

The Treasury

Budget 2024 Information Release

September 2024

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [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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Budget 2024 Bilateral: Hon Todd McClay, Minister of Agriculture and Forestry

Proposed Agenda

We recommend focussing your discussion on the following points:

- **Item 1:** Baseline reduction target and savings options.
- **Item 2:** Targeted policy savings: Agricultural emissions pricing.
- **Item 3:** Managing within baselines.

Budget 2024 Package – General Information

- Following agency submissions for Budget 2024, both operating and capital demands are significantly higher than the funding available.
- This ambition for new spending will not be achievable from both a fiscal and delivery perspective.
- We therefore recommend you emphasise to Ministers that it will be necessary for them to consider what the Government does at this Budget versus future Budgets.
- We also recommend that you continue to push Ministers on where further savings could be realised, particularly with regards to stopping funds and programmes not aligned with your priorities or addressing back office and contractor and consultant growth.
- Finally, we recommend that – where appropriate – you re-emphasise that you are taking a stricter approach to out-of-cycle requests for funding ahead of Budget 2024, to ensure that the Government can assess the relative benefits of proposals across the full Budget package.

Vote Summary

Portfolio background

1. Minister McClay is the responsible Minister for Vote Forestry and Vote Agriculture, Biosecurity, Fisheries, and Food Safety, both of which are administered by MPI.
2. The agency has two main functions: 1) delivering core regulatory functions to **protect** New Zealand's primary sectors and human health as well as compliance with trade and legislative requirements; and 2) facilitating primary sector **growth** and **sustainability** through support services, research, and industry investment.
3. The agency's baseline profile (capital and operating expenditure aggregated) grew from \$1.014 billion in 2017/18 to \$1.558 billion in 2023/24 (+52.7%). ~70% of total cumulative growth over this period was driven by four items:

Growth driver	Classification	Contribution to growth (%)
Eradication of Mycoplasma bovis (M. bovis)	Adverse event response	47%
Aquaculture settlements	Legislative requirement	11%
The Climate Emergency Response Fund	Policy programmes	7%
North Island Weather Events	Adverse event response	6%

4. The agency's baseline is set to decrease to \$1.081 billion per annum by 2027/28 (-31% from 2023/24) when factoring in the proposed baseline savings and the

planned end of time-limited programmes. The agency has also delivered cumulative ~\$214 million in savings from previous exercises across 2023/24, largely from CERF funding provided at Budget 22.

5. Approximately 20-30% of the agency’s departmental baseline is cost recovered, although this fluctuates year-to-year (e.g., due to passenger and cargo volumes).

Item 1: Baseline Reduction Target and Savings Options

For this agenda item we recommend you:

- [33]
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- **Discuss** closing the Establishing Native Forests at Scale to Develop Long-Term Carbon Sinks and Improve Biodiversity tagged contingency as it carries high opportunity costs.
- **Direct** MPI officials to provide the Treasury information on costings to give effect to your decisions within two working days of this meeting.

	Department submitted	Treasury recommended
Baseline savings over forecast period (% target achieved)	\$252.800 million (100%)	\$244.100 million (96.6%)
[33]		

6. The agency’s submission largely achieves its baseline reduction target. The agency was not invited for cost pressures or new spending.
7. We consider the baseline savings options are credible, appropriately focussed on more discretionary areas of spend, and are aligned to the Government’s Budget priorities to deliver effective and fiscally sustainable public services and building for growth and enabling private enterprise. MPI’s savings package, the planned end of time-limited programmes, and savings returned earlier in 2023 collectively bring baselines back in line with 2017/18 levels.
8. ~50% of MPI’s proposed savings come from organisational efficiencies, focussed mainly on streamlining back-office and enabling functions¹. Factoring in these

[33]

savings would reduce FTE growth from 53% to ^[33] relative to 2017 levels. The balance of FTE growth is mainly in cost recovered functions (due to growth in demand and risk), which are fiscally neutral to the Crown. Further planned reductions in FTE numbers are expected as time-limited programmes, like M. bovis, wind down.

9. ^[33] of the agency's baseline savings come from CERF-related initiatives. The agency has not quantified aggregate emissions impacts, but we consider most impacts would be indirect due to the nature of the savings proposed.

[33]

[33]

18. No further savings are possible for the following initiatives in the submitted package as all remaining funding is contracted:

Title	Draft package		Treasury recommendation and comment	
	Total Operating (\$m)	Total Capital (\$m)		
ID 15653: Woody Biomass Planting Programme – Return of Funding	(8.000)	-	Support	We support this savings proposal, as it is the result of efficiency savings achieved by the agency in delivering the initiative at a lower cost than budgeted. We consider risks associated with this initiative are low (as the programme scope will be delivered as intended) and are outweighed by the fiscal benefit to the Crown. These changes are implementable from 2024/25.

ID 15672: Sustainable Land Management and Climate Change Programme (SLMACC) — Return of Uncommitted Funding	(18.200)	-	Support	We support this savings proposal, as we consider the risks associated with this initiative are low and are outweighed by the fiscal benefit to the Crown. Savings are derived from winding down discretionary investment and grant funding from the SLMACC. Risks to winding down the SLMACC are mitigated as similar supports are available through the Accelerating New Mitigations fund. These changes are implementable from 2024/25.
ID 15663: Mātauranga Māori-Based Approaches to Agricultural Emissions Reduction - Reduction in Programme	(37.000)	-	Support	We support this savings proposal, as the risks associated with this initiative are low and are outweighed by the fiscal benefit to the Crown. Savings are achieved by rationalising two similar industry grant funding pathways for emissions reduction support. We consider the potential distributional and emissions impacts of not providing this support are partially mitigated as mātauranga Māori-based approaches to agricultural emissions reduction will still be eligible for funding through the retained support pathway – the Accelerating New Mitigations fund. These changes are implementable from 2024/25.

[33]

20. [33]

You may wish to discuss closing the native afforestation tagged contingency

21. This tagged contingency was established at Budget 2022 funded from the CERF.⁴ \$55.339 million (over the forecast period) remains in the contingency. A portion of the tagged contingency was returned for savings in 2023. We recommend closing this contingency as funding has been underutilised to date and its extension has opportunity costs for funding other Government priorities. We consider funding is best sought when policy priorities for native afforestation are agreed. However, we note this initiative supports actions under the first emissions reduction plan and may have quantified emissions budget impacts.

Item 2: Targeted policy savings: Agricultural Emissions Pricing

For this agenda item we recommend you:

- **Note** that the pricing policy is in the early stages of development and there is a fiscal imperative to return funding that is not needed for immediate priorities.
- **Discuss** that the draft package provides scaled funding of [33] for 2024/25 only to implement on-farm emissions measurement commitments.
- [33]

Title	Draft package		Treasury recommendation and comment	
	Total Operating (\$m)	Total Capital (\$m)		
ID 15687: Agricultural Emissions Pricing – Return of Tagged Contingency	[33]	-	Support scaled	<p>MPI sought to retain funding for the end-to-end implementation of agricultural emissions pricing. The Government has committed to measuring on-farm emissions by 2025 and pricing these emissions by 2030. We recommend returning [33] of the tagged contingency [33] to implement on-farm emissions measurement commitments. [33]</p> <p>Alternatively, the full contingency could be returned now but this could prevent achievement of the 2025 commitment.</p>

⁴ Funding is held in tagged contingency while MPI progress a detailed business case to drawdown funding, which they indicate would be completed by the end of June 2025. The funding aims to support more cost-efficient native seedling development to drive greater levels of native afforestation.

22. [33]

23. [33]

This would allow the Government to progress critical path activities to deliver on the manifesto commitment to measure on-farm emissions from 2025. We understand that the policy framework for measurement is well-advanced. This provides a pathway for mandatory emissions reporting and pricing in future.

24. [33]

Item 3: Managing within baselines

For this agenda item we recommend you:

- **Note** that current pressures are manageable within baselines but that trade-offs will be required, which could include stopping some policy programmes outright.
- **Note** that reprioritisation to manage cost pressures should first consider areas associated with discretionary spend [33] rather than areas that impact MPI's core regulatory responsibilities.
- **Ask** what areas Minister McClay is considering for reprioritisation.

25. [33]

26. The agency is reviewing reprioritisation options to meet critical cost pressures. We have not sighted the options yet. [33]

Reprioritisation from core regulatory functions is higher risk and a significant portion of the associated funding is cost recovered. Supporting effective cost recovery will be essential to maintaining MPI's service levels for these functions.

27. Responding to adverse events is a key unquantified and uncertain pressure. Examples include a large biosecurity incursion, extreme weather, or food safety event. You will have choices over if and how to respond at the point they happen.

Treasury Contacts:

Maisie Hance, Analyst, Natural Resources, [39]

James Haughton, Manager, Natural Resources, [39]