

The Treasury

Budget 2022 Information Release

August 2022

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- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
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Treasury Report: Budget 2022 Multilateral: Natural Resources Cluster Ministers

Date:	1 March 2022	Report No:	T2022/280
		File Number:	SH-12-0

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Discuss the contents of this report at your meeting with Natural Resources Cluster Ministers on 3 March.	3 March 2022

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Jinal Mehta	Graduate Analyst, Natural Resources	[39]	N/A (mob) ✓
Guy Bennett-Longley	Graduate Analyst, Natural Resources		N/A (mob)
James Haughton	Manager, Natural Resources		(mob)

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Budget 2022 Multilateral: Natural Resources Cluster Ministers

Executive Summary

This report provides you with advice ahead of your meeting with Natural Resources Cluster Ministers (“Cluster Ministers”) at 5:30pm on Thursday 3 March to discuss their Budget 2022 initiatives. The Cluster Ministers are:

- Minister for the Environment, and Oceans and Fisheries (Hon David Parker)
- Minister for Biosecurity, Rural Communities, and of Agriculture (Hon Damien O’Connor)
- Minister of Forestry (Hon Stuart Nash)
- Minister of Conservation (Hon Kiritapu Allan)
- Minister for Food Safety (Hon Dr Ayesha Verrall)
- Minister for Climate Change (Hon James Shaw)

[33]

We suggest keeping the conversation focused on the Cluster’s draft medium package. The Cluster’s draft medium package includes an appropriate mix of initiatives intended to meet agency cost pressures and progress Cluster and Government priorities. However, there are a number of issues with the draft package that need to be addressed:

- **It presents an affordability challenge,** [33]
- **It raises implementation risks,** with all initiatives beginning in Year 1 of the cycle adding to an already ambitious work programme and existing delivery constraints. This risk is significantly exacerbated after the CERF package and capital initiatives are included.
- [33]

[33]

Cluster Ministers may raise concerns about high levels of inflation across the three-year funding path. [33]

[34]

We recommend that the Cluster rephase and scale their package (to fit within the medium envelope and include a contingency) for their final submission on 10 March. There are a number of ways in which they could do this:

- Deferring some initiatives to Years 2 or 3 (or the lowest priority initiatives to Budget 2025),
- Phasing the increase in funding for initiatives more slowly to alleviate delivery risks, and
- Right-sizing the overhead allocation to MfE based on the final package.

Recommended Action

We recommend that you:

- a note** the suggested talking points for your meeting with Natural Resources Cluster Ministers, provided in Annex A
- b discuss** the contents of this report with Natural Resources Cluster Ministers on 3 March 2022.

Agree/disagree.

James Haughton
Manager Natural Resources

Hon Grant Robertson
Minister of Finance

Treasury Report: Budget 2022 Multilateral: Natural Resources Cluster Ministers

Purpose of Report

1. You are meeting with the Natural Resources Cluster Ministers at 5:30pm on 3 March regarding the initiatives they have submitted for consideration through Budget 2022. This report provides you with advice and talking points to support your discussion.
2. This report is intended to complement the Natural Resources Cluster spending review report and assessment of the draft spending proposal you received last week [T2021/3104 refers].
3. Four annexes are attached to this report:
 - a Annex A provides talking points for your multilateral meeting with Natural Resources Cluster Ministers, including an illustrative example
 - b Annex B provides a full list of initiatives submitted by Cluster Ministers through the Cluster process, the funding sought in each package (high, medium, low), and the Treasury’s assessment of each initiative
 - c Annex C provides a full list of initiatives submitted by Cluster Ministers through the Climate Emergency Fund, the funding sought, the Treasury recommendation, and the Climate CEs recommendation
 - d Annex D provides a full list of initiatives submitted by Cluster Ministers outside of the cluster process and the Climate Emergency Response Fund, the funding sought, the Treasury Vote team assessment, and how this is reflected in the draft Budget 2022 package.

Context for the Natural Resources Cluster

4. In December 2020, you agreed to establish the Natural Resources Cluster (“the Cluster”) and to undertake a spending review of the Cluster agencies (Department of Conservation, Ministry for the Environment and Ministry for Primary Industries).
5. The Cluster has since submitted a draft spending proposal (“the Cluster package”) for a three-year funding path, where decisions at Budget 2022 will cover operating funding which the Cluster would otherwise seek at Budgets 2022, 2023, and 2024.
6. The following table shows the indicative cumulative envelopes for the Cluster and the total packages submitted by the Cluster.

	Total cluster envelopes (\$)	Total cluster packages submitted (\$)
Low	565 million	[33]
Medium	1,040 million	
High	1,650 million	

7. In addition to the envelope, [33] was submitted for *Mycoplasma Bovis (M. Bovis)* alongside the Cluster process.

8. Alongside the Cluster process, Cluster agencies are also seeking funding from the Climate Emergency Response Fund (CERF) and the main Budget process for capital initiatives and Crown entities (see Figures 1 and 2).

Figure 1: Budget funding sought outside of the Cluster process

	CERF		Main Budget	
	Sought	Recommended	Sought	Recommended
Operating (\$m)	[33]			
Capital (\$m)				

9. If the recommended initiatives outside of the Cluster process are agreed in addition to the current draft medium Cluster package, the Cluster agencies would receive [33]

10. [33]

[33]

[33]

11. There is also a significant request for new FTEs when combining the medium Cluster package and the CERF package:

[33]

12. These figures are an underestimate. They do not capture the full number of skilled research positions created and contractors to deliver the proposed investments sought in CERF initiatives. They also do not include new FTE being sought through the main Budget process for capital and Crown entities, for which we have not received an annualised breakdown.
13. If the hiring profile is staggered, the FTE implications of the medium Cluster package are likely manageable for Department of Conservation (DoC) (given the skillset and geographic location of roles sought). However, cumulative FTE impacts of the CERF and draft medium Cluster packages are too ambitious for MfE and MPI.

Natural Resources Cluster Package

14. We have assumed your agreement to the medium envelope in drafting this advice.
15. The rephased Cluster envelope increases the allocation for 2022/23 and 2023/24 (compared to the July 2021 phasing). However, the draft Cluster medium package is still more front-loaded than the envelope allows, as can be seen in the table below:

	2022/23	2023/24	2024/25	2025/26	Total
Medium envelope (July 2021) (\$m)	100	220	360	360	1040
Rephased medium envelope (BM3) (\$m)	130	240	330	340	1040
Draft medium package (excluding <i>M. Bovis</i>) (\$m)	[33]				
Difference between draft medium package and rephased envelope					
<i>M. Bovis</i> (\$m)	[33]	-	-	-	[33]

The Cluster package is good value for money, but requires further work

16. You previously indicated that agreement to a multi-year funding pathway should be contingent on the quality of the proposals, evidence of effective cluster working arrangements, and ability of the cluster to manage emerging cost pressures.
17. On balance, we recommend that a multi-year funding agreement is agreed at Budget once the cluster has submitted a final package within the medium envelope (including a contingency). Despite a slow start, there is now sufficient evidence that progress against the above factors is on a positive trajectory. While risks remain around the effectiveness of ongoing cluster arrangements and the ability of the cluster to re-prioritise to manage pressures over the three years, there are options to manage these risks.
18. In our view, the Cluster's draft medium package includes an appropriate mix of initiatives intended to meet agency cost pressures and progress Cluster and Government priorities. However, there are a number of issues with the draft package that we consider need to be addressed:
 - a It presents an affordability challenge, [33]
 - b It raises implementation risks, with all initiatives beginning in Year 1 of the cycle adding to an already ambitious work programme and existing delivery constraints. This risk is exacerbated when the CERF initiatives and capital initiatives are included.
 - c [33]
19. Given the above, we recommend you request that your colleagues re-submit a package within the new BM3 medium envelope that is phased appropriately over the three-year period. As part of this, we recommend you ask Cluster Ministers to identify their highest priority initiatives across the Cluster package, CERF initiatives and initiatives in the main budget process.

The draft Cluster package will have to be rephased and scaled significantly

20. At present, the draft medium package submitted by the Cluster is [33]
 We recognise the Cluster has already undergone a degree of prioritisation and that the initiatives in the proposed medium package are generally high value for money. We consider that it is achievable to deliver a package that meets the Cluster's critical cost pressures and priorities within the medium envelope. This will require rephrasing, scaling, and possibly deferring some initiatives in order to fit within the envelope (whilst also allowing a contingency).
21. The Cluster's initial draft medium package carries significant delivery risks (as identified in the spending review report). We note that these delivery risks are exacerbated in the high package, particularly as additional initiatives in the high package were assessed as lower value-for-money than many others.
22. In our view, there are a number of potential ways that the total cost of the package could be reduced while retaining its integrity and reducing implementation risks (examples are outlined below and in Annex A).
23. These examples do not represent the Treasury's firm views on scaling and reprioritisation within the medium package and are provided to assist in your engagement with Cluster Ministers. We consider that the onus should be on Cluster Ministers and agencies to provide their own package of options within the envelope while also providing for a contingency.

Delay some initiatives so that some of them begin in Years 2 and 3

24. At present, all initiatives start within the first year of the three-year period. There are several delivery constraints (as outlined in the spending review report) that necessitate phasing the start of new policy initiatives over the three-year period. Proceeding with the package in its current form is likely to result in delivery issues, large underspends and risks generating poor value-for-money. These issues will likely be exacerbated by the ambitious initiatives submitted in the CERF and capital tracks (see below).
25. Each initiative also falls into one of the Natural Resources Cluster priorities. You may wish to encourage Cluster Ministers to consider which initiatives under each priority could be deferred to Year 2 or 3 of the Cluster. Doing so would reduce the amount sought in 2022/23 and the size of the total package, depending on the combination of initiatives deferred (see Annex B for an example).
26. Examples of initiatives that could be deferred until Year 2 include:
- a *Primary Industry Transformation: delivering industry transformation plans (ITPs) in partnership with primary sectors:* This initiative proposes three ITPs beginning simultaneously, which are at varying stages of development. We consider that value could be improved by delaying this initiative until Year 2, and sequencing the ITPs, so that one new ITP begins in Year 2 and two in Year 3.
 - b *Antimicrobial Resistance – addressing future antimicrobial resistance risks in New Zealand:* This is a high value initiative that improves the detection and regulatory systems of animal-based antimicrobial resistance. The Ministry of Health (MoH) similarly have sought funding for anti-microbial resistance which would be complementary in nature (rather than dependent). The MoH initiative is likely to be deferred, and therefore this initiative could be delayed, starting in Year 2 or 3 of the package to align with that and to support greater coordination.

Right sizing the overhead allocation for MfE

27. MfE's overheads are costed at \$110,000 per FTE across the package. While MfE is in a unique situation where it needs to build back office capability, the spending review calculated a figure at \$56,000 per FTE. This overhead rate would fully fund necessary corporate costs, while providing transparency about what is purchased and not double

funding three initiatives that are also included in the medium package (*Accommodation Cost Pressure*, [33], and *Supporting Te Tiriti of Waitangi Obligations*). Based on the initiatives currently in the package, this could reduce the cost of the Cluster's draft medium package by \$15 to \$23.5 million. An additional \$7.1 million could also be saved in the Treasury recommended CERF package through right-sizing MfE's overheads.

Rephasing initiatives to introduce a more gradual increase in funding

28. There are also initiatives that could be rephased by delaying discrete elements of initiatives and scaled so that there is a smaller increase in activity in Year 1. For example:
 - a DoC's asset management cost pressures: We do not dispute the importance of the work, but the scale of work required to put DoC's assets on a more sustainable footing is significant, requiring a major increase in activity relative to historical delivery. The funding sought [33] would lead to a sharp baseline increase. Ministers may wish to consider a more gradual approach to improve deliverability, which the spending review report recommended as being around [33]
 - b *Integrated advisory services to support more sustainable and productive land-use practices*: This initiative seeks funding to establish an agricultural advisory service, expand Māori agribusiness services, and expand the forestry advisory service. We suggest delaying the Māori agribusiness and forestry advisory components of this initiative to Year 2. We also recommend slowing the rate of implementation of the agricultural advisory service so that fewer advisors are sought in 2022/23 (with ramping up in 2023/24).

Some initiatives are critical for key priorities in the Cluster

29. There are some initiatives that we do not recommend deferring. These include non-discretionary cost pressures, as well as *Resource Management Reform implementation*.
30. We note that resource management reform is a key Government priority and ensuring the new resource management system is resourced sufficiently is necessary if the reforms are to deliver on their intended objectives. You may wish to ask Minister Parker to consider if there are additional scaling or rephasing options in this initiative, and if he has a preferred option.

Funding to continue the *M. bovis* eradication programme is being sought alongside the Cluster envelope

31. You agreed to a partial exemption for the *M. bovis* eradication programme in August 2021 [T2021/2640 refers]. The cluster can seek funding for 2022/23 alongside the indicative envelopes in Budget 2022 and can seek additional funding in future budgets for the outyears.
32. For 2022/23, MPI originally sought [33]. MPI have since estimated that between \$45.24 million and \$68.4 million will be required, after accounting for underspends and industry contributions. [25]
33. We recommend funding \$68.4 million in 2022/23 to avoid unappropriated expenditure if compensation payments are at the high end of the projected range.
34. We note that Cabinet is expected to consider revised costs for the future of the programme (including the future administrative model for programme) in mid-2022 which will provide greater clarity regarding funding requirements in future budgets.

45.

46.

47.

Climate Emergency Response Fund (CERF) initiatives

48. In addition to the Cluster packages, we have recommended supporting initiatives totalling \$866.11 million for Cluster agencies through the CERF. This recommendation balances value for money, alignment with the CERF objectives, and delivery-readiness.
49. Our recommended CERF package for the Cluster is \$231.53 million lower than the high priority package recommended by Climate CEs.

Portfolio	Treasury's Recommended CERF Package for Cluster Agencies	Climate CEs' High Priority Package for Cluster Agencies
Agriculture	\$408.8 million	\$408.8 million
Forestry	\$274.9 million	\$348 million
Environment	\$104.5 million	\$266.1 million
Climate Change	\$77.9 million	\$74.8 million
Total	\$866.1 million	\$1,097.6 million

50. There are some large, high-priority initiatives within the recommended package that you may choose to raise in your discussion with Cluster Ministers:
- a **\$339 million for low-emissions innovation in agriculture** (*Agriculture emissions reduction - Accelerating development of greenhouse gas mitigations*): We support this initiative in full given the limited options for abatement in agriculture at present, and the need to unlock lower-cost emissions reduction and early adoption pathways for the sector. However, we have limited visibility across the number of skilled research roles that will be created by the investment, and the market capacity to fill skilled positions as the programme scales up over four years. The initiative could be scaled to reduce investment in research and development, but we would support only minor scaling given the limited options for abatement in agriculture at present.
 - b **\$6.3 million to fund essential work to enable decisions on an agricultural emissions pricing scheme in 2022/23** (*Agriculture emissions reduction – Developing the He Waka Eke Noa pricing system phase one*): We support this initiative in full as investment will progress a business case developing pricing options and an IT system prototype, directly responding to the Crown's new obligations under the Climate Change Response Act 2002. Development of an IT system is not completely contingent on policy decisions for the pricing scheme design.

- c **\$145 million to unlock large-scale planting of native forests** (*Establishing native forests at scale to develop long-term carbon sinks and improve biodiversity*). We have scaled this initiative down from [33] . [37]

Capital initiatives

- 51. In addition to capital sought in the Cluster process and the recommended CERF package, the recommended Budget 2022 packages \$36.44 million of capital initiatives.
- 52. We view the following initiatives as priorities for investment for your discussion with Cluster Ministers:
 - a **Future of Certification – Electronic Certification Systems Replacement.** We support this initiative in full, requiring an upfront Crown investment of [33] . Over time, the upfront investment and ongoing operating costs will be fully cost-recovered from system stakeholders. We see this initiative as high priority to enhance export value and maintain the competitiveness of New Zealand’s \$33 billion primary sector trade market, particularly at present where New Zealand is relying heavily on the integrity of its export system. The system capacity to deliver this investment is limited, so the relative priority will need to be weighed against other IT investments being considered in Budget 2022.
 - b **Whakapapa 3 Waters Infrastructure – Compliance and Asset Management.** We support this initiative in full and recommend holding the full \$15 million sought in a tagged contingency subject to an implementation business case. The initiative is an urgent upgrade to existing three waters assets necessary to prevent further degradation of a taonga. Further funding will be sought in future Budgets when an enduring solution is identified around management of Conservation assets.

There are a number of upcoming significant investments in future Budgets

- 53. Cluster agencies can seek further capital funding through Budget 23 and Budget 24. The Cluster package included an upcoming pipeline of capital initiatives likely to be submitted by Cluster agencies prior to Budget 25:

[33]

- c Developing the He Waka Eke Noa pricing system to enable implementation by 2025 (undergoing work to determine funding requirements but likely to be significant)
- d Investment in bioenergy infrastructure relating to forestry (undergoing work to determine funding requirements but likely to be significant)

[33]

- 54. These initiatives will likely build on current programmes and result in additional growth of Cluster agencies.

Crown Entity initiatives

55. The Cluster is seeking \$72 million operating and \$9.5 million capital for three Crown entities. Of this, \$20.2 million operating and \$5.5 million capital has been supported in the draft Budget package:

(\$m)	Operating sought	Operating recommended	Capital sought	Capital recommended
Walking Access Commission	[33]	1.8	-	-
Environmental Protection Authority		[33]	[33]	[33]
Climate Change Commission		12.5		2.8

56. As with other initiatives, the core delivery risks are ambitious FTE increases in the current labour market conditions.

Next Steps

57. Following your meeting on 3 March, Cluster Ministers are responsible for submitting a final package to you by 10 March. Given the tight turnaround, we recommend you send Cluster Ministers a letter on 4 March reinforcing your feedback and expectations for what is in the revised package. We recommend that letter sets out a number for the final package, your expectations for any scaling and phasing over the three-years, and any other areas you want the Cluster to report back on (e.g. building in a contingency, explaining reprioritisation approach). We will provide you with a draft letter next Wednesday (2 March), so this can be finalised after your meeting.
58. On 14 March, we will provide you with advice on the final packages. This will focus on whether the revised package reflects the feedback you provided, which will inform the package you decide to take to Budget Ministers' Meeting 5 on 22 March.
59. Part of landing a final package is considering what flexibility you would like to provide Cluster Ministers and agencies to help manage a multi-year funding agreement. We will provide further advice in March on how multi-year funding arrangements could work, including the options you have for delegating some decision rights and keeping the pilots going beyond Budget 2022 decisions.

Annex A: Talking Points

You may want to consider the following points during the meeting:

- Acknowledge Cluster Ministers and agencies for working together to develop draft spending proposals
- Encourage Ministers to consider the cumulative impacts (on Cluster agency size and work programmes) of the funding being sought through the Cluster process, CERF, and main Budget process
- Ask Cluster Ministers to consider which are their highest priority initiatives across the different Budget processes (Clusters, CERF, and capital)
- Indicate which initiatives you consider highest priority across the Cluster, CERF, and capital tracks. The Treasury considers the following as the highest priority initiatives for the Cluster:
 - Cost pressures (particularly DoC asset management)
 - Resource Management Reform Implementation
 - [33]
 - Developing the He Waka Eke Noa pricing system
 - Electronic Certification Systems Replacement
 - Whakapapa 3 Waters Programme
 - Agricultural research for low-emissions innovation
- Note that the Cluster's draft medium package is an appropriate mix of new spending and cost pressures, but has a few issues that must be addressed:
 - It is \$300 million above the agreed medium envelope.
 - All initiatives begin in Year 1 of the cycle.
 - The draft package does not include a contingency.
- Ask Cluster Ministers to rephrase, scale, and defer initiatives in the draft Cluster package so it fits within the medium envelope and includes a 5% contingency
- You may wish to use the following examples (noting that these do not represent the Treasury's firm views and that the onus is on Cluster Ministers to provide their own package of options):
 - Scale cost pressures
 - Keeping wage and inflation increases constant from Year 3 to Year 4 (save \$42 million)
 - Adjusting MfE's overheads to \$56,000 per FTE (save \$15 to \$23 million)
 - Funding some cost pressures at the low package amount and other targeted scaling based on the Treasury's assessment (save \$93 million)

Deferring further funding [33]

- Scale new initiatives
 - Rephasing and scaling the level of service expansion for advisory services (*Integrated advisory services to support more sustainable and productive land-use practices*) (save \$68 million)
 - Scaling *Resource Management Reform Implementation* [33] and funding MfE's component at the low package amount (save \$32.9 million)
 - Re-phasing *Primary Industry Transformation: delivering industry transformation plans (ITPs) in partnership with primary sectors* [33] (save \$26.3 million)
 - [33]
 -
- Request that Cluster Ministers identify the impact of including a contingency in the Cluster package by identifying the initiatives that would be deprioritized
- Ask Cluster Ministers to propose reprioritisation and cost-recovery options over the next year to manage future pressures

General Budget 2022 talking points

- Pressure remains on the operating and capital allowances, meaning there will be a high bar for new spending and it is important that spending is prioritised effectively and is focused on achieving value for money.
- There are also significant public sector capacity and capability constraints – around 40 percent of initiatives are seeking additional FTEs or contractors.
- Without further prioritisation and scaling, it will be challenging to see the public sector deliver such large additional investment on top of the ongoing response to COVID-19, delivering past investments and keeping momentum on the key reform programmes underway.
- New spending is not the only lever for achieving the Government's objectives. Ministers should consider all the levers available to them before requesting new funding, including examining baseline expenditure, ensuring that your agencies are delivering on the significant investments we have already made, and progressing non-spending initiatives such as regulatory reforms.

Annex B: Natural Resources Cluster packages

Annex C: Climate Emergency Response Fund initiatives for Natural Resources Cluster agencies

Annex D: Main Budget process (non-Cluster, non-CERF) initiatives for Natural Resources Cluster agencies

Natural Resources Cluster Initiatives: Cluster Low, Medium, and High Packages

	Operating Average (\$m)	Operating Total (\$m)	Opex sought as % of Envelope	Capital Total (\$m)
Low	\$ 165.3	\$ 661.3	103%	\$ 1.6
Medium	\$ 337.4	\$ 1,349.6	121%	\$ 14.0
High	\$ 435.5	\$ 1,741.9	101%	\$ 31.3

Note that each total includes \$79.323 million for *M. Bovis* for 22/23, which the Cluster doesn't have to count against the packages. The percentage of opex sought excludes *M. Bovis*

ID	Priority	Vote	Title	Description	Low Package		Medium Package		High Package		Value	Alignment	Delivery	Treasury Comment
					Opex Total	Capex Total	Opex Total3	Capex Total4	Opex Total5	Capex Total6				
14221	Cost Pressure	Agriculture, Biosecurity, Fisheries and Food Safety	Addressing the Impact of Changes to the Ministry for Primary Industries' Collective Agreements and Supply Costs	This initiative provides critical funding for the Ministry for Primary Industries to continue its current scope and level of operations. This critical cost pressure includes addressing price and inflationary pressures including salary increases that arise from renegotiation of collective agreements, in line with Public Service Commission bargaining parameters, pay restraint guidance, and supplier cost changes driven by price increases and volume-driven cost increases. This funding is critical to continue production of existing outputs across MPI.	[33]						4	5	4	[33]
14222	Cost Pressure	Agriculture, Biosecurity, Fisheries and Food Safety	Maintaining essential border biosecurity capacity in the cargo pathway	This initiative ensures continuity of border protection against biosecurity incursions, following the introduction of the new policy for collecting GST offshore for low value goods (LVGs). This is achieved by replacing biosecurity levy revenue which is no longer being collected on low value goods. This ensures the continuation of border activities including intelligence functions, risk assessment and intervention activities on LVGs that may pose biosecurity risks to New Zealand's Biodiversity and Economic wellbeing. □	[33]						5	5	5	This initiative doesn't provide new services, but addresses a funding cliff. This is a non-discretionary pressure unless the Crown is willing to revisit this decision and reintroduce cost recovery for low value goods (which would be consistent with first principles). When the Crown decided to introduce GST on imported goods valued less than \$1,000, it also decided to stop recovering customs and biosecurity costs for goods valued \$400 - \$1000 clearing the border (under \$400 was already exempt). This initiative fully funds the existing activity.
14223	Cost Pressure	Agriculture, Biosecurity, Fisheries and Food Safety	Addressing critical gaps in NZ's biosecurity system to protect our taonga, biodiversity, economy and our way of life	This funding will address the financial costs associated with critical biosecurity system gaps that have been identified as a result of a programme of workstreams, and lessons being learned from the Mycoplasma bovis and COVID-19 responses. These include changes required to the National Animal Information Traceability (NAIT) operating model, addressing New Zealand's biosecurity surveillance programme gaps, improvements to our readiness for Foot and Mouth Disease or other major incursion, and addressing critical capacity and capability gaps in our technical and scientific roles which are vital to the continued functioning of New Zealand's biosecurity system.	[33]						3	5	3	[33]
[33]											4	4	4	[33]
14226	Cost Pressure	Agriculture, Biosecurity, Fisheries and Food Safety	Protecting the credibility of New Zealand's animal health and welfare regulatory and adverse event response systems	This initiative will provide additional funding to protect New Zealand's animal health and welfare system and reputation in light of unprecedented growth in societal pressure for animal welfare protection and compliance both here in New Zealand and in key offshore markets like the United Kingdom and the European Union.	[33]		31.605	2.120	[33]		4	4	3	[33]
14274	Cost Pressure	Conservation	Corporate Property – Remediation and Maintenance of Residential and Commercial Properties and Associated Infrastructure	This initiative provides funding to remediate and maintain Te Papa Atawhai's corporate property portfolio, including residential and commercial properties and associated primary infrastructure, to meet statutory compliance requirements and remedy critical health and safety risks.	[33]						4	3	3	We support fully funding asset condition assessments as these facilitate better long-term investment decisions. We also support funding a proportion of the deferred maintenance and remediation activities that if not funded could result in death, injury or significant damage to key components of an asset. We support funding ongoing compliance work and low priority maintenance from year 3 that is necessary preventative maintenance that helps to reduce costs over the long term.
14276	Cost Pressure	Conservation	Wage Pressures – Collective Agreement and Step Changes	This initiative is seeking funding to meet the costs of the recently agreed PSA/DOC Collective Agreements and the contractual obligations to DOC's employees, and provisions for agreements that will need to be agreed and signed in FY 2023/24. The previous PSA/DOC Collective Agreement expired on 30 March 2021. Two new collective agreements, one for Tier 5 staff and one for Tier 4 managers, were signed in November 2021 and will run through to May and June 2023. In line with current pay restraint guidance, neither agreement allows for band movements in 2022/23. New collective agreements will be required in July 2023 for FY 2023/24 and beyond.	[38]						5	5	5	[38]

Natural Resources Cluster Initiatives: Cluster Low, Medium, and High Packages

	Operating Average (\$m)	Operating Total (\$m)	Opex sought as % of Envelope	Capital Total (\$m)
Low	\$ 165.3	\$ 661.3	103%	\$ 1.6
Medium	\$ 337.4	\$ 1,349.6	121%	\$ 14.0
High	\$ 435.5	\$ 1,741.9	101%	\$ 31.3

Note that each total includes \$79.323 million for M. Bovis for 22/23, which the Cluster doesn't have to count against the packages. The percentage of opex sought excludes M. Bovis

ID	Priority	Vote	Title	Description	Low Package		Medium Package		High Package		Value	Alignment	Delivery	Treasury Comment
					Opex Total	Capex Total	Opex Total3	Capex Total4	Opex Total5	Capex Total6				
14277	Cost Pressure	Conservation	Cost Of Continuing Operations – CPI Pressures	The purpose of this initiative is to seek funding so that Te Papa Atawhai can continue to deliver front line conservation activities, maintain recreational assets to standard, fund biodiversity research, and provide adequate corporate support that enables these activities. Inflationary pressures of over three percent per annum over a number of years have eroded the department's ability to deliver core work. Recent COVID19 supply shocks and large increases in costs of materials and contracted labour have exacerbated this issue. Te Papa Atawhai has needed to reprioritise baseline funding to meet these pressures up until now, however the cumulative effects of price increases are now resulting in core work stopping as it has become unaffordable.	[33]						3	5	5	We recommend flatlining funding following the 2024/25 year so that further inflationary pressures for the 2025/26 year can be considered in Budget 2025, and because there may be opportunities to cost recover part of the funding sought. We also recommend narrowing the scope CPI adjustments to DOC's operations and biodiversity business groups, and not adjusting back office services. [33]
14278	Cost Pressure	Conservation	Legislative and regulatory compliance	This initiative provides funding to ensure the public has continued access to the outdoors via the use of DOC's recreational assets. There have been significant changes to asset management legislation/regulation in recent years to ensure wellbeing of users. As a significant manager of assets, DOC is facing unforeseen costs in relation to three waters, asbestos removal, dam safety, contaminated sites, and the building code. Many of DOC's systems and assets fail to meet these requirements and baseline funding is not sufficient to bring them up to standard. As a regulator, our compliance costs have increased due to increased visitation to DOC sites. Improving our compliance system will result in better management of biodiversity risks, cultural heritage and impacts at place.	[33]						4	3	3	We support funding three waters, asbestos, dam safety, visitor centres, fleet maintenance and contaminated sites as assessment/planning activities and maintenance activities are high-value activities that generate long-term cost savings. However, we suggest scaling based on a longer delivery timetable for asbestos, dam safety, contaminated sites and visitor centres maintenance activities to take account of DOC's delivery model, labour market constraints, and supply chain constraints. [33] We also support providing funding for the TIES Act based on reasonable resourcing expectations and contingent on legislation passing as this is an additional cost not currently factored into baselines.
14279	Cost Pressure	Conservation	Fit for purpose recreation assets	This initiative will fund cost pressures driven by an increasing volume of high priority maintenance work, work related to high-risk structures, and the renewal of recreation assets for visitor safety reasons. This work must be prioritised as it has serious implications for visitor safety. Additional funding will enable deferred maintenance to be addressed, offset costs related to increased asset valuation, and ensure DOC can continue to provide safe experiences for a range of New Zealanders and visitors. Without additional funding, significant reprioritisation decisions will need to be undertaken by DOC that will result in less access to the outdoors for New Zealanders.	[33]						4	4	3	All components of this bid are of high value, such as assessment and maintenance activities that generate long-term cost savings, supported by findings of the spending review and should be funded. However, we recommend scaling based on a longer delivery timetable for recreational asset maintenance activities to take account of DOC's delivery model, labour market constraints, and supply chain constraints. As the costing methodology for maintenance costs is unreliable, we suggest maintenance cost funding is held in a contingency. [33]
14280	Cost Pressure	Conservation	Protecting our cultural heritage	This initiative will fund increased investment in protecting cultural heritage by understanding current state and implementing site plans in collaboration with Treaty Partners. At present DOC does not have the capability to prevent irretrievable loss of New Zealand's important heritage fabric at 300 actively conserved heritage sites within the next 10 years. Due to the quantum of investment needed for maintenance projects, DOC is unable to manage these cost pressures through prioritisation and deferral. Heritage work is often deprioritised due to DOC needing to prioritise work related to visitor risk and safety concerns. The outcome of this initiative will be that New Zealanders will continue to be able to experience, understand and connect to their whakapapa.	[33]						4	3	4	
											5	5	5	
											3	5	5	

Natural Resources Cluster Initiatives: Cluster Low, Medium, and High Packages

	Operating Average (\$m)	Operating Total (\$m)	Opex sought as % of Envelope	Capital Total (\$m)
Low	\$ 165.3	\$ 661.3	103%	\$ 1.6
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ID	Priority	Vote	Title	Description	Low Package		Medium Package		High Package		Value	Alignment	Delivery	Treasury Comment
					Opex Total	Capex Total	Opex Total3	Capex Total4	Opex Total5	Capex Total6				
14295	Cost Pressure	Environment	Climate change funding to deliver adaptation and New Zealand's low-carbon future	This initiative provides funding for urgent cost pressures in the Ministry for the Environment climate change work programme. New legislative architecture requires increased resourcing to implement. As the scale and pace of the Government's ambition on climate change has increased, the funding required for the Ministry to maintain its responsibilities and stewardship functions is significantly beyond the current baseline. Funding will ensure the Ministry can implement a complex and cross government work programme, including existing climate initiatives, while continuing to keep pace with the Governments growing ambition on climate change.	[331]						4	4	3	This is a multi-component cost pressure, where some components are discretionary. We recommend that existing FTE are prioritised over new due to labour constraints; we support ongoing funding for all 15 existing FTE, but of 10 new FTE sought, we only support funding for five. We also recommend scaling out components related to identifying and securing a climate evidence base, a professional development programme, and data tools for targeted groups.
14296	Cost Pressure	Environment	COVID-19 Fast Track Consenting: extending the programme for one year	This initiative will enable continued delivery of the COVID-19 Fast-track Consenting Act 2020 functions for an additional year which has the potential to promote employment to support New Zealand's recovery from the economic and social impacts of COVID-19 and to support the certainty of ongoing investment across New Zealand, while continuing to promote the sustainable management of natural and physical resources.	[331]						4	4	4	This continues funding for an existing 11 FTE and EPA Panel Convener costs. Cabinet has already agreed to the policy decision to extend fast track consenting by a year. Therefore, funding is required in order to not compromise other delivery.
14301	Priority	Environment	Resource Management Reform Implementation	This initiative will provide funding to enable the successful delivery of the government's resource management reforms. Although some funding has been previously provided to support the legislative change process, this additional funding is required to achieve a successful implementation of the reform programme. This initiative is focused on providing funding for central and local government and Iwi/Maori to enable the successful implementation of the resource management reforms that are being progressed through the legislative changes.	[331]						3	5	3	Resource Management reform is a Government priority. Support in contingency subject to drawdown criteria being met. There is uncertainty around the costings as key policy decisions are yet to be taken and implementation timelines are subject to change. While the costings appear high, we note that this is a key Government priority and ensuring the new resource management system is resources sufficiently is necessary if the reforms are to deliver on their intended objectives. We do not recommend substantial scaling as this stage, however should Ministers wish to scale, we recommend scaling the late funding sought for DOC's implementation costs on the basis that there is potential scope for DOC to reprioritise across its work programmes. Costings will require greater scrutiny as funding is drawn down.
14217	Priority	Agriculture, Biosecurity, Fisheries and Food Safety	Integrated advisory services to support more sustainable and productive land-use practices	This initiative provides funding for a permanent integrated network of support for rural land-users including establishing a network of regionally based farm advisors, expanding Maori agribusiness services, and sustaining and expanding the forestry advisory service into new parts of the sector. This initiative supports our primary industries and rural land users to navigate significant ongoing change and increasing complexity in their operating environment and accelerate the adoption of more sustainable land use practices in land-based sectors to deliver improved environmental and productivity outcomes.	-	-	-	-	-	-	N/A	N/A	N/A	See individual assessments for each of the components below
14217 A	Priority	Agriculture, Biosecurity, Fisheries and Food Safety	Agriculture advisory services to support more sustainable and productive land-use practices	<i>This is a component of the integrated advisory services bid. Due to the extent of the bid, they have separate comments, and assessments of Value, Alignment and Delivery</i>	[331]						4	5	4	This development of this initiative is well advanced. However there is discretion over the funding profile and rate of implementation. This initiative seeks 90 additional farm advisors to provide more 1:1 support to approximately 40,000 farmers and land-users. Funding was provided in Budget 2021 for integrated farm planning to grow the number of private sector advisers and strengthen advisor competencies around whole of farm operations. The funding sought this budget is for MPI to employ farm advisors that can provide a much wider range of service across the primary sector and across all dimensions of land-use and it targets those farmers that want to change but don't know how. These farm advisors will be spread across the country which reduces concerns over market capacity.
14217 B	Priority	Agriculture, Biosecurity, Fisheries and Food Safety	Maori agribusiness advisory services to support more sustainable and productive land-use practices	<i>This is a component of the integrated advisory services bid. Due to the extent of the bid, they have separate comments, and assessments of Value, Alignment and Delivery</i>	[331]						3	4	3	There are options to rephase this initiative. It is unclear whether there is demand within the sector for the proposed expansion to existing services, but we support the goals of directly funding organisations (for example, to establish Biosecurity response posts at marae). The Māori Agribusiness advisory service initiative is not an FTE heavily initiative, primarily seeking to provide funding directly to Māori organisations, with only around one quarter of costs for Government FTE.
14217 C	Priority	Agriculture, Biosecurity, Fisheries and Food Safety	Forestry advisory services to support more sustainable and productive land-use practices	<i>This is a component of the integrated advisory services bid. Due to the extent of the bid, they have separate comments, and assessments of Value, Alignment and Delivery</i>	[331]						3	5	3	In 2021, non-departmental forestry grant funding was reprioritised to establish a 3 year time limited forestry service. We support the cost pressure to baseline the forestry service at \$7.2 million per annum from 2025/26. Given the 38 FTE forestry service is in the process of being stood up, we do not recommend providing funding for an additional 22 FTE. MPI is currently in the process of cost recovering for the ETS administration system, with the freed-up Crown funding to be redirected. MPI could choose to expand the forestry service with this revenue, if it is their highest priority. If you choose to fund an expanded forestry service, we recommend delaying the expansion of the by a year to enable the initial service to establish fully, and recommend removing FTE and research components that support woody biomass as this is also being sought through the CERF process.

Natural Resources Cluster Initiatives: Cluster Low, Medium, and High Packages

	Operating Average (\$m)	Operating Total (\$m)	Opex sought as % of Envelope	Capital Total (\$m)
Low	\$ 165.3	\$ 661.3	103%	\$ 1.6
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ID	Priority	Vote	Title	Description	Low Package		Medium Package		High Package		Value	Alignment	Delivery	Treasury Comment
					Opex Total	Capex Total	Opex Total3	Capex Total4	Opex Total5	Capex Total6				
14218	Priority	Agriculture, Biosecurity, Fisheries and Food Safety	Primary Industry Transformation: delivering industry transformation plans in partnership with primary sectors	This initiative will enable the timely delivery of key actions in the industry transformation plans for the food and beverage, fisheries, and forestry and wood processing industries to bring about Government objectives under the Economic Plan. These plans are being developed in partnership with industry and Maori. They will identify, and provide a plan to deliver, high impact actions to strengthen sector performance. Actions may deliver new technologies, diversification, emissions reductions, development of high-value jobs, and improved environmental performance. These will in turn fuel economic growth, including the Maori economy, and strengthen New Zealand's position as a provider of sustainable high-value food and fibre products.	[33]						2	5	2	Industry Transformation Plans (ITPs) are a manifesto commitment and have been identified as a priority for the Minister of Economic and Regional Development. This initiative proposed three ITPs which are at varying stages of early development, meaning fiscal cost is uncertain. Sequencing the ITPs could improve delivery prospects, so that one new ITP begins each year for three years. Given the design work still required once the funding quantum is clarified, the first ITP could start either 2022/23 or 2023/24. If you do wish to fund all ITPs simultaneously, this would require more work so we recommend delaying funding to 2023/24.
14220	Priority	Agriculture, Biosecurity, Fisheries and Food Safety	Antimicrobial Resistance – Addressing future antimicrobial resistance risks in New Zealand	This initiative will build capability and resilience in the food safety system to address future antimicrobial resistance risks in NZ. It will strengthen and establish surveillance programmes and lift the testing capability of NZ laboratories. Increased monitoring and reporting of resistant genes and antimicrobial use will enable MPI to meet international reporting requirements and support ongoing reassessment of antimicrobials. It will fund work to promote better infection and prevention control practices with animals and improve antibiotic prescribing practices in plant and animal health sectors. Regulatory programmes will be reviewed and updated, and an audit programme established to ensure compliance with regulatory and stewardship requirements across the food safety system.			11.145	0.240	11.145	0.240	5	3	5	This is a high value initiative that improves the detection and regulatory systems of animal-based antimicrobial resistance, and has valuable impacts for ensuring continued human health and access to export to overseas markets by maintaining compliance with WHO standards. The Ministry of Health similarly have sought funding for anti-microbial resistance which would be complementary in nature (rather than dependent). The MoH initiative is likely to be deferred, and therefore the Treasury considers this initiative could be delayed to start in year 2 or 3 of the package to align with that and to support greater coordination.
14275	Cost Pressure	Conservation	Maintaining Tiakina Nga Manu Programme Levels	This initiative provides funding to maintain Te Papa Atawhai's current Tiakina Nga Manu predator control outputs, required due to cost increases since 2018. Te Papa Atawhai's Tiakina Nga Manu programme currently receives \$20m of funding per year secured at Budget 2018 to deliver approximately 600,000 hectares of predator control per annum. However, due to significant cost increases since 2018 the Department is currently only able to deliver 450,000 hectares of annual predator control. This funding will reinstate Te Papa Atawhai's ability to deliver to the target set at 2018, increasing the ability to respond to significant mast events like the one forecast for 2022, and meet a growing call for support for predator control work undertaken by our partners.	[33]						4	4	4	This initiative provides funding to increase Te Papa Atawhai's current Tiakina Ngā Manu annual predator control outputs back to 600,000 hectares and enable response to seed mast events. This large scale pest control programme has shown success in improving important ecosystems and species protection. We note that funding remains constant over the forecast period, which may give rise to future pressures if costs continue to increase, and makes it challenging that the full amount could be delivered from Year 1.
14297	Cost Pressure	Environment	Ministry for the Environment supporting Te Tiriti of Waitangi obligations	[33]							4	5	3	This initiative provides a case for time-limited funding at a time of major policy reform impacting iwi/Māori, and ende. Enabling Māori participation in significant policy development reduces litigation risk and potential for delay. Improving compliance with existing Treaty Settlement obligations will also likely improve MfE's relationship with iwi, however, there is a strong need to co-ordinate across the NRC before funding is released e.g. an NRC strategy and implementation plan for engagement with iwi/Māori, a consistent approach to iwi resourcing, and how Treaty Settlement obligations are met.
14298	Cost Pressure	Environment	Ministry for the Environment accommodation cost pressure	This funding provides additional funding required to meet the Ministry for the Environment's accommodation costs.			16.000		16.000		2	4	5	MfE accomodation costs are increasing with the move out of Environment House. We support additional funding for this pressure subject to MfE's per FTE overheads rate across other budget initiatives being reduced from the \$110k per FTE currently sought (as outlined in the spending review).
14299	Priority	Environment	Biodiversity Protections and Incentives	Biodiversity on private land is in decline and will continue without support from central government. This bid invests in actions to improve NZ's most significant biodiversity and invests into actions that will incentivise positive biodiversity actions. In summary the bid will result in the following outputs and outcomes: •Support 28 Councils to protect Significant Natural Areas (SNAs) •Support QEII National Trust to create 120 covenants •Eund Nga Whenua Rahui to support Maori landowners •Support 100 community projects •Support 16 councils to fund landowners to maintain & restore biodiversity •Eund policy, research & piloting of a mechanism to incentivise biodiversity action •Improving access to data for monitoring by creating a central database of significant biodiversity.	[33]						3	3	3	This initiative could be delayed until year 2 of the Cluster and held in contingency until Cabinet decisions on the National Policy Statement for Indigenous Biodiversity are made. The non-departmental funding sought in this bid could be met through reprioritisation of existing funding for these purposes, outlined further within the spending review.

Natural Resources Cluster Initiatives: Cluster Low, Medium, and High Packages

	Operating Average (\$m)	Operating Total (\$m)	Opex sought as % of Envelope	Capital Total (\$m)
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ID	Priority	Vote	Title	Description	Low Package		Medium Package		High Package		Value	Alignment	Delivery	Treasury Comment
					Opex Total	Capex Total	Opex Total3	Capex Total4	Opex Total5	Capex Total6				
[33]														
14303	Priority	Environment	Climate Adaptation Act development and delivery	This initiative will provide policy and engagement capability and technical expertise to develop a new Climate Adaptation Act (CAA) as part of reforms to the resource management system. The CAA will address complex legal and technical issues associated with managed retreat.	[33]						3	4	3	The timing for introduction of the Climate Adaptation Act is currently unclear, but the bid as framed seems ambitious given pressure in this area of policy development, which creates a delivery risk. Given labour market constraint across government, we recommend dedicating a smaller number of new FTE to this work, particularly given the existing team is much smaller than the number of new FTE sought.
14304	Priority	Environment	Freshwater Farm Plan system – Implementation and Operations	The Government has already decided to implement FWFPs. In 2020, the Government amended the RMA to provide for mandatory FWFPs. Regulations that will determine the details of the system are expected to come into force in mid-2022. Nationwide consultation was undertaken in September – October 2021 on regulation development and implementation of FWFPs. FWFPs will be progressively rolled out across all farms in New Zealand (above certain size thresholds) over the following four to six years. Once implemented, FWFPs will provide a new form of environmental regulation across roughly half New Zealand's land area. They are therefore a cornerstone of New Zealand's future freshwater management system and will be key to achieving many of the Government's objectives for freshwater reform.	[33]						4	5	3	This initiative establishes a Freshwater Farm Plan system as the regulation to implement farm plans have been implemented. We support this initiative as freshwater system in NZ currently lack a national monitoring system which will be established through this initiative.
14322	Priority	Conservation	Collective delivery of the Predator Free 2050 Strategy	This initiative will address the urgent threat of possums, stoats and rats destroying our native bird and invertebrate populations. The investment proposition implements the Predator Free 2050 strategy through a mix of operational projects, such as offshore island eradications, as well as support programmes to ensure capacity for long-term success (e.g. growing professional capacity, research and development, and supporting community contributions).	[33]						4	5	3	Support scaled. This bid has a large FTE request, though it only ramps up in 2023/24, with the FTE sought being disproportionately based in the regions.
14323	Priority	Conservation	Ramping up deer management and goat control	This initiative will reduce browsing pressure from deer and goats by scaling up direct management in the field and improved co-ordination across agencies and organisations. A national programme will coordinate across the sector to prioritise effort, enhance capacity, and monitor and evaluate outcomes. Regional- and site-based planning and management will be designed to balance the ecological impacts with the cultural, recreational, and economic values that these animals may provide.	[33]		30.000		[33]		4	5	4	Support in full. FTE requirements may pose a delivery risk in the tight labour market, but this is mitigated by the initiative ramping up in 2023/24.
14316	Priority	Agriculture, Biosecurity, Fisheries and Food Safety	National Pathway Management Plan for Clean Hulls	This initiative will pilot a Clean Hulls Programme for the upper North Island, covering 70% of New Zealand's vessel fleet. The programme aims to prevent the spread of invasive marine species that can have significant impacts on the marine environment, marine based industries, and aquaculture, and taonga species. It will include development and implementation of a National Pathway Management Plan (under Biosecurity Act) which will require boat owners to keep boat hulls and equipment free of biofouling and invasive species.	[33]		5.560		[33]		3	4	4	Support in full. A consistent domestic regulatory regime is needed to more effectively manage the risk of marine pest spread across Aotearoa. Risks of deferring implementation until 2025 are unknown.
14319	Priority	Conservation	Implementation of marine protection and localised management actions	[33]							4	5	3	[33]
[33]											4	4	4	[33]

Natural Resources Cluster Initiatives: Cluster Low, Medium, and High Packages

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					Opex Total	Capex Total	Opex Total3	Capex Total4	Opex Total5	Capex Total6				
[33]														[33]
14321	Priority	Conservation	Reducing extinction risk for key flagship marine species	This initiative delivers dedicated measures to address threats that pose extinction risk to key marine taonga species. This initiative supports Objective 10 of the Aotearoa New Zealand Biodiversity Strategy 2020 (ANZBS) – Ecosystems and species are protected, restored, resilient and connected from mountain tops to ocean depths. Key elements include research to inform actions to reduce the fatal disease risk to Māui dolphin from toxoplasmosis, and actions to protect Aotearoa's southern flagship species from extinction.	[33]						4	4	3	This new spending initiative is supported. Key species in the marine environment face extinction (Māui dolphins) and require specific management measures supported by research and improvements in fisheries practices. Capacity issues could for specialist craft is a risk to delivery for the NZ based marine science/research related contractors, this has previously been mitigated through detailed planning and negotiating staggered start dates for contracts, and using overseas resources.
[33]											3	4	3	[33]
											3	5	2	[33]
Submitted alongside the package														
14224	Cost Pressure	Agriculture, Biosecurity, Fisheries and Food Safety	Continuing the Mycoplasma bovis programme delimiting phase and developing and implementing future phases of eradication	This funding will enable the M. bovis Programme to continue finding the last infected properties, pay any eligible compensation and fund the Programme's Transition to a National Pest Management Plan for the long-term surveillance phase. Without this funding, management of the disease would revert back to industry and individual farmers, and the disease would likely cause significant production losses for the dairy and beef industries.	[33]						3	5	5	We support funding this initiative to continue the M. Bovis response. Subsequent to submitting the initiative, MPI has revised the costings with newer information about the current state of M. Bovis. The high end cost requirement for 2022/23 has been revised to \$68.36 million.

Annex A: CERF Initiatives

ID	Portfolio	Title	Description	Funding sought			Funding recommended (Treasury package)				Treasury comments	Funding recommended (Climate CE package)	Climate CE comments	Difference between Climate CE and Treasury
				Opex avg (\$m)	Opex total (\$m)	Capex total (\$m)	Opex avg (\$m)	Opex total (\$m)	Capex total (\$m)	Opex and Capex Total (\$m)		Opex and Capex total, coloured to show difference from CE preferred (\$m)		
14056	Agriculture	Agriculture emissions reduction - Developing the He Waka Eke Noa pricing system (phase one) □	This initiative funds essential development work necessary to support and enable decisions during 2022/23 on the options for the implementation of the agricultural emissions pricing scheme in accordance with new obligations under the Climate Change Response Act 2002. □	\$ 1.57	\$ 6.28	\$ -	\$ 1.57	\$ 6.28	\$ -	\$ 6.28	\$ 6.28	The agriculture emissions pricing scheme is essential to future emissions reductions. Funding to progress a business case is required to progress work and ensure the scheme is in place within statutory timeframes.	No difference	
14058	Agriculture	Agriculture emissions reduction - Accelerating development of greenhouse gas mitigations □	This initiative will accelerate development and uptake of high impact agricultural mitigation technologies, reduce greenhouse gas emissions, and help meet our targets and international commitments. Funding will accelerate research, grow capability, expand greenhouse gas measurement capacity, streamline the path to market, and deliver demonstration programs to ensure there are fit for purpose tools for use on farm. Expanding international collaborations and our cleantech sector through innovation prizes will further raise both our international standing and contribution to reducing global agricultural emissions. Funding will also support matauranga-based approaches to reduce agricultural emissions, providing further options for Maori and non-Maori landowners to improve sustainability.	\$ 84.69	\$ 338.75	\$ -	\$ 84.69	\$ 338.75	\$ -	\$ 338.75	\$ 338.75	This bid has potential to enable significant emissions reductions in the longer term. It is also important that the CERF is seen to contribute significant funding to finding solutions to agriculture emissions. There are currently few mitigating technologies available to farmers. There is a strong prospect of leveraging significant private sector commitment and contributions, with discussions ongoing with the private sector on the potential development of a centre to drive commercialisation and secure private sector funding.	No difference	
14059	Agriculture	Agriculture emissions reduction - Supporting producers and Maori entities transition to a low emissions future	This initiative ensures farmers, growers and whenua Maori entities (producers) can access support and have the confidence to move to low emissions farm systems. Building on the He Waka Eke Noa partnership, it funds access to credible information and communications to help shift attitudes. It will increase on-the-ground and on-farm activities aimed at helping producers change farm practices and adopt new technologies, including through local producer groups focused on reducing emissions. It funds tikanga-based programmes to develop and support long-term low emissions profiles for whenua Maori. These tikanga-based programmes will be designed by Maori, with support from MPI, and supported by rohe-based Maori kaiarahi (pathfinders) to pilot and support implementation for whenua Maori.	[33]		\$ 0.65	[33]		\$ 0.65	[33]		Though this initiative is categorised as equitable transition, it also has a very strong foundational aspect. Together, this makes it a high priority for funding. It has a large systemic impact that is essential to supporting the agriculture sector's contributions to Emissions Budgets. The initiative will help ensure producers and Māori entities have access to specialised support and know how to make on-farm practice changes ahead of emissions pricing being introduced in 2025. It will support technology adoption as mitigations become available.		
14030	Climate Change	Maori Climate Action [33]	[33]	[33]			\$ 5.46	\$ 21.84	\$ -	\$ 21.84	[33]	Partnership with Māori is required from the beginning of the climate response as Māori will be disproportionately impacted by climate change. At the minimum, funding should be provided for the scaled version of the bid that enables all aspects to begin as they will take time to establish. If funding is available, there is value in fully funding the initiative.		

[33]

14051	Climate Change	Delivering New Zealand's international climate change target through offshore mitigation	This initiative provides funding to develop options for delivering 102MT offshore mitigation needed to meet New Zealand's international climate change target. This initiative supports meeting recommendations 30, and 31 of the Climate Change Commission's advice to Government. It includes work to scope, identify and develop sources of offshore mitigation including options in the Asia-Pacific region that support sustainable development, negotiate and implement links between the NZ ETS and international ETSs, and a strategy for sourcing offshore mitigation that can be shared publicly. This funding is required as this is a new work programme and requires specialised and specific capabilities and skillsets that are not captured by existing international climate work programmes.	[33]								Support scaled. This work programme will develop options to secure offshore mitigation to meet Aotearoa's target for emissions reduction under the Paris Agreement. We recommend scaling travel funding. This change will enable the work programme to proceed with minimal additional risks.		Though this initiative is not a high priority for delivering the domestic-facing ERP, it is included due to the international commitment New Zealand has made. It has been scaled back to reduce travel and staffing levels.
14055	Climate Change	Enable a scaled-up, high quality Voluntary Carbon Market	This initiative will fund a government-supported framework and approval scheme for a voluntary carbon market to serve the Carbon Neutral Government Programme and businesses. The bid includes: <ul style="list-style-type: none"> Developing rules and standards to ensure credibility of offsets Investigating offset opportunities for CNGP Creditation for providers and approval for projects. This will enable offsets that will achieve real emission reductions or removals, and which will help New Zealand meet targets. It will facilitate offsets in the order of 2 million tonnes CO2e per year (15-20 times the current market) while moving from mostly offshore credits to investing in New Zealand.	[33]								Support scaled. The existing voluntary carbon market (VCM) is small, largely reliant on offshore offsets and has variable credibility and environmental integrity standards. This initiative proposes a government-supported framework and approval scheme. We are not convinced that the most appropriate role for government in this market has been sufficiently explored to support funding. VCMs are predominantly private sector led in similar jurisdictions. There are also multiple delivery risks, including additional pressure on MFE resources and a lack of domestic certification services. While the CNGP has December 2022 reporting milestones, scoping work will identify the most appropriate enduring roles for government and the private sector. We recommend a 6-month scoping project with 3 FTE.	[33]	While agency activities to comply with CNGP should be considered business as usual and funded from baseline for agencies, there is further design work required to ensure the offsetting element of the programme has integrity, and to prepare and publish guidance by mid-2024 to support offsetting from 2025. A minimum amount of funding is required in Budget 2022 for FTE to get this work underway. [33]

Annex A: CERF Initiatives

ID	Portfolio	Title	Description	Funding sought			Funding recommended (Treasury package)				Treasury comments	Funding recommended (Climate CE package)	Climate CE comments	Difference between Climate CE and Treasury	
				Opex avg (\$m)	Opex total (\$m)	Capex total (\$m)	Opex avg (\$m)	Opex total (\$m)	Capex total (\$m)	Opex and Capex Total (\$m)		Opex and Capex Total (\$m)		Opex and Capex total, coloured to show difference from CE preferred (\$m)	
14286	Climate Change	Emissions Reduction Plan Performance Monitoring	This initiative will fund a suite of monitoring and accountability mechanisms to ensure that delivery of the emissions reduction plan is on track. This includes funding adequate resources to monitor implementation and hold the public sector accountable; resourcing to track and forecast progress against targets to quantify the fiscal impact of meeting Nationally Determined Contributions under the Paris Agreement; and funding for a review and expansion of Climate Implications of Policy Assessments, to improve the effectiveness of policy development and decision making. These initiatives would ensure future policymaking supports the equitable transition to a low emissions economy. This initiative is linked to the Improving Climate Data Infrastructure initiative.	[33]											
14248	Environment	Reducing emissions from waste	[33]								Improved waste data, and investment in collection and processing infrastructure for organic waste is critical for reducing biogenic methane from organic waste (at present this is quite piecemeal). We recommend funding a scaled option that includes infrastructure investment for 2022/23 and 2023/24 (in addition to waste levy contributions), at which point waste levy revenue should begin to support these infrastructure investments. The scaled option also assumes more waste levy contributions to emissions reduction infrastructure than the preferred option. We recommend that waste data requirements be funded for four years because that will be critical for monitoring of the Emissions Reduction Plan, and also recommend funding behaviour change programmes.	[33]		This is being proposed as a minimum viable package for this initiative allowing for sufficient progress to be made to achieve the emissions pathway. If funding is available, there is an alternative scaled package that is preferred by MFE that achieves significantly better emissions reductions than the minimum viable package. In future budgets, fully funding the initiative could be considered to achieve the full abatement potential.	
14057	Forestry	Increasing woody biomass supply to replace coal and other carbon intensive fuels and materials	Woody biomass offers the best alternative to coal, and sufficient supply is critical to decarbonisation. Projections show New Zealand faces woody biomass shortages by 2030, while demand is expected to rise sharply as efforts to reduce carbon emissions from fossil fuels pick up pace. This initiative will increase biomass supply and stimulate private sector investment to alleviate projected shortages, through Crown planting 10,000ha of short rotation energy forest, and targeted research and development. The initiative will help transform forestry and wood processing to a high-value, high wage sector. Action is needed now to stimulate biomass production and provide certainty to a developing industry which will play a critical role in the just transition to a low emissions economy.		\$ 9.26	\$ 37.04	\$ 61.59	\$ 7.37	\$ 29.49	\$ 61.59	\$ 91.09	\$ 91.10		For hard-to-abate industries woody biomass offers a potentially strong alternative to coal, and sufficient supply is critical to decarbonisation of those industries. Action is needed now to stimulate biomass production and provide certainty to a developing industry which will play a critical role in the just transition to a low emissions economy. The research components are important but can be delayed. Note this bid has a large CAPEX component.	No difference
14061	Forestry	Establishing native forests at scale to develop long-term carbon sinks and improve biodiversity	This initiative responds to the Climate Change Commission Recommendation 25: increase native afforestation to create permanent carbon sinks to offset emissions from hard-to-abate sectors. It removes some key barriers for native afforestation: increases propagation capacity, using automated technology to scale up native seedling production and reduce costs; facilitates innovation in seed collection, propagation and forest establishment including restoration, through focused research; and develops a long-term national strategy and action plan to grow native forests in partnership with rural landowners, iwi/Maori, foresters, communities and the private sector. In addition to carbon benefits, this programme aims to benefit biodiversity to support wider environmental outcomes, and te ao Maori.	[33]				\$ 16.15	\$ 64.61	\$ 80.35	\$ 144.96	\$ 145.00		This bid is seen as critical to creating permanent carbon sinks to offset emissions from hard-to-abate sectors. The native forestry sector requires government funding to overcome current market barriers that prevent sequestration being brought to the necessary scale. This bid is also expected to have secondary benefits including improved biodiversity outcomes and increased regional employment. The incentive fund can be deferred while further work is undertaken but should be considered in future budget rounds. Note this bid has a large CAPEX component.	No difference
14062	Forestry	Maximising carbon storage: increasing natural sequestration to achieve New Zealand's future carbon goals	[33]									[33]		The scaled option would reduce the component of the bid associated with increasing incentives to plant timber used for long lived wood products. The scaled down option is still estimated to stimulate the processing of an additional 1 million cubic metres of logs into long lived wood products. If uptake is high and effectiveness is promising, further capital and operational funding could be sought through future budgets. Note this bid has a large CAPEX component.	[33]
Total					\$ 281.31	\$ 1,125.26	\$ 262.01	\$ 179.40	\$ 717.61	\$ 148.50	\$ 866.11	\$ 1,097.64			

Annex B: Climate portfolio initiatives in the Cluster and main Budget processes

ID	Initiative Type	Title	Description	Funding sought			Funding recommended (Vote team)			Funding recommended (draft package)			Treasury comments
				Opex avg (\$m)	Opex total (\$m)	Capex total (\$m)	Opex avg (\$m)	Opex total (\$m)	Capex total (\$m)	Opex avg (\$m)	Opex total (\$m)	Capex total (\$m)	
14234	Climate portfolio, main Budget process	Supporting He Pou a Rangi Climate Change Commission to advise on a thriving, low emissions and climate resilient future	[33]	[33]			\$ 3.12	\$ 12.46	\$ 2.76	\$ 3.12	\$ 12.46	\$ 2.76	The Climate Change Commission faces cost pressures which create risks for their work to advise the government on a range of climate-related issues. However, some components of this initiative are not critical, and can be removed or deferred. Recommend funding a scaled amount to reflect pressures on the Commission's existing resources, excluding components not considered critical. Included components include the current Judicial Review defence, science and economic capabilities, the adaptation team, the additional Board member, the Maori advisory body, new modelling capability, and accommodation. [33]
14245	[33]						\$ 0.44	\$ 1.75	\$ 2.76	\$ 0.44	\$ 1.75	\$ 2.76	Support scaled. We support the critical upgrades sought in the initiative [33] These could be considered alongside any recommendations from the EPA's upcoming baseline review.
14295	Climate portfolio, Natural Resources Cluster process	Climate change funding to deliver adaptation and New Zealand's low-carbon future	This initiative provides funding for urgent cost pressures in the Ministry for the Environment climate change work programme. New legislative architecture requires increased resourcing to implement. As the scale and pace of the Government's ambition on climate change has increased, the funding required for the Ministry to maintain its responsibilities and stewardship functions is significantly beyond the current baseline. Funding will ensure the Ministry can implement a complex and cross government work programme, including existing climate initiatives, while continuing to keep pace with the Governments growing ambition on climate change.										This is a multi-component cost pressure, where some components are discretionary. We recommend that existing FTE are prioritised over new due to labour constraints. We recommend funding existing He Waka Eke Noa FTE, but only a small portion of the climate litigation FTE. We also recommend scaling out components related to identifying and securing a climate evidence base, a professional development programme, forestry consultancy, and data tools for targeted groups. The last of these was submitted as a CERF bid, and was not invited for Budget 2022.
14303	Climate portfolio, Natural Resources Cluster process	Climate Adaptation Act development and delivery	This initiative will provide policy and engagement capability and technical expertise to develop a new Climate Adaptation Act (CAA) as part of reforms to the resource management system. The CAA will address complex legal and technical issues associated with managed retreat.										The timing for introduction of the Climate Adaptation Act is currently unclear, but the bid as framed seems ambitious given pressure in this area of policy development, which creates a delivery risk. Given labour market constraint across government, we recommend dedicating a smaller number of new FTE to this work, particularly given the existing team is much smaller than the number of new FTE sought.
Total				\$ 22.44	\$ 89.77	\$ 9.45	\$ 3.55	\$ 14.21	\$ 5.52	\$ 17.29	\$ 69.15	\$ 5.52	

Cluster Budget Initiatives Submitted Through the Main Budget Process

	Opex annual average	Opex 4 year total	Capex Total
Agency Sought	36.301	145.204	40.361
Treasury supported	9.52	38.10	36.44

Initiative ID	Vote	Title	Description	Operating sought			Treasury Assessment	Operating Supported		
				Annual Average	Total	Capex total		Annual Average	Total	Capex total
14136	Agriculture, Biosecurity, Fisheries and Food Safety	Enabling New Zealanders and international travellers to access the outdoors for active transport and recreation	This initiative enables the New Zealand Walking Access Commission (the Commission) to continue to create and support public access to the outdoors for New Zealanders and visitors, and to maintain existing public access. It will do this by creating and supporting new opportunities for access by Maori, enhancing and supporting management of Te Araroa Trail, providing resources to support New Zealand's volunteer sector, developing and managing regional access projects, collaborating with central and local government agencies on access issues, improving equity of access, and improving the consistency of access and mapping information. Demand for the Commission's services has increased significantly over the ten years since it was created, without any change in funding level over that time.	[331]			Walking Access Commission (WAC) are requesting a significant increase in personnel by 2024 to maintain current service delivery and to implement the findings of a 2019 MPI-led review. WAC face a \$1.806m drop in funding from 1 July 2022 and will return to its baseline funding of \$1.789m. This will limit their ability to meet statutory obligations and deliver routine services, which the MPI review found to be valued by the public. We recommend continuation of 2020/21 and 2021/22 levels of funding in 2022/23 to meet current demand. This is until WAC have consulted on the findings of the 2019 review, and have better idea of cost implications of their response. Under recommended option, Treasury officials will have an opportunity to scrutinise the value for money of proposed responses.	0.452	1.806	-
14137	Agriculture, Fisheries and Food Safety	Future of Certification – Electronic Certification (E-cert) Systems Replacement	This initiative will replace, consolidate and modernise New Zealand's export and import certification systems. These systems are managed by the Ministry for Primary Industries (MPI) and facilitate the two-way trade of primary exports and imports with overseas markets. Each year, \$33 billion of New Zealand's primary sector exports are dependent on official assurances to access overseas markets. The investment to modernise our certification systems will support the Government's objective of accelerating our economic recovery from COVID-19 by supporting exports and primary sector growth, in line with the primary sector roadmap outlined in Fit for a Better World. Supporting the implementation of Fit for a Better World is specifically included within the Labour Party Manifesto.	[331]			This initiative replaces and modernises New Zealand's two-way trade certification system with a cloud-based technology solution. Investment will ensure that primary exports remain competitive, and market access with key trade partners is maintained. The net fiscal impact of the investment is minor as cost recovery mechanisms will begin to cost recover Crown funding from 2025/26. The detailed business case and preferred option for investment is expected to be considered by Cabinet in February 2022. Cabinet's decision will inform the option chosen and final funding decision.	[331]		
14234	Environment	Supporting He Pou a Rangi Climate Change Commission to advise on a thriving, low emissions and climate resilient future	[331]				The Climate Change Commission faces cost pressures which create risks for their work to advise the government on a range of climate-related issues. However, some components of this initiative are not critical, and can be removed or deferred. Recommend funding a scaled amount to reflect pressures on the Commission's existing resources, excluding components not considered critical. Included components include the current Judicial Review defence, science and economic capabilities, the adaptation team, the additional Board member, the Maori advisory body, new modelling capability, and accommodation. Components not considered critical cost pressures include the dedicated litigation fund, dedicated 5K request fund, Legal Advice, IT infrastructure, reinstating funding and Maori capability.	3.115	12.460	2.760
14242	Environment	Implementation of a Chemical Map information database enabling improved environmental management	This initiative will deliver data to facilitate the effective and efficient allocation and use of resources for protecting, preserving, and restoring the natural environment, and promoting the recovery of threatened species. Specifically, a chemical map to visualise chemical information, for example, exposure to chemicals by population, and toxic chemicals in groundwater, freshwater and the marine environment, and a national programme of two-yearly monitoring of hazardous chemicals in groundwater.	[331]			Support in full. There is evidence that a chemical map would improve NZ's environmental monitoring and management and could prevent chemical inputs into the environment becoming significant issues in the future by identifying and mitigating harmful inputs early. This initiative also leverages earlier work in mapping chemicals in the environment.	[331]		
14243	Environment	Environmental Protection Authority Compliance Monitoring and Enforcement Case Management System Implementation	This initiative will implement a new IT system to enable a more efficient and effective delivery of the Environmental Protection Authority's Compliance, Monitoring and Enforcement functions across six Acts. As a regulator, our work is based on the management of 'cases' involving multiple regulated parties and duty holders, and enquiries from the public and stakeholders. The case management system will enable a cases-approach by reference to consents or approvals, enquiries, compliance cases, or investigations. This system will replace multiple excel spreadsheet-based system of tracking cases.	0.331	1.325		Support in full. This initiative will enable the EPA to transition to a cloud-based IT system for compliance, monitoring, and enforcement (CME) case management, which will improve EPA's CME activity, particularly as the volume of their CME activity grows. At present, EPA manage CME activity on Excel spreadsheets, which is labour-intensive and error prone. The scaled option includes the same IT component, but less resourcing to set up the new system, which may compromise implementation in a constrained timeframe.	0.331	1.325	-
14245	Environment	[331]					Support scaled. We support the critical upgrades sought in the initiative but recommend deferring useability and reporting improvements as these are not critical cost pressures. These could be considered alongside any recommendations from the EPA's upcoming baseline review.	0.439	1.754	2.760

Cluster Budget Initiatives Submitted Through the Main Budget Process

	Opex annual average	Opex 4 year total	Capex Total
Agency Sought	36.301	145.204	40.361
Treasury supported	9.52	38.10	36.44

Initiative ID	Vote	Title	Description	Operating sought			Treasury Assessment	Operating Supported		
				Annual Average	Total	Capex total		Annual Average	Total	Capex total
14246	[33]									
14247	Environment	Implementing Government's oceans & fisheries objectives & the Aotearoa NZ Biodiversity Strategy: Improved marine sys res	This initiative addresses long-standing issues and emerging opportunities in the marine management system. It makes practical progress towards an improved marine management system that provides greater certainty for economic development and improved outcomes for marine biodiversity. Across oceans agencies, this initiative will support improved marine spatial planning, implement current marine protection initiatives, increase capacity for protected species management, accelerate aquaculture development and improve management of estuaries.	0.384	1.537		This is a dummy initiative for the non-cluster impacts of the related to a Cluster bid of the same title			
14268	Conservation	Whakapapa 3 Waters Infrastructure – Compliance and Asset Management	This initiative will provide funding for upgrades and renewals of existing 3 waters assets which are at or nearing end of life, as well as funding for construction of new infrastructure. These works will enable DOC to obtain and comply with a new resource consent to discharge effluent to land and provide the necessary investment to manage assets, so that DOC can continue to safely and sustainably provide 3 waters services to the users at Whakapapa, within the Tongariro National Park, meeting its obligations as the local bodies services provider.	1.037	4.147	11.385	Upgrades and renewals of existing three waters assets are necessary in Whakapapa to prevent further degradation of a taonga, which DoC must deliver as the local body for Whakapapa and to meet their Treaty of Waitangi obligations. We recommend funding this initiative in full but holding it in a tagged contingency subject to an implementation business case. This initiative is a short-term tactical solution to a larger issue (about DoC's asset management and the future of Tongariro National Park), and more funding will be sought until an enduring solution is identified. DoC should work with local iwi and Maori, Te Waihanga, and other stakeholders to find a more enduring solution, but we support this urgent work in the meantime.	1.037	4.147	11.385
14270	Conservation	Passenger Vehicle Electrification Project	[33]			5.127	We recommend funding this initiative because purchasing 148 battery electric vehicles and associated charging infrastructure will help meet the Department of Conservation's (DoC's) obligation to be emissions neutral by 2025 (under the Carbon Neutral Government Programme). DoC originally received funding for this from the State Sector Decarbonisation Fund for 2021/22 but missed an expense transfer for it due to human error and therefore that capital injection has been returned to the centre. If this initiative is not funded, DoC will reprioritise in baselines to complete this project, which will exacerbate their existing cost pressures.	[331]		5.127
14271	Conservation	Dolomite Point Redevelopment Project	This initiative is seeking \$2.968 million of new funding for Vote Conservation in 2022/23, including \$0.739 million of non-departmental capital funding and \$2.229 million of non-departmental other funding, to deliver the Dolomite Point Redevelopment Project. The funding sought will replace funding that had been secured from the Provincial Growth Fund at Budget 2019 but was unspent and not expense-transferred in 2019/20 and 2020/21. This funding is critical for project success, iwi relationships, milestone progression, and stakeholder credibility.	0.557	2.229	0.739	We recommend funding this initiative because it will enable DoC to deliver the Dolomite Point Redevelopment Project. DoC originally received funding for this from the Provincial Growth Fund in 2018 and Budget 2017 but missed an expense transfer for it due to human error and therefore that capital injection has been returned to the centre. If this initiative is not funded, DoC will reprioritise in baselines to complete this project, which will exacerbate their existing cost pressures.	0.557	2.229	0.739
14289	[33]									
14306	Environment	Resource Management Reform Implementation	This initiative will provide funding to enable the successful delivery of the government's resource management reforms. Although some funding has been previously provided to support the legislative change process, this additional funding is required to achieve a successful implementation of the reform programme. This initiative is focused on providing funding for central and local government and Iwi/Maori to enable the successful implementation of the resource management reforms that are being progressed through the legislative changes.	[331]			This is a dummy initiative for the non-cluster impacts of the related to a Cluster bid of the same title	[331]		