on the capacity of stakeholders, regional councils, Treaty partners and industry to implement the changes. Examples of these programmes include:
  - climate change mitigation and adaptation related work programmes
  - resource management reform
  - essential freshwater package
  - National Policy Statement on Indigenous Biodiversity, and
  - Biosecurity Act review.

10. [34], [38]

#### *Personnel Growing with the Work Programme*

11. Continued investment in the Cluster and a growing work programme has driven large growth in the workforce to enable delivery. The Cluster grew from 4,930 full-time equivalent staff (FTE) in March 2016 to 6,860 FTE in March 2021.

#### ***Greater Coordination and Collaboration are Needed in some Cross-Cutting Areas that Underpin the Successful Implementation of Priorities***

#### *Iwi and Māori*

12. The Cluster is leading large-scale programmes that involve partnership and engagement with iwi and Māori. There is potential for stronger connections between related work programmes and development of a common approach to partnerships and engagement with iwi and Māori across the Cluster in some areas.

13. [34], [38]

#### ***Some Systems for Stewardship Responsibilities have not been Effectively Maintained, Creating Fiscal Holes and Risks***

#### *Asset Management*

14. DOC has a large and ageing network of recreational assets such as huts and tracks. The total number of assets increased by 21% between 2014 and 2021 without an effective strategy to sustainably fund the ongoing maintenance of the asset portfolio.

[33], [34]

#### *Cost Recovery*

15. Cost recovery plays a significant role for the Cluster, representing around 35% of MPI's departmental baseline, and 10% to 15% of DOC's departmental baseline. MPI's system is robust at managing existing and developing new cost recovery systems. A 'First Principles Review' of MPI's cost recovery arrangements was undertaken in 2018. Findings have been progressively implemented but the review highlighted potential for further consistency or application of cost recovery principles. [34]

#### *Funds and Grants*

16. Alongside constraints on personnel, the Cluster has shown persistent underutilisation of resources, evidenced by the prevalence of expense transfers (transfers of funding from the current fiscal year into a future fiscal year). [33]

Expense transfers have been exacerbated by large amounts of funding through the COVID-19 Response and Recovery Fund (CRRF). This is most noticeable in non-departmental expenditure across the Cluster.

## **Gaps in Data and Information Highlight Risks for the Cluster**

### *Research, Science and Innovation*

17. Though there is strong collaboration amongst the Cluster in Research, Science and Innovation (RSI), the Cluster has no decision rights and limited advisory opportunities to direct RSI funding that sits within MBIE. Further, a lack of dedicated resources for formalised relationships between the Cluster agencies inhibits more strategic collaboration within the Cluster.
18. Case studies show that though limited funding increases for monitoring and evaluation have driven some efficiencies, there is a lack of consistency in how organisations across New Zealand collect data, and sometimes an absence of data. This is an issue that has been identified previously by the Parliamentary Commissioner for the Environment, particularly in the freshwater area.

### **Prioritisation Across a Wide Range of Shifting Work Programmes and Priorities is Difficult**

#### *Biosecurity and Biodiversity*

19. For biosecurity, balancing investment in a multi-layered system is challenging, with competing demands to manage risk at different points across the biosecurity system. Allocation of resources and funding to manage biosecurity risks are made on a historical basis, adjusted for current and future trends based on expert advice, intelligence gathering and assessment, research and advice and information from overseas counterparts. A significant proportion of the costs associated with New Zealand's Biosecurity system is recovered from third parties (such as passenger and cargo levies, industry contribution agreements and levies).
20. New Zealand maintains a comprehensive multi-layered Biosecurity risk management system. Operations and risk are managed and prioritised across pre-border, at-border and post border activities. The effective management of post-border biosecurity risks is achieved through collaboration between central government, regional councils, industry and community groups.
21. There are likely to be further/ongoing opportunities to consider or improve the prioritisation of activity and investment across the wider biosecurity system. It is important that MPI continues to assess where best to place the emphasis of effort and allocation of investment to ensure the efficient and effective prevention, detection, elimination and management of biosecurity risks to NZ's primary industry sector.

#### *Climate Change*

22. MfE's climate change leadership role and delivery expectations have increased significantly in size, scope and complexity. This has resulted in a need for prioritisation within the climate change work programme, in addition to reprioritising resources in from other areas, and a need for dedicated resource for strategic collaboration going beyond the Cluster. Given the size of the challenges relating to climate change, responding to it will need to be increasingly prioritised as part of business-as-usual work for Cluster agencies, and across the rest of government.

#### *Freshwater Pollution Control*

23. There are various reforms such as climate change, freshwater, and resource management taking place simultaneously which affect similar sets of stakeholders. These reforms are run more independently on a work programme basis by the lead Cluster agencies. As a result, it is challenging to identify gaps, prevent the duplication of regulation and ensure that progress is happening within the right areas.

## Overview of Cluster Agencies

### *Roles and Responsibilities*

24. The Cluster includes the Ministerial portfolios and Votes within DOC, MfE and MPI. These three Cluster agencies have complementary and separate roles in supporting the management, use, protection and enjoyment of our natural capital. These are summarised in Table 1 below.

**Table 1: Role of Cluster agencies in supporting natural capital outcomes**

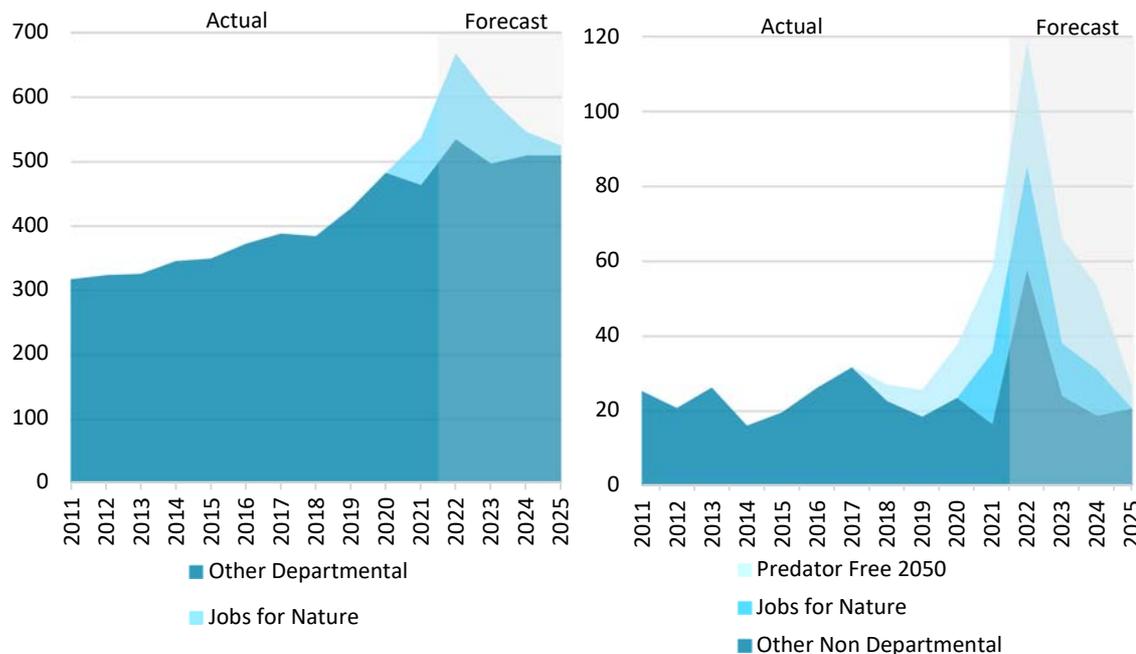
Agency and vision	Role
<p><b>Department of Conservation (DOC)</b></p> <p><i>'Papatūānuku thrives'</i></p>	<p>DOC is charged with conserving New Zealand's natural and historic heritage including indigenous flora, fauna, landscapes and ecosystems.</p> <p>DOC plays an important advocacy role for the environment. DOC focusses on ensuring that there is no further degradation to our natural capital, and if possible, ensures the landscape and what is in it, is restored to health and preserved for future generations of New Zealanders.</p>
<p><b>Ministry for Primary Industries (MPI)</b></p> <p><i>'Fit for a better world'</i></p>	<p>MPI enables the primary sector to thrive by promoting innovation and encouraging changes in fishing, forestry, and farming practices, and preventing diseases and pests from entering New Zealand. MPI also has a role in supporting trade and domestic safety (including food safety and animal welfare).</p> <p>MPI works to ensure the primary sectors transition to a way of operating where New Zealand generates wealth from the use of natural capital while protecting and enhancing the natural capital for future generations.</p>
<p><b>Ministry for the Environment (MfE)</b></p> <p><i>'A flourishing environment for every generation'</i></p>	<p>MfE is the government's primary adviser on environmental matters. The Environment Act 1986 requires MfE to think broadly as they develop their advice. MfE must consider the intrinsic values of ecosystems, the importance people place on the environment, the principles of the Treaty of Waitangi, the sustainability of natural and physical resources, and the needs of future generations.</p> <p>MfE's focus is shifting from a largely policy-focused organisation to one that also supports the implementation and delivery of reforms across climate, water, resource management (including those which are critical to addressing housing issues) and waste across New Zealand.</p>

## Financial Overviews

### DOC

25. Figures 1 and 2 below show DOC's departmental and non-departmental baseline from 2010/11, out to 2024/25 financial years. These two figures include the impact of "Jobs for Nature" on DOC's baseline (just over \$500 million from Budget 2020 till 2024/25). Further financial information is included in Appendix 2.

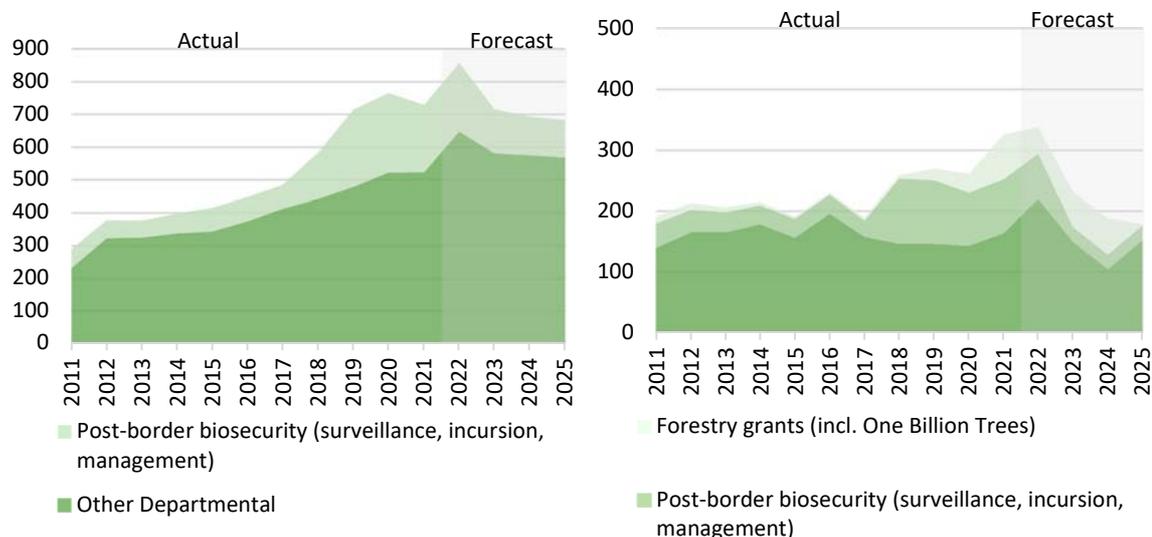
**Figures 1 & 2: Overview of DOC's departmental (left) and non-departmental (right) baseline over the financial years - actual and forecast (\$million)**



### MPI

26. MPI has received significant time-limited funding for biosecurity responses such as *Mycoplasma bovis* (*M. bovis*). In addition to biosecurity responses, Figure 3 below shows the impact of time-limited funding allocated for forestry grants to support the One Billion Trees programme over the financial years. Further financial information is included in Appendix 2.

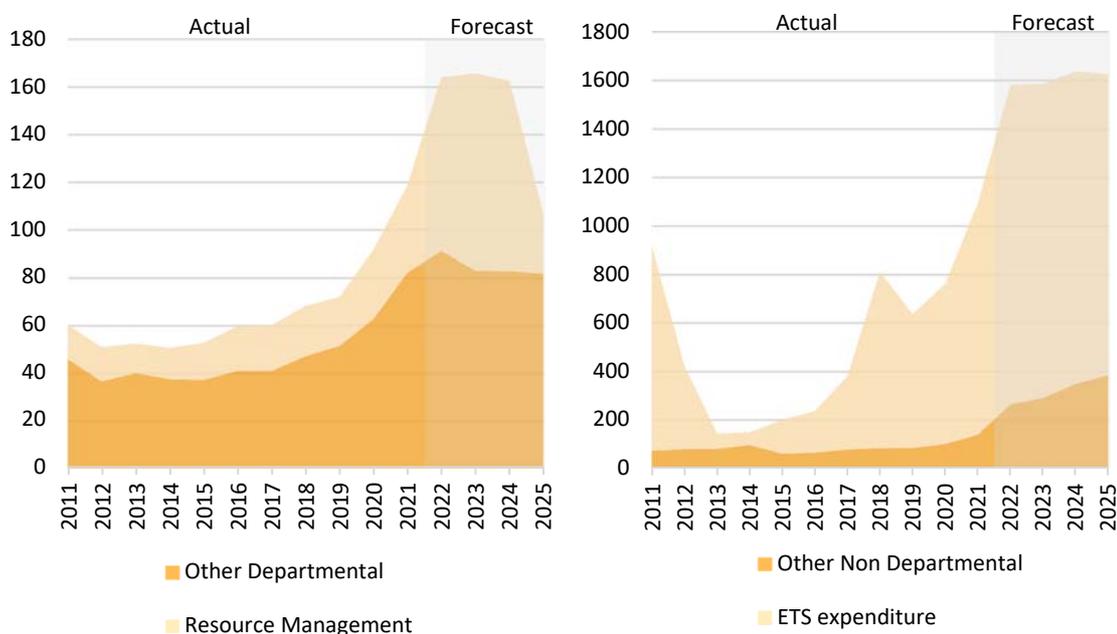
**Figure 3 & 4: Overview of MPI's departmental (left) and non-departmental (right) baseline over the financial years – actual and forecast (\$million)**



## MfE

27. MfE received significant time-limited departmental funding in Budget 2021 for the Resource Management reforms and the Environmental Monitoring and Reporting System in relation to developing limits and targets.

**Figure 5 & 6: Overview of MfE's departmental (left) and non-departmental (right) baseline over the financial years - actual and forecast (\$million)**



28. The largest component of MfE's non-departmental baseline, shown in Figure 4 above, is the Emissions Trading Scheme (ETS). The increase in this is due to increases in the value of the emissions units. The figures used in financial statements are based on market prices per carbon unit at the time of the forecast. The forecast is set at an upper bound in order to mitigate the risk of breaching the appropriation.
29. The remainder of MfE's non-departmental funding is primarily for waste minimisation which is the predominant driver of growth in non-departmental funding. There was also some further non-departmental funding for freshwater improvement, Environmental Protection Authority and the Climate Change Commission. Further financial information is included in Appendix 2.

## Section B: Key Findings of Each spending review area of focus

### 1. Biosecurity

#### Key findings

##### Investment Priorities

30. For biosecurity, system wide prioritisation is desirable but challenging. Resources for biosecurity are generally allocated across the different components on a historical basis, with adjustments for changes in need identified using expert advice.
31. Biosecurity in New Zealand is not a single line of defence, rather it is a multi-layered system that begins offshore, incorporates the border and continues post border into New Zealand where it becomes a joint effort between central government, regional councils, industry and community groups.

32. Performance measures and funding decisions have historically been by components of the biosecurity system. Over the last five years, there has been proportionally less investment in offshore risks, than domestic biosecurity, largely due to the increased investment in DOC's pest management initiatives and the substantial spend on *Mycoplasma bovis*.

#### *Resilience and Direction of Travel of the Biosecurity System*

33. The level of protection provided by New Zealand's biosecurity standards and controls is higher than most other countries, which protects our economic, environment, social and cultural values.
34. Biosecurity systems and infrastructure have not kept pace with the trends in trade and risk. For instance, several systems run on manual processes prone to risk of error. Key technology platforms are outdated and not fit for purpose.

#### **Addressing Key Findings**

35. MPI should develop system wide performance measures with the assistance of DOC, the Treasury, Office of the Auditor-General and others to aid prioritisation. This should include a system approach, where risk is managed at appropriate levels in the most effective manner.

36. [33]

37. The Biosecurity Act 1993 and Government Industry Agreement (GIA) deed are key frameworks that set roles, responsibilities, how the system should be funded and enforcement and incentives for those involved. These key frameworks are both under review and provide a significant opportunity to improve the system settings to support improving outcomes.

## **2. Biodiversity Protection Including Pest, Predator and Weed Control**

### **Key Findings**

#### *Lessons Within Pest and Disease Management Should be Shared More Widely to Encourage Effective Practices*

38. The Aotearoa New Zealand Biodiversity Strategy (ANZBS) sets out a strategic framework for agencies (within and outside the Cluster) to coordinate effectively across those that participate in indigenous biodiversity protection. This framework is not effectively aligned to the agencies that participate in biodiversity protection. The provisions protecting and maintaining indigenous biodiversity under the Resource Management Act 1991 (RMA) are currently also unclear, and subject to different interpretations, applications and monitoring by councils.
39. Currently, the Government is developing a National Policy Statement on Indigenous Biodiversity (NPSIB) to provide clear direction to councils and landholders on their responsibilities for identifying, protecting, managing and restoring indigenous biodiversity.

40. Pest and disease management is led through New Zealand's biosecurity system. There are lessons within pest and disease management at the national programme level, regional and local levels that should be shared across the government and private landholders to encourage effective practices. A summary of these lessons is included in Appendix 2.

*There is a Need for a More Comprehensive Prioritised Approach to Endemic Pest Management for New Zealand*

41. New Zealand's biodiversity system lacks a comprehensive endemic pest management strategy which outlines an approach on how to determine prioritisation criteria for which organisms are declared as pests, what form of eradication/control is appropriate, how much it will cost to achieve pest management objectives or how to prioritise the allocation of investment funding.
42. While successful implementation must be coordinated, pest management funding decisions for MPI, DOC and councils are separate and piecemeal. Additionally, it is not clear that funding goes to the area of highest need. These choices can be complex, and require balancing economic, biodiversity and social outcomes. A strategy is needed to help Government make those decisions and make trade-offs against the relative priorities and risks.

**Addressing Key Findings**

43. To protect indigenous biodiversity, the ANZBS framework should be aligned to the agencies participating in biodiversity. As the NPSIB is currently in development, there is an opportunity to address the current issues including clarifying responsibilities of landholders and councils, considering the appropriate balance of public and private benefits and costs.
44. As MPI is the lead for pest management work at the national level, it should coordinate a whole of New Zealand endemic pest management strategy that helps prioritise investment choices and alignment of priorities. The lessons learnt through successful implementation of national programmes such as TB Management and Wilding Conifers should also be replicated in other programmes. MPI should work more actively to share best practice across those involved in pest management programmes.

### **3. Climate Change**

**Key Findings**

*Limited Information is Available on the Effectiveness of the Climate Change Work Programme, due to the Relatively Early Stage of Key Parts*

45. MfE has delivered complex reforms to the Climate Change Response Act 2002 and established a legislative framework that requires a whole of government response to reduce emissions and adapt to the impacts of climate change, as well as regular independent performance monitoring across government. Limited information is available on the effectiveness of MfE's work programme. This is because key deliverables (e.g. the Emissions Reduction Plan (ERP) and National Adaptation Plan (NAP)) are not due until this year, and the work programme is currently at a relatively early stage (planning rather than implementation in key areas).

*A Range of Action is Required to Achieve Climate Resilience*

46. The Review highlighted significant challenges for MfE's climate change work programme. These include: large-scale action required from all stakeholders, including across-government, industry and the general public to reduce greenhouse gas

emissions; significant increases in terms of scope and complexity over time; Government requirements for relatively fast delivery of key work programmes such as ERP and NAP, and the need for high quality data and research to track progress on climate change responses.

### ***Addressing Key Findings***

47. To achieve a response at the scale needed, MfE needs to develop oversight and coordination functions across government and industry. This would include mainstreaming climate change into other policy and operational work across agencies within and beyond the Cluster.
48. Better matching of resourcing to the work plan will be important in ensuring delivery. This can be in the form of either putting more resources in to match the pace and ambition of implementation either within MfE or other government agencies, or targeting and phasing the implementation of work programmes so there are sufficient resources available. This is discussed further in section 9 (personnel).

## **4. Freshwater Pollution Control**

### ***Key Findings***

#### *The Cluster Would Benefit from a More Effective Outcome Monitoring Approach*

49. There is a lack of proactive monitoring of compliance with freshwater regulations by the Cluster which has limited the oversight function of central government.
50. Changes to behaviour and practice are essential in implementing the Freshwater package. MfE has highlighted that providing clear support at the beginning (before the process to adopt the new legislation begins) to farmers, growers and land-users and establishing a platform where information can be easily accessed and shared will be key in implementing the Essential Freshwater Package.
51. [34]

### ***Addressing Key Findings***

52. [33]

- 53.

## 5. Research, Science and Innovation

### **Key Findings**

#### *Significant Knowledge and Data Gaps Exist in Key Areas*

54. There is a lack of consistency in how organisations across New Zealand collect science-based data, and sometimes an absence of data (for example, Freshwater, Climate Change and Biodiversity). This was also highlighted in the recent review by the Parliamentary Commissioner for the Environment *A review of the funding and prioritisation of environmental research in New Zealand*.

#### *The Cluster Would Benefit from More Strategic Investment in Data, Technology, and Research, Science and Innovation*

55. Research priorities and needs identified in strategy documents often do not match fiscal constraints, leaving gaps between the identified need and funding reality. There is often poor prioritisation and trade-offs in strategy documents, as a result of strategy being set without first agreeing funding for outcomes that cannot be achieved through baselines, and this can hinder implementation.
56. Though there is strong collaboration amongst the Cluster agencies in RSI, there is a lack of dedicated resources for formalised relationships between the Cluster agencies. For example, despite all agencies having carbon sequestration obligations, there is no overall shared Cluster coordination or apparent joined up direction between functions concerned with measurement. This prevents strategic collaboration from taking place within the Cluster and hinders efficient use of funding.
57. The Cluster agencies have technical knowledge for environmental research and are responsible for setting the strategic direction for the natural resources sector. However, the Cluster agencies do not have decision rights over a significant portion of the environmental research funding required to underpin this work. This funding currently sits with MBIE which puts Cluster agencies in a position where they create strategies for the environment, climate and primary sectors, but have limited levers over implementation and how funding is used.

### **Addressing Key Findings**

58. The Cluster needs a more strategic approach to investment in the priorities. This will require a whole of system approach, including better linkage of funding to strategy, information sharing, prioritisation and collaboration.
59. Greater priority and investment across the system in accordance with the National Environmental Monitoring Standards would also enable the collection of, and access to, better data and would lead to improvements in national monitoring and reporting.

## 6. Partnerships with Iwi and Māori

### **Key Findings**

#### *Obligations, Pressures and Risks are Growing*

60. [34], [38]

[34], [38]

*There are Many Established Relationships, but Coordination is Limited*

61. The Cluster has a strong understanding of Treaty obligations and commitments, is involved with many Treaty settlements and has some common relationships with Treaty partners.
62. However, there does not appear to be strong, visible connections between related work programmes or a common approach to partnerships with iwi or Māori across agencies and the Cluster.

*The Cluster has Been Growing Capability, but this is Still Insufficient*

63. The Cluster has a strong commitment to growing and developing its capability to support the Māori-Crown relationship which is evident through the establishment of training and development programmes (e.g. DOC and MfE) or the implementation of significant organisational change in response to findings about organisational needs (e.g. MPI).

[34]

**Addressing Key Findings**

65. [33]

## **7. Cost recovery**

### ***Key Findings***

[33]

74. [33]

*MfE*

MfE has limited opportunities to cost recover (beyond waste minimisation administration) as its services are primarily policy and regulatory advice and provided to the Minister. [33]

### ***Addressing Key Findings***

[33]

## 8. Asset Management

### **Key Findings**

#### *The Asset Base has Grown Alongside Underinvestment in Renewal, Leading to Financial Sustainability Issues*

78. DOC has a large network of ageing assets built up over many years and for different purposes. Alongside the increase in the asset base, capex and opex input costs have increased over time due to different materials used in construction, material and labour costs increases, changes in legal requirements and customer expectations of quality.
79. As a result, DOC has underinvested in maintaining and replacing assets over time due to a misalignment between opex and capex funding. This has resulted in high levels of reactive maintenance, deferred maintenance and deferred renewals. Consequently, the assets also become dangerous and unusable.

#### *Asset Management Practice is Improving*

80. DOC has had a concerted focus on asset management in recent years and practice is improving. We expect this will mean true costs of addressing deferred maintenance will become clearer over the next two years due to planned improvements to data systems.

### **Addressing Key Findings**

#### *Short-Term: Address Critical Deferred Maintenance*

81. [34]

#### *Medium and Long-Term: Continue to Improve Strategy and Practice*

82. [33]

## 9. Personnel

### **Key Findings**

#### *Personnel Across the Cluster has Increased Significantly Over Time*

83. The Cluster grew from 4,930 FTE in March 2016 to 6,860 FTE in March 2021, driven by investment in the Cluster and an increasing work programme. Over this period, DOC grew by 27% (570 FTE), MfE grew by 88% (290 FTE) and MPI grew by 43% (1,070 FTE).
84. DOC and MPI have stable business structures given the consistency of a large portion of their work programmes. At MfE, a period of change in work programme has meant long-term workforce planning at a functional level has not been undertaken. However, MfE has defined the capabilities that are required over a longer term.
85. The largest portion of personnel (3,190 of 6,860 FTE) across the Cluster are primarily focussed on improving biodiversity and biosecurity, mostly from Biosecurity New Zealand and DOC's Operations group.

#### *Labour Market Constraints Affect Key Reforms, Especially Climate Change and Freshwater*

86. Making progress on climate and freshwater reforms is dependent on a number of skillsets that are in high demand, particularly:
  - policy
  - science and data
  - Mātauranga Māori, and
  - engagement with iwi and Māori.

87. [38]

88.

- [38]
- 

### **Addressing Key Findings**

89. In order to help manage capacity constraints, the Cluster should develop a joint workforce strategy for key policy work programmes (i.e. climate change and freshwater) in order to:
  - enable better sharing of specialist and generalist policy and science personnel, and those with Mātauranga Māori skills, and

- take a joined-up approach to growing capability within the Cluster, in those roles where the market is currently constrained.

90. This would involve:

- defining what capability and capacity is expected to be needed where, at what points in time, for major reform programmes
- analysing where current capability comes from (new hires), where it goes (attrition) and how people move between agencies within and outside the Cluster, and
- setting out how capability will be grown within agencies and retained in order to meet future work programme requirements.

91. In the event that resources are not available through Budget for current planned work, it would be better to prioritise, rephrase and match the work programme to the resources available. Continuing with a high level of ambition on insufficient resources would add significant risk to delivery of priorities. There may be scope to reprioritise across work programmes (we have noted similar levels of resourcing across programmes and directorates at present).

Section C: Budget 2022 Funding Options

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92. The Review Team has assessed spending proposals developed by the Cluster. This section contains advice on the proposed Budget 2022 funding options.

[33]

93. [33]

94.

[33]

95. [33]

96.

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[33]

[33]

97. [33]

98.

- [33]
- 
- 
- 
- 

## **Assessment of Spending Proposals**

### ***Process***

99. The Natural Resources Cluster itself has run a process of strategic alignment, assessment of cost pressures and prioritisation. The review team has completed independent assessments of all initiatives submitted, including assessing value, alignment and deliverability, and interrogating the basis of costings, as is the case for the normal Budget process. This has been undertaken in context of the spending review findings where relevant, to ensure a good information base.

### ***Key Constraints on Delivery***

100. While we have few concerns about the selection of initiatives that have been prioritised to build each package, our assessment has highlighted a number of key constraints to delivery of Cluster packages which are covered in greater detail on the following A3s. These include:

- personnel
- asset management
- cost recovery
- iwi and Māori engagement and agency capability
- funds and grants
- data and information, and

- regulatory and legislative changes.
101. Further to this, we have identified opportunities to improve value for money in the following areas:
- Cost recovery
  - Coordination
  - Overlaps and Duplication
102. The remainder of this section provides the Minister of Finance and Cluster Ministers with greater detail on what investment is being sought through the low, medium and high packages and how the key constraints and opportunities impact these packages. A series of tables are used to capture this assessment. Appendix 1 provides further information at individual initiative level including our assessment of each initiative.

### ***Low Package***

#### *Overall Value, Alignment and Deliverability*

103. The low package is generally focused on cost pressures and critical system risks, with limited discretion. Because of this, the package is generally good value for money with limited delivery concerns.
104. An exception is the deliverability of asset maintenance as part of DOC's critical cost pressures. We do not dispute the importance of the work, but the scale of work required to put DOCs assets on a more sustainable footing is significant, requiring a major increase in activity relative to historical delivery. [33]

105. [33]

106. The low package is aligned to Cluster priorities, but offers limited delivery against key Ministerial priorities aside from addressing the current funding cliff for Resource Management Reform activities, as well as new Resource Management activity at DOC.

#### *Risk/Resilience and Sustainability*

107. The low package covers most of the critical cost pressures for Natural Resources agencies and it is likely that agencies can manage within this level of funding over the three-year period, though this would require accepting some levels of service degradation (for example, reducing pest controlled areas to manage the increased cost per hectare). We have noted a few additional areas of higher risk:
- [33]
  - MfE support for Te Tiriti of Waitangi obligations has been scaled out. While the spending review has identified a more deliverable level of funding below that is

included in the medium and high package, providing no funding is likely to create some risk for existing programmes, such as Resource Management Reform.

- [33]

## **Medium Package**

### *Overall Value, Alignment and Deliverability*

108. The medium package is well above the low package [33]  
The medium package is largely made up of well-prioritised initiatives with good alignment and provides for broad-based coverage of the Cluster priorities. Our main concerns relate to the deliverability of the package. From our assessment, the medium package is not deliverable with the proposed phasing.
109. The composition of the medium package echoes the findings of the spending review that the Natural Resources Cluster has a large range of work programmes and prioritisation is challenging. At present, all initiatives start within the first year of the three-year period. There are a number of delivery constraints (outlined in greater detail on the following A3s) that necessitate phasing the introduction of Cluster initiatives over the three-year period, or it is unlikely the Cluster can deliver all the work proposed. Proceeding with the package in its current form is likely to result in major delivery issues, large underspends and poor value-for-money (as running large surpluses typically weakens fiscal discipline on programmes).
110. While we have limited concerns about the value-for-money of individual initiatives, some are clearly more urgent and/or more implementation ready. In preparing a final package, the Cluster should consider scaling back preferred initiatives (particularly in early years) and delaying implementation of others.
111. The medium package also seeks large proportion of FTE for DOC and MPI that are regionally based which are likely to be manageable given the nature of the roles sought. For DOC, this also includes apprentices. While MfE's has increased its regional presence in recent years, DOC and MPI have a much greater regional presence, making their FTE more attainable, [34]
112. [33] While MfE is in a unique situation where it needs to build back office capability, we recommend that the overhead rate be scaled significantly in part due to MfE's broad definition of overheads, and current double counting with three initiatives in the medium package (accommodation cost pressure, [33], and building Te Tiriti capability). [33]

### *Delivery Risks*

113. The medium package is phased aggressively with all initiatives proposing significant work within the first year, creating risks to deliverability. Further risks to deliverability identified include (outlined in greater detail on the following A3s):

- [38]

[33]

MfE's workforce composition and growth is heavily skewed towards senior and principal analysts, [38]

[34]

- Current policy reforms have significant impacts on rights and interests of iwi and Māori and demand a significant portion of their time. Several initiatives in the medium package seek funding for iwi and Māori engagement. [34], [38]
- [33]

### *Risk/Resilience and Sustainability*

114. The medium package presents a good balance of cost pressures and new initiatives. This includes all critical cost pressures and is likely to put the Cluster on a sustainable footing. If the package is rephased to address the delivery risks, the Cluster is still likely able to manage costs within the three-year period.
115. [34]

### **High Package**

#### *Overall Value, Alignment and Deliverability*

116. The high package is largely made up of scaled-up initiatives within the medium package with two additional initiatives.
117. The scaled-up initiatives in the high package are disproportionately non-departmental relative to the rest of the package. [33]
- The
- non-departmental funding sought for these initiatives could be met through reprioritisation of existing non-departmental grants if they are priorities (discussed in the reprioritisation section below).
118. We do not consider it feasible for the Cluster to deliver outputs at the level of the high package (further detail is provided on the following A3s). If these additional initiatives are a high priority for Ministers, they could be accommodated within a smaller package by rephasing overall delivery. However, these initiatives were assessed as lower value-for-money than many others and the Cluster work programme is already spread thin.

#### *Risk/Resilience and Sustainability*

119. We are confident that the Cluster agencies could manage cost pressures over the three-year period within the high package. However, the various delivery constraints are likely to lead to fiscal risks. It is likely that funding the proposed profile would contribute to large rolling underspends as delivery is pushed out. Inevitably, some of these short-term savings are likely to be reprioritised to fund longer-term cost pressures in other areas. This is likely to lead to a large number of cost pressures in

the event that outputs catch up to planned levels, and that will be more difficult to address by the time it materialises in the Budget.

## **Reprioritisation**

120. In the Minister of Finance's letter to the Cluster on 2 August 2021 outlining the scale of the Natural Resources Cluster envelope, an expectation was expressed that the low package would require reprioritisation in order to achieve the Cluster's aspirations, and that for the high package to be considered, the Clusters must present reprioritisation savings to make up a portion of the total package.
121. The Cluster has not submitted any specific reprioritisation options as part of its spending proposal. However, we expect a range of minor cost pressures will have to be met within baselines through internal reprioritisation.
122. Through the course of the spending review, we identified a range of options with the Cluster prior to package submissions. Of the reprioritisation categories identified, two remain most relevant in light of the submitted budget packages:
  - [33]
  -

### ***Reprioritisation of Funds and Grants in the Near Term***

123. Numerous existing non-departmental appropriations within the Cluster have sustained underspends. This funding could be readily redirected to support other non-departmental activities which the Cluster is currently seeking funding for. This would be a low-impact reprioritisation, given reprioritised funding would be in excess of existing commitments and therefore would not lead to cessation of current activity.

### ***DOC***

124. [33]

125. [33]

*MPI*

126. [33]

127.

128.

[33]

***Increased Cost Recovery Over the Medium Term***

129. [33]

130.

## Funding Outside the Cluster Envelopes

131. The Cluster agencies are also seeking funding outside the Cluster process through the main Budget process and the Climate Emergency Response Fund process.
132. MfE is seeking funding to support cross-agency activities as part of implementing resource management reform outside of the Cluster packages. This is for Strategic Planning Act (SPA) Board component of resource management reform [33]
  
133. [33]
  
134. The Cluster agencies also submitted operating expenditure and associated capital expenditure over four years for initiatives through the CERF process and operating expenditure and associated capital expenditure on behalf of Crown entities (Environmental Protection Authority, Climate Change Commission and Walking Access Commission) through the standard Budget process.

## Next Steps

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135. The Minister of Finance and Cluster Ministers are meeting on 3 March 2022 to discuss the findings of this report and a preferred envelope and package for Budget 2022.
136. Following this meeting and any subsequent direction from you, the Natural Resources Cluster will submit a final package to progress through the Budget on 10 March.









## Appendix 1: Table of assessment at initiative level

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Refer to the attachment for Table of assessment at initiative level

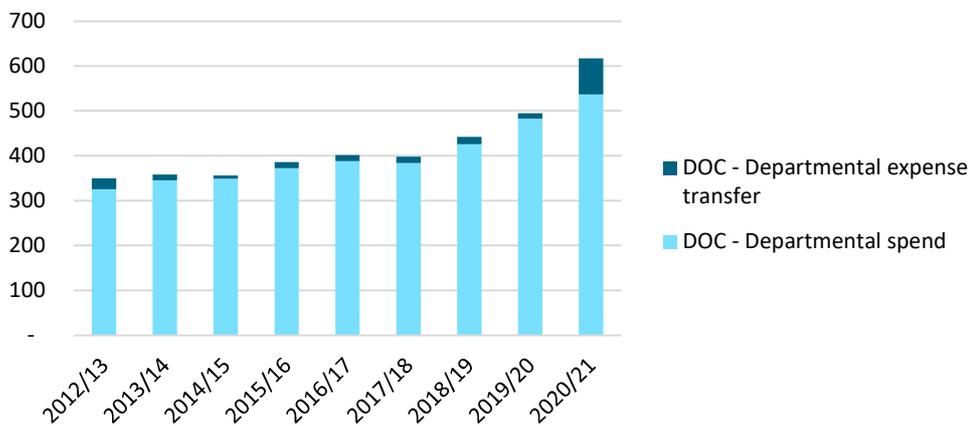
## Financial Overviews of the Cluster Agencies

### DOC

[33]

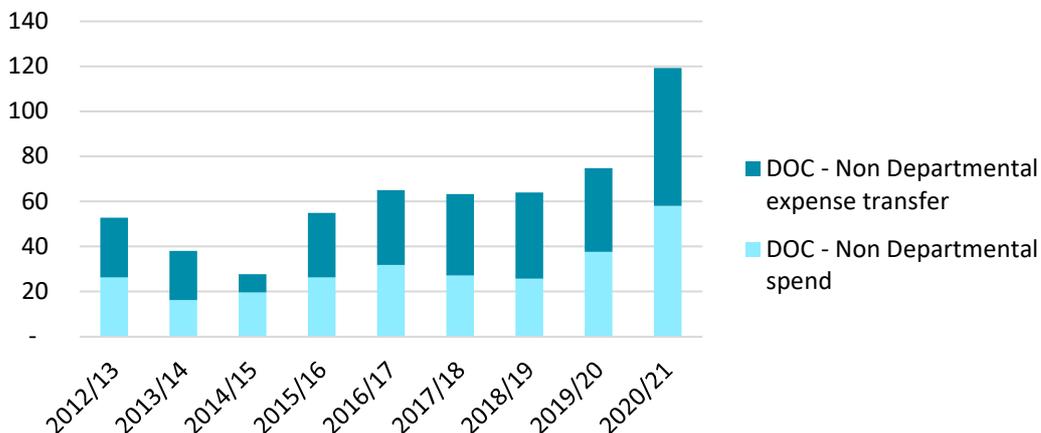
Expense transfers are when an agency transfers funding from the existing fiscal year into a future fiscal year so that it can be spent at a later date rather than remaining unspent. The value that DOC has transferred into outyears has increased with Jobs for Nature. DOC's departmental expense transfer over the five years to 2019/20 averaged \$13.9 million per annum, or 3.4% of the value of departmental spend. This increased in 2020/21 to \$80.5 million, or 15.0% of the value of the departmental spend.

**Figure 1: Value of DOC's departmental spend and expense transfers, \$million**



Each year, DOC transfers around as much non-departmental spend to future years as it spends. Over the five years to 2019/20, DOC's non-departmental spend averaged \$29.7 million, against an average transfer of \$34.7 million. Due to Jobs for Nature funding increasing the size of those existing grants programmes, in 2020/21 DOC spent an increased \$59.0 million, yet expense transferred \$61.3 million.

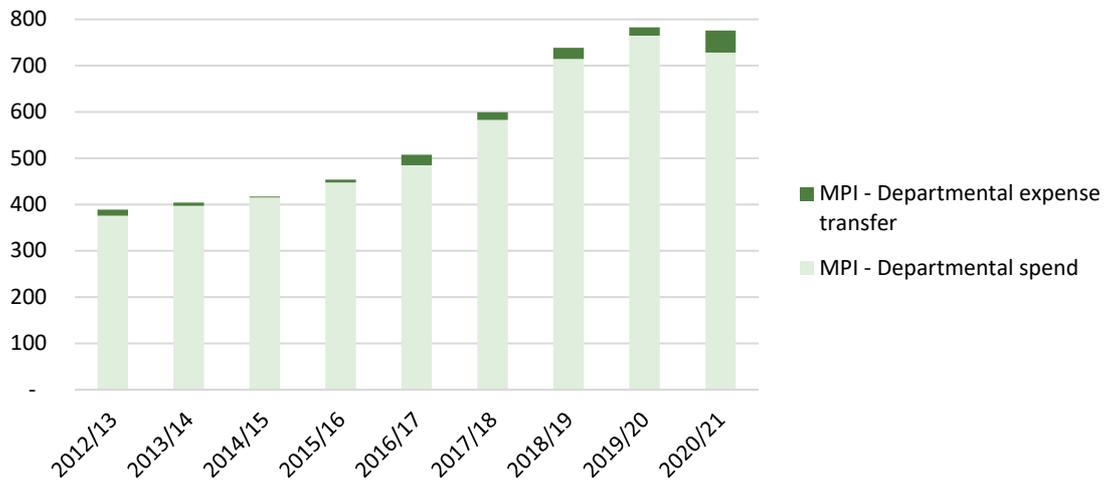
**Figure 2: Value of DOC's non-departmental spend and expense transfers, \$million**



## MPI

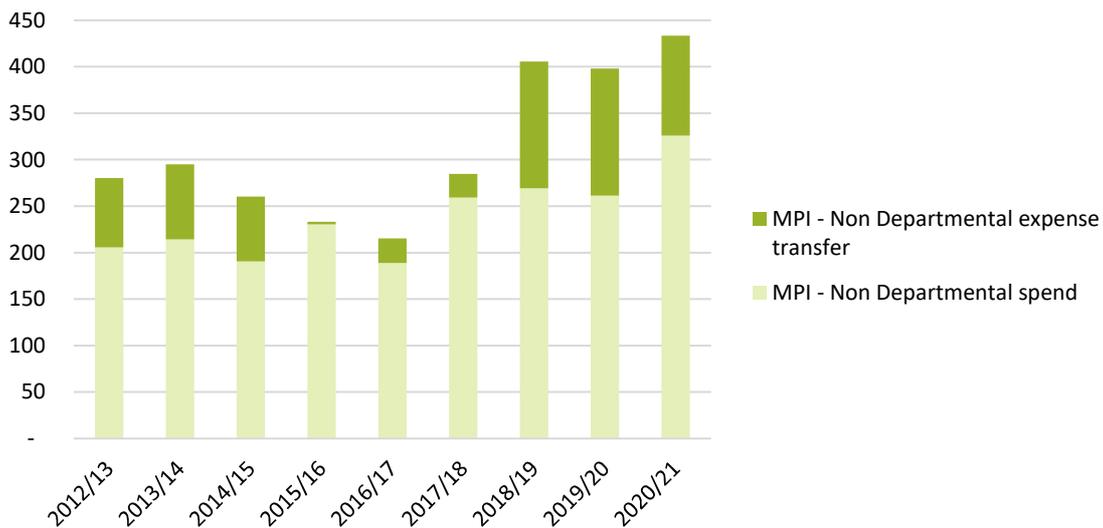
MPI's departmental expense transfer over the five years to 2019/20 averaged \$17.4 million per annum, or 2.9% of the value of departmental spend. This increased in 2020/21 to \$47.5 million, or 6.5% of the value of the departmental spend. This was not attributable to *Mycoplasma bovis* but in the agriculture (\$24.3 million) and forestry (\$12.7 million) units.

**Figure 3: Value of MPI's departmental spend and expense transfers, \$million**



MPI's non-departmental transfers have been greatest over the three years from 2018/19 to 2020/21, at an average of \$127.1 million, against a non-departmental spend of \$285.4 million. Over the past three years, forestry unit within MPI has transferred an average of \$73.9 million of forestry grants, biosecurity has transferred an average \$28.4 million related to *Mycoplasma bovis*, and Oceans and Fisheries has averaged \$21.3 million, related to aquaculture settlements.

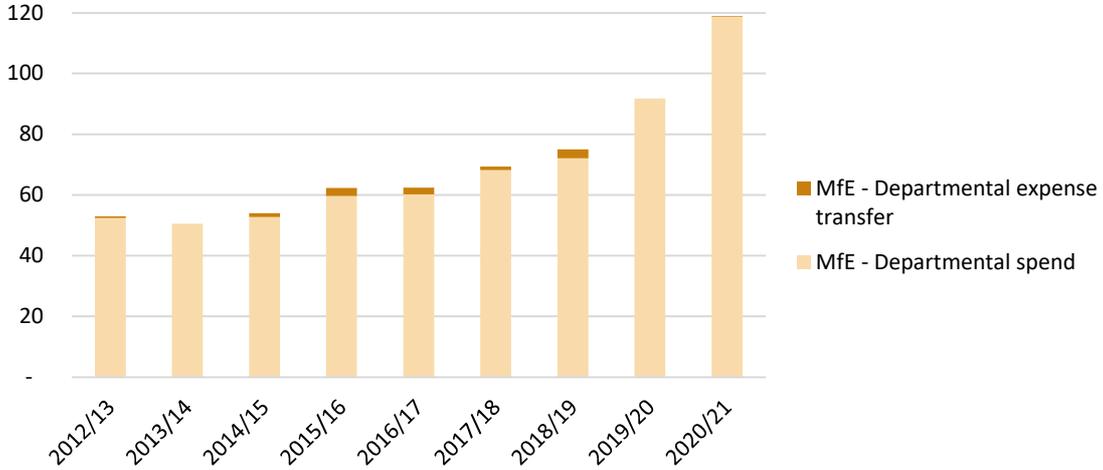
**Figure 4: Value of MPI's non-departmental spend and expense transfers, \$million**



**MfE**

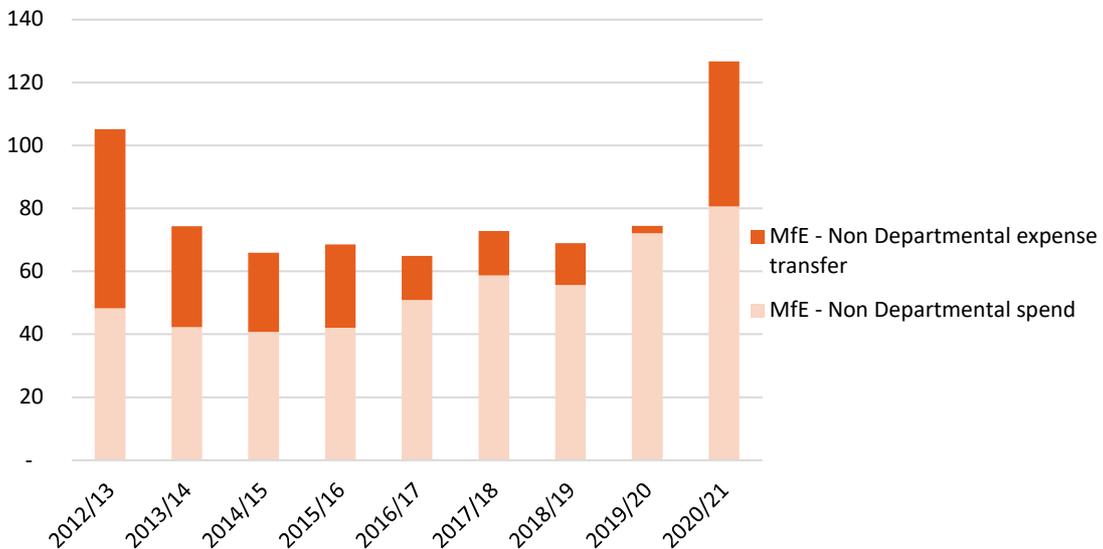
MfE has a small value of departmental expense transfers, averaging \$1.5 million per annum over the past six years, an average of 2.4% of the value of the departmental spend.

**Figure 5: Value of MfE’s departmental spend and expense transfers, \$million**



MfE’s non-departmental expense transfers have trended down over time, from 66.9% of the value of spend over 2013/14 to 2015/16, 25.2% over 2016/17 to 2018/19, reaching a low of 3.3% in 2019/20. This is largely reduced through a combination of transferring Waste Minimisation Funding to a memorandum account and transferring freshwater funding to a multi-year appropriation (such that annual expense transfers are not necessary). The recent peak in 2020/21 is due to the transfer of \$41.9 million of CRRF funded Waste Minimisation and Resource Recovery initiatives.

**Figure 6: Value of MfE’s non-departmental spend and expense transfers, \$million**



## Areas of focus

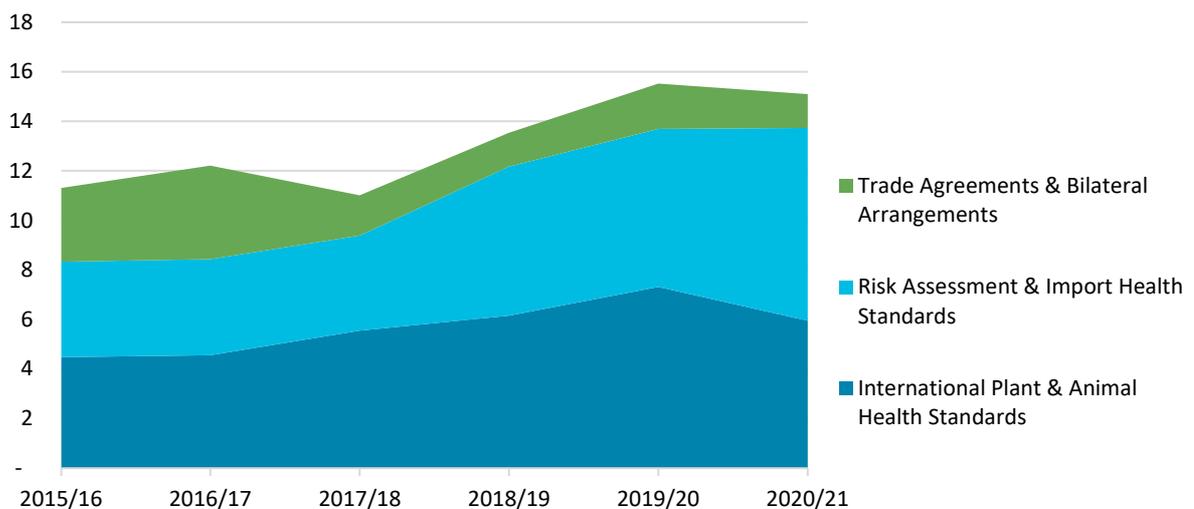
### Biosecurity

Total expenditure on biosecurity between 2015/16 and 2020/21 for MPI increased from \$186 million to \$436 million. The increase in expenditure is dominated by the recent *Mycoplasma bovis* response [33] DOC expenditure on pest management includes activities prioritised for both biosecurity as well as biodiversity outcomes and has increased from \$214 million in 2015/16 to \$369 million in 2020/21.

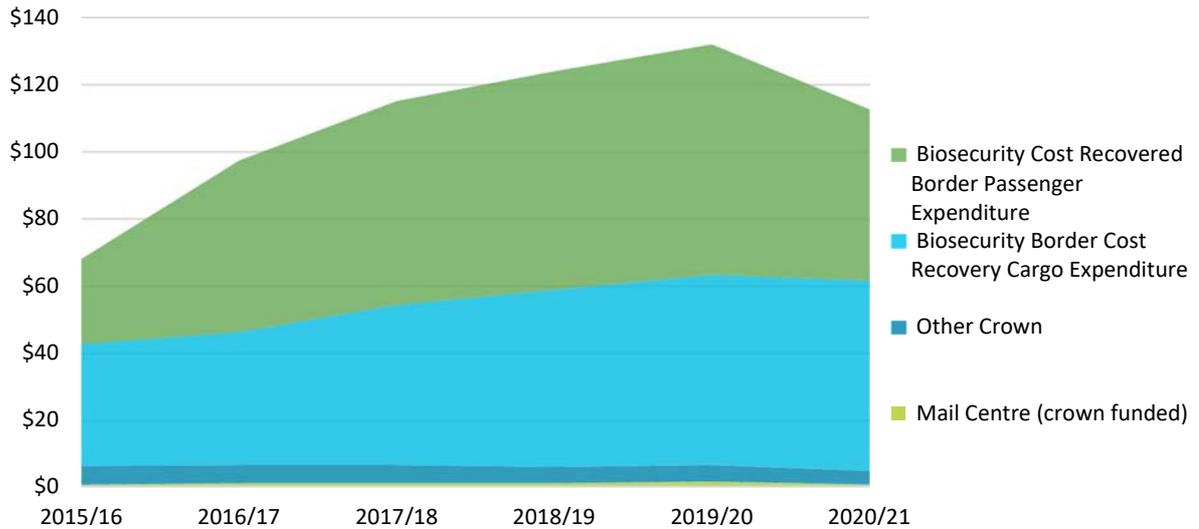
[33]

Trade and travel are the largest cause of the introduction of new invasive species and organisms. If a species is not detected and removed early, long-term control efforts are costly. Therefore, prevention is the most cost-effective solution, followed by eradication. The following figures show biosecurity expenditure offshore, at border and domestic activities over time.

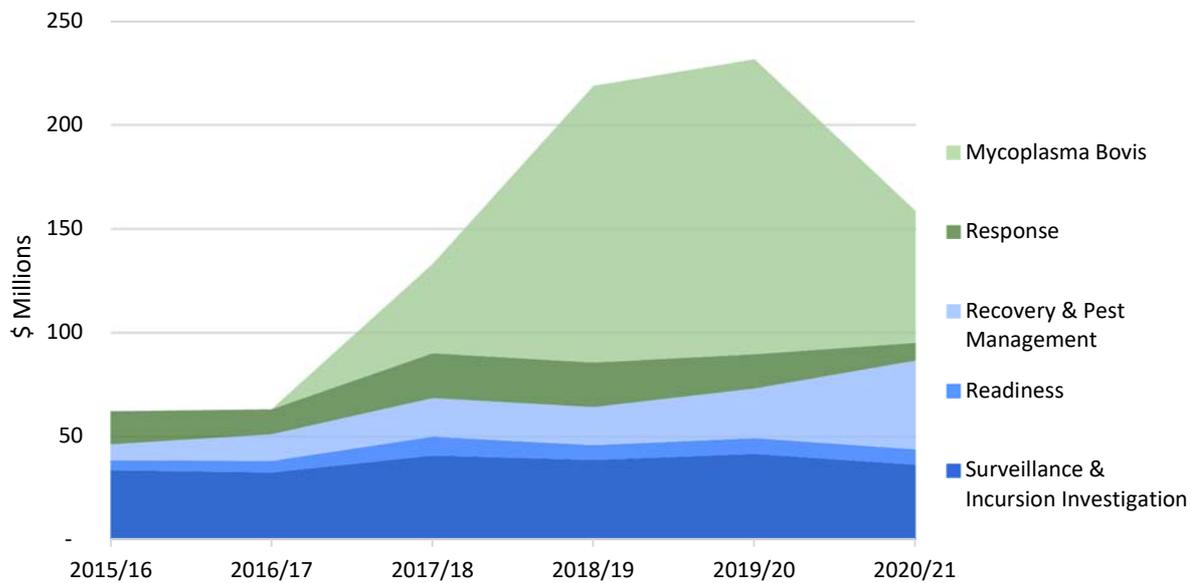
**Figure 8: Offshore biosecurity direct expenditure over time, \$million**



**Figure 9: Border biosecurity total expenditure over time, \$million**



**Figure 10: Domestic biosecurity total expenditure over time, \$million**



***Biodiversity Protection including pest, predator and weed control***

Total expenditure on biodiversity protection between 2015/16 and 2019/20 increased by approximately \$90 million for DOC and \$130 million for MPI [33]  
MfE does not undertake expenditure primarily for pest management purposes.

[33]

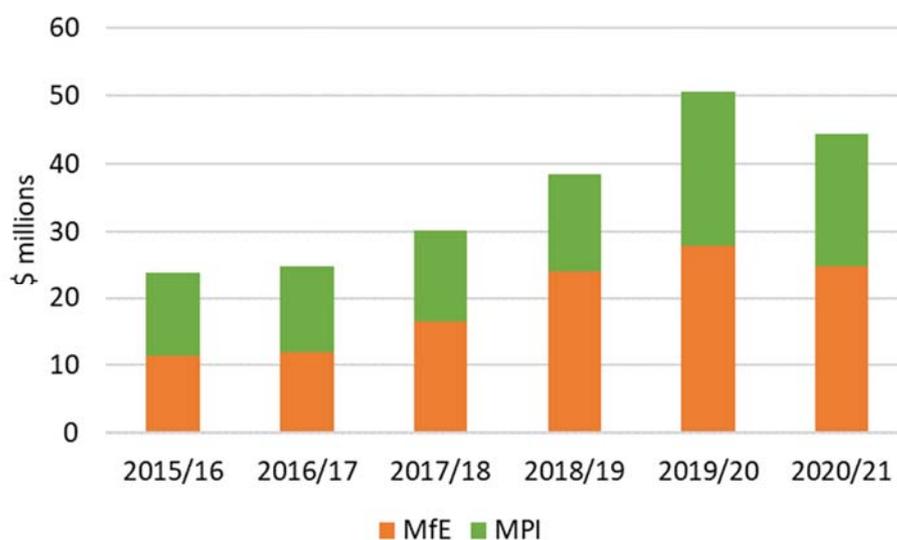
Over the period from 2013/14 to 2017/18, positive progress was reported on Biodiversity Strategy and Action Plan. However, these did not halt the decline in indigenous biodiversity and following issues were noted.

[34]

### Climate Change

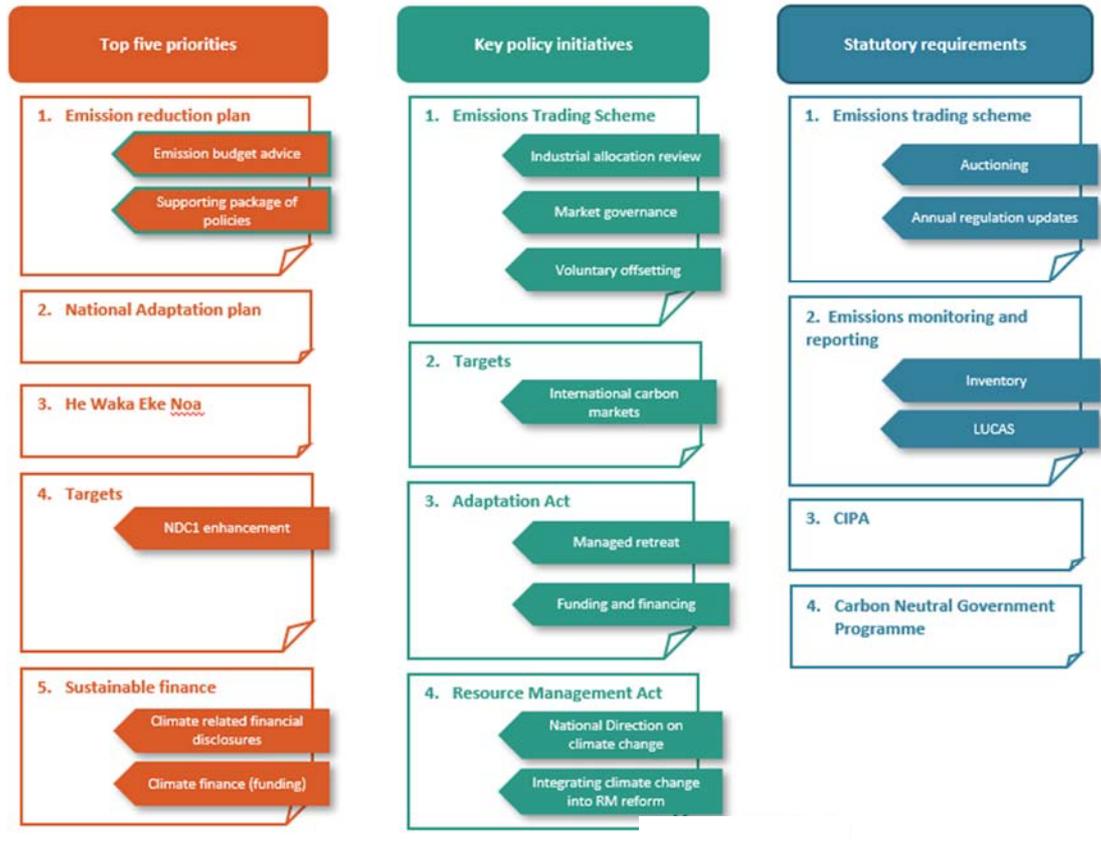
Figure 12 shows departmental Cluster climate change spend over time. DOC has not been included due to difficulty identifying its climate change related spending which is integrated within other areas.

**Figure 12: Cluster departmental climate change spend**

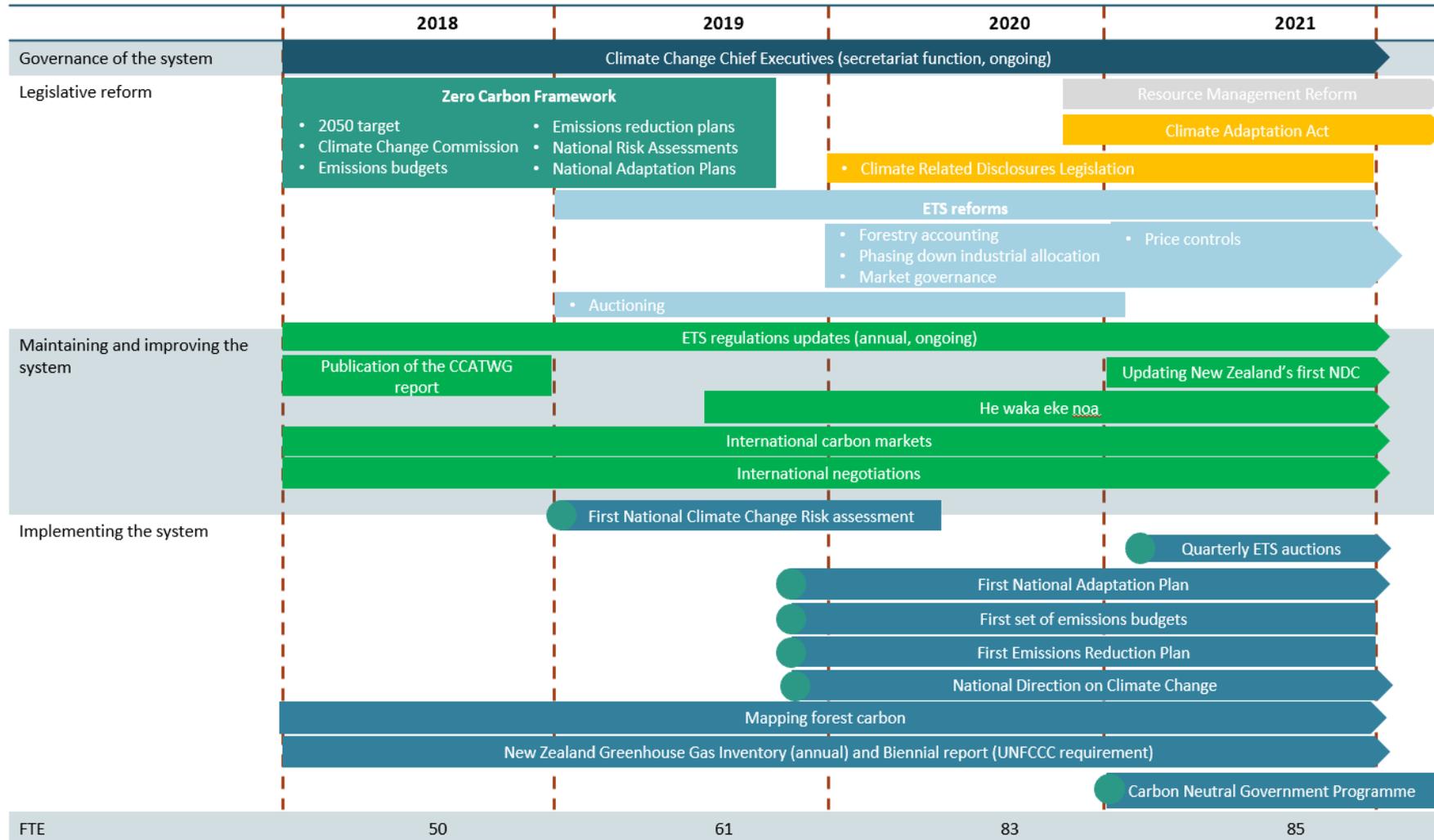


MfE's current climate change work programme being delivered in 2022 or 2022/23 is further illustrated in Figure 13 below. This captures the work programmes as at January 2022. Figure 14 shows the climate change work delivered between 2018 and 2021 as at 6 August 2021.

Figure 13: Climate change work for 2022 and 2022/23 as at January 2022



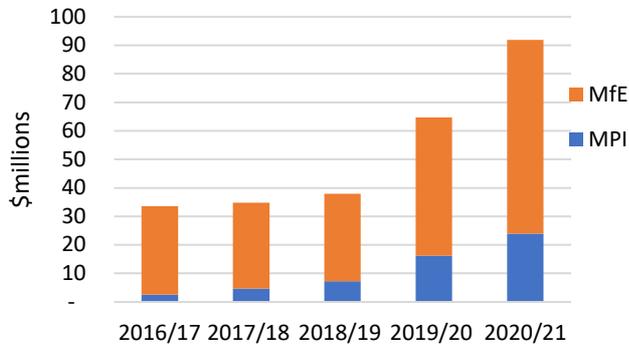
**Figure 14: MfE's climate change work delivered between 2018 and 2021 as at 6 August 2021**



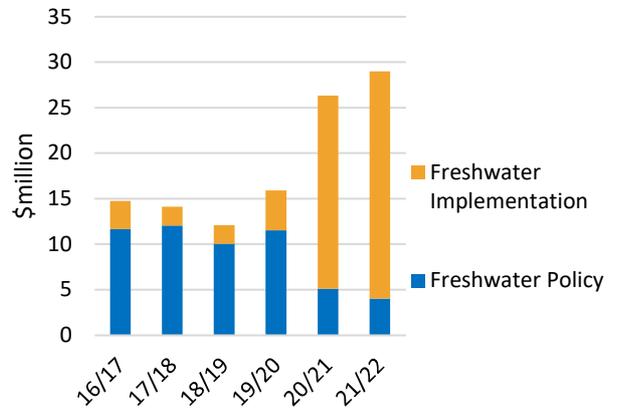
### Freshwater Pollution Control

The following figures show total expenditure on freshwater pollution control activities over time by MfE and MPI and MfE’s departmental and non-departmental expenditure on freshwater activities.

**Figure 15: MfE and MPI combined expenditure on freshwater pollution control activities over time including departmental & non-departmental spend**



**Figure 16: MfE Departmental expenditure on Freshwater over time**

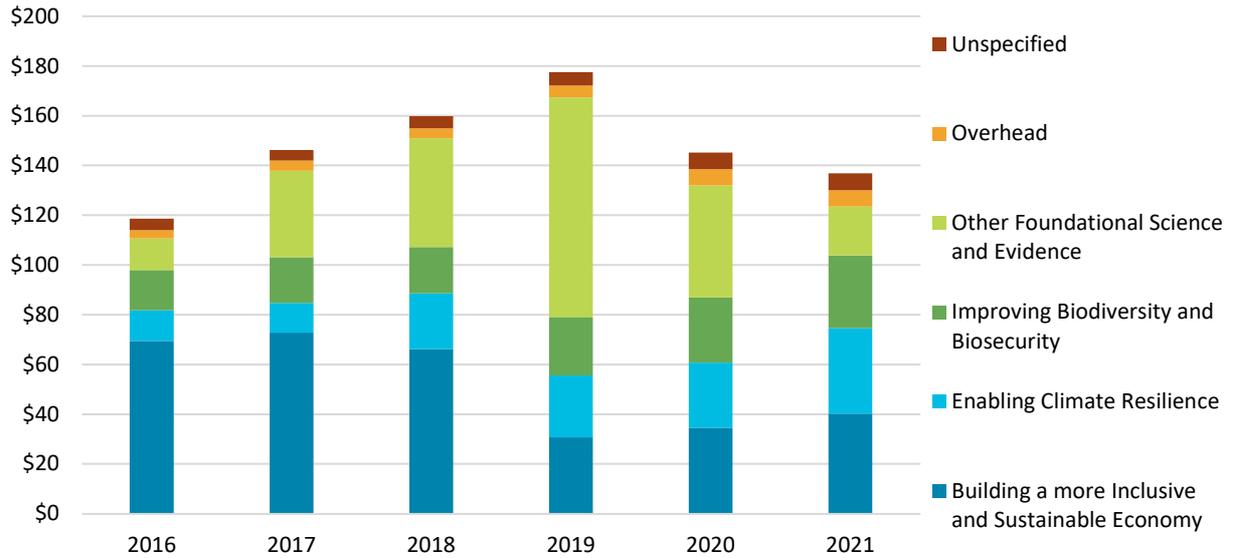


[33]

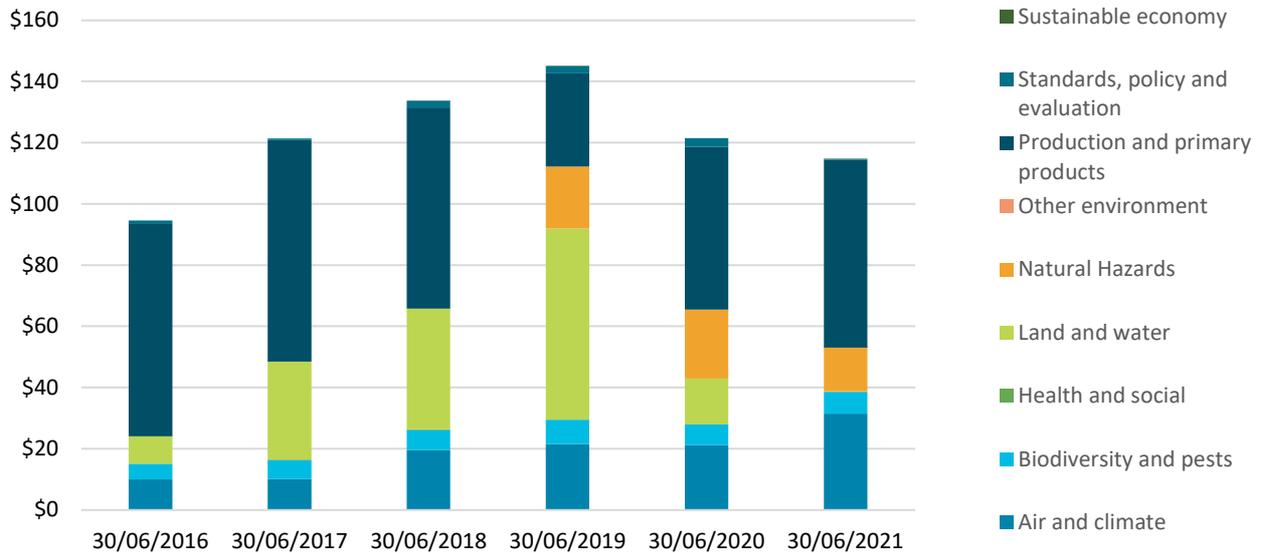
### Research, Science and Innovation

Between 2015/16 and 2020/21, the Cluster has spent annually between \$120 million and \$180 million as shown in Figure 18. In 2021 this spend was distributed relatively evenly across three of the Cluster’s priorities (building a more inclusive and sustainable economy, enabling climate resilience and improving biodiversity and biosecurity) with further spend on other foundational science and evidence.

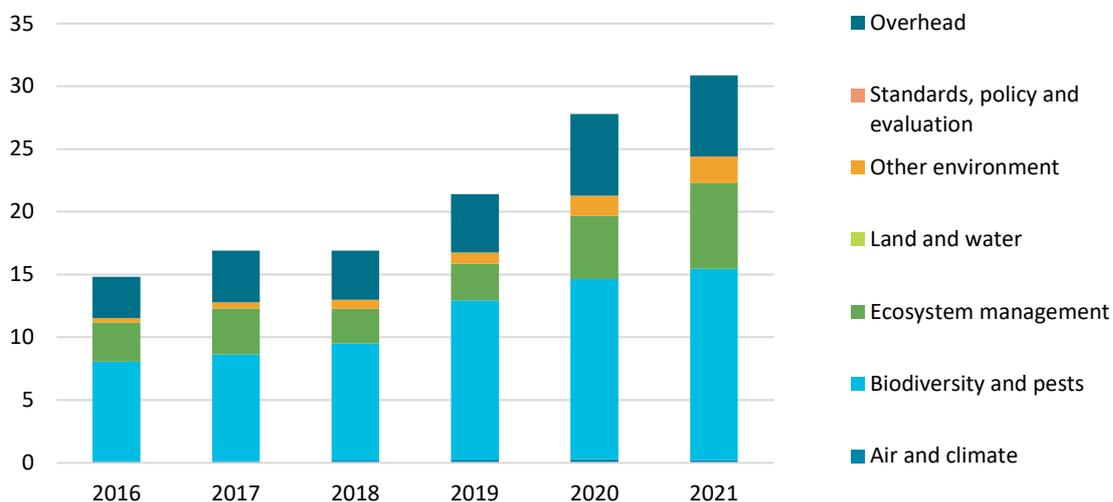
**Figure 18: RSI expenditure across the Cluster by Natural Resources Cluster priority over the financial years 2015/16 to 2020/21, \$ millions**



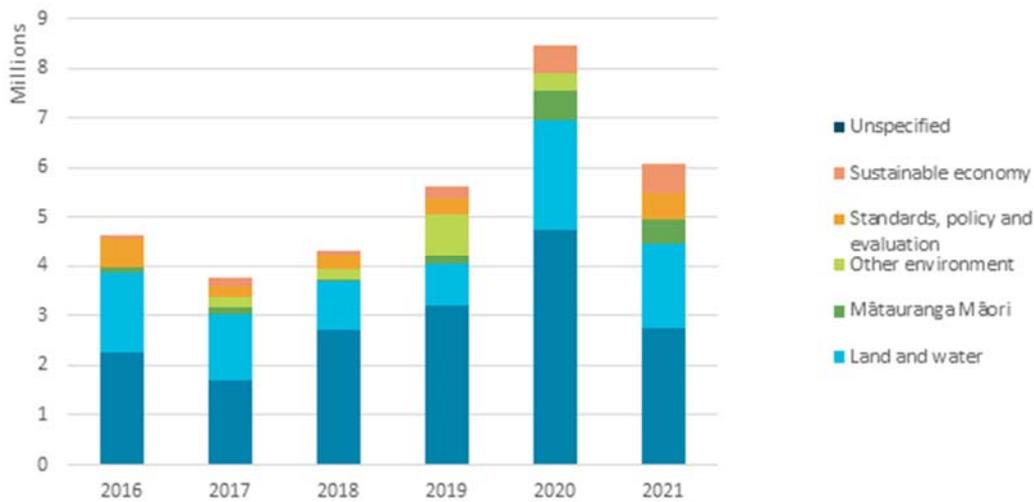
**Figure 19: MPI total RSI expenditure (departmental and non-departmental) over the financial years 2015/16 to 2020/21, \$ millions**



**Figure 20: DOC total RSI expenditure (departmental and non-departmental) over the financial years 2015/16 to 2020/21**



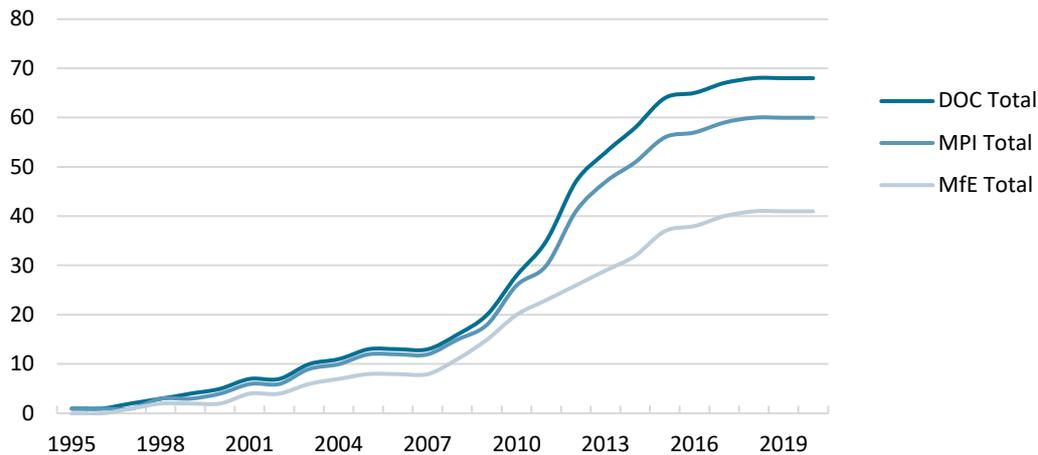
**Figure 21: MfE RSI expenditure over the financial years 2015/16 to 2020/21**



**Partnerships with Iwi and Māori**

Analysis of the Te Haeata database shows that the following number of Treaty obligations by the Cluster agencies.

**Figure 22: Total number of Treaty settlement obligations by Cluster agency**



**Table 2: Summary of staff identifying primarily as Māori, by seniority**

Agency <sup>2</sup>	Sum of FTE of senior personnel <sup>3</sup> identifying as Māori	% of senior personnel identifying as Māori	% of non-senior personnel identifying as Māori
DOC at 31/3/21	3	4%	11%
MPI at 30/6/21	14	4%	6%
MfE at 30/6/21	15	11%	9%

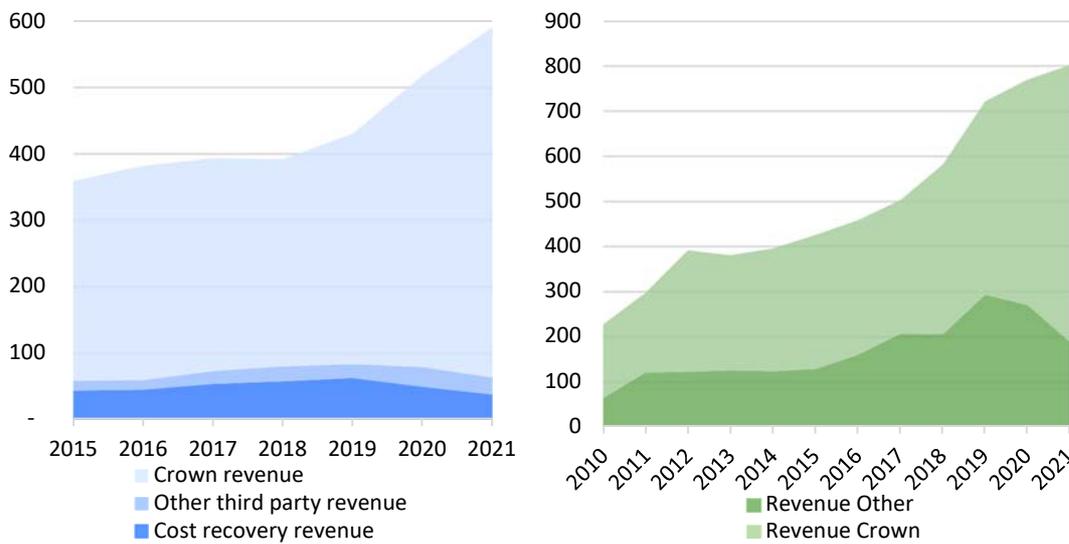
<sup>2</sup> Due to data constraints, the DOC data relates to 31 March 2021, not 30 June 2021.

<sup>3</sup> Senior Personnel includes all senior positions i.e. Executive Leadership, Directors and Senior Analysts  
T2021/3104 Natural Resources Cluster Spending Review Final Report

## Cost Recovery

Trends in cost recovery for both DOC and MPI are shown below.

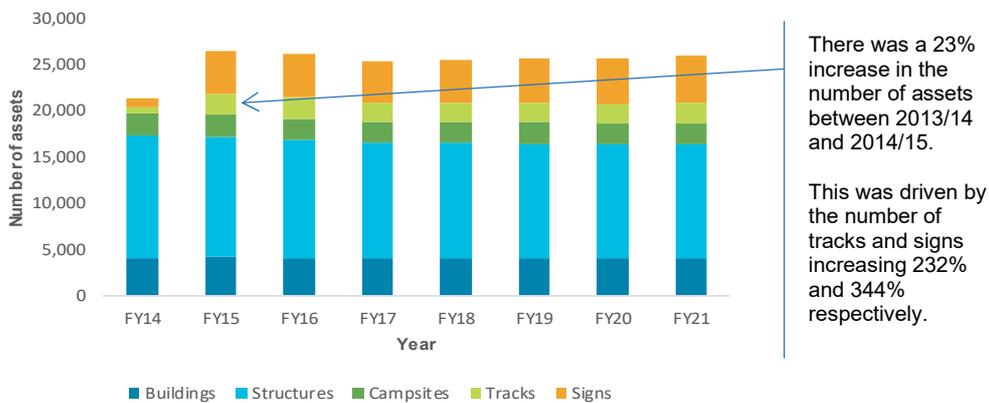
**Figure 23 & 24: DOC (left) and MPI (right) departmental expenditure by revenue source (\$ million) over the financial years 2015/16 to 2020/21**



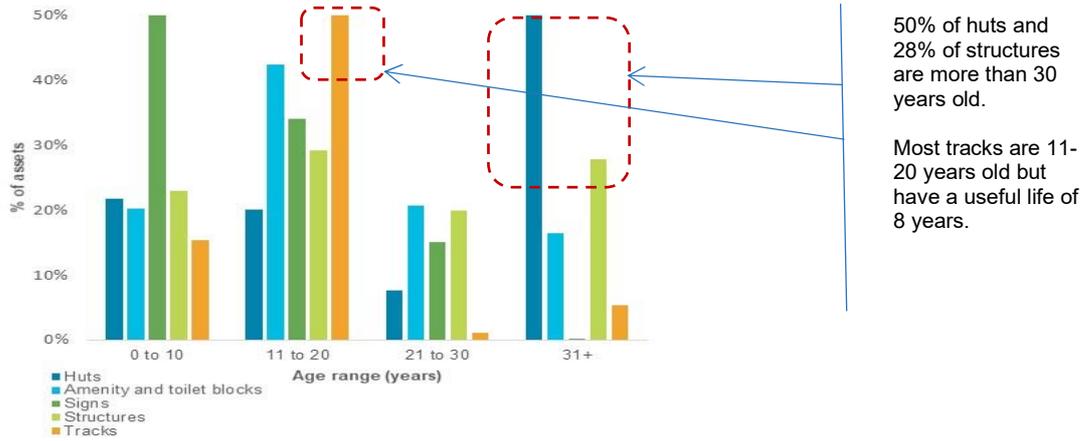
## Asset Management

DOC's network of assets has been built up over many years and for different purposes, such as forestry management and wild animal control. As figure 23 and 24 below shows, many of the assets are ageing. Figure 25 shows the extent of DOC's planned maintenance to unplanned maintenance over time.

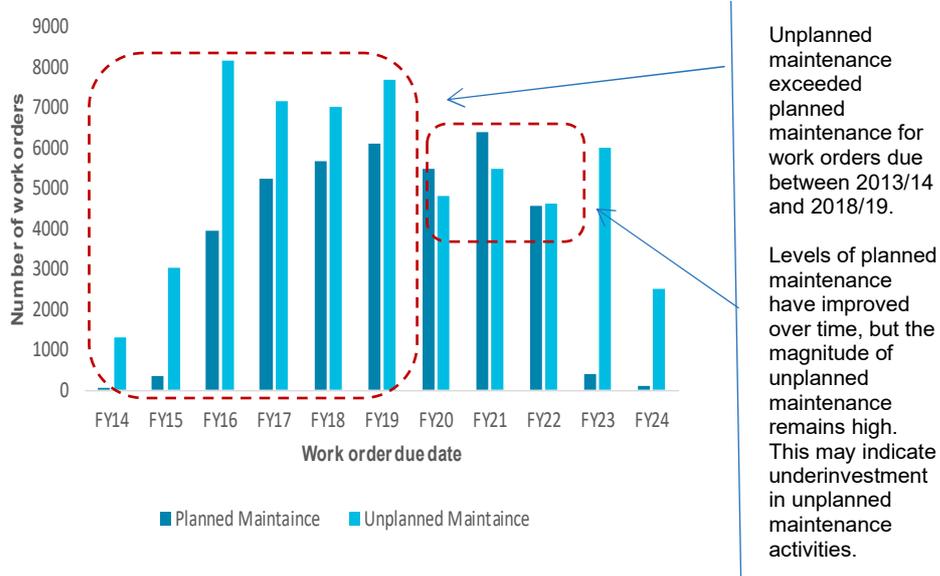
**Figure 25: Number of recreational assets, 2013/14 to 2020/21**



**Figure 26: Age of DOC's recreational assets**

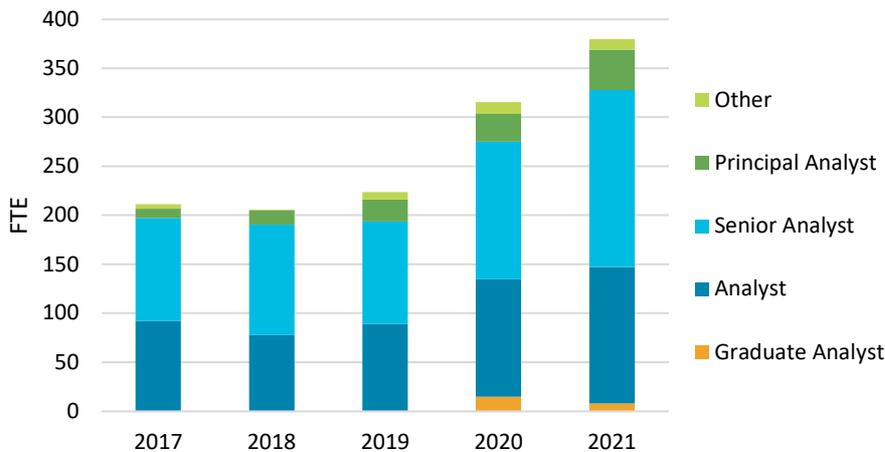


**Figure 27: Planned maintenance compared to unplanned maintenance**

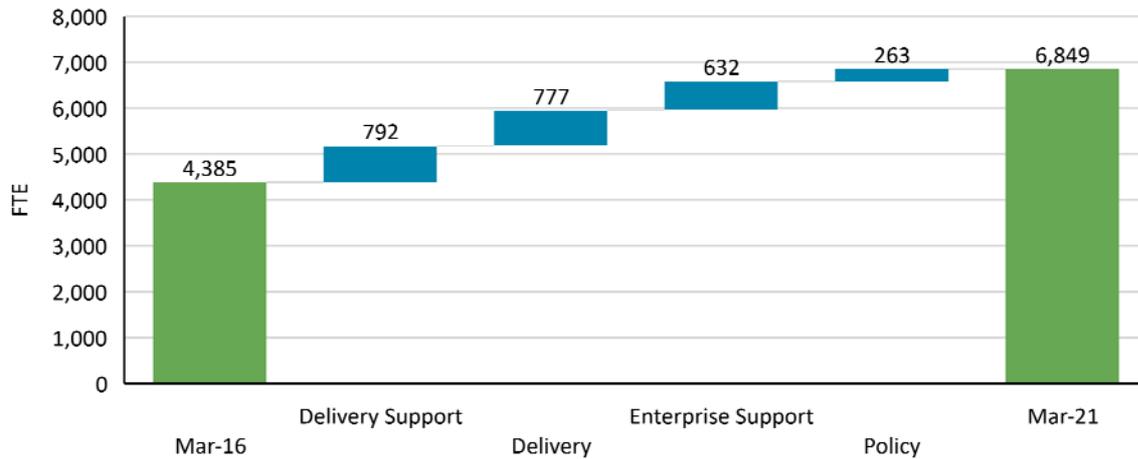


**Personnel**

**Figure 28: FTE growth across the Cluster by line**



**Figure 29: Annual number of policy staff at MfE by seniority over the financial years 2016/17 and 2020/21**



**Figure 30: FTE by Cluster priority/cross-cutting area as at 30 March 2021**

