

The Treasury

Budget 2024 Information Release

September 2024

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Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

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Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
- [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
- [40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

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Hon Nicola Willis

Minister of Finance
Minister for the Public Service
Minister for Social Investment
Associate Minister of Climate Change



12 March 2024

Hon Penny Simmonds
Minister for the Environment
Parliament Buildings

Dear Penny

INDEPENDENT RAPID REVIEWS FOR BUDGET 2024

I am writing to provide more information about the independent rapid reviews Cabinet discussed on Monday 4 March, to inform Budget 2024.

I appreciate your support to identify savings and efficiencies to date. Budget Ministers agree with you that there is potential for further savings from Vote Environment.

To that end, and as discussed, this letter seeks your agreement to jointly commission an independent rapid review of the Ministry for the Environment by Iain Rennie in accordance with the **attached** Terms of Reference. Recommendations for this review are provided below.

A progress update is expected in mid-March and the final report is due by 3 April 2024. I am keen for you to be actively involved in the process, including receiving progress updates and consideration of the final recommendations. There will be a small cost for the independent reviewers, which I expect to be met from your agency's baselines.

Timely access to relevant information will be critical for the review. I would appreciate you ensuring this review is a priority for the agency in the coming weeks.

Please indicate your agreement to the independent rapid review and its terms of reference by counter signing this letter and returning it to me. I acknowledge this review is coming at a time when the system is already under pressure, and I thank you for your ongoing collaboration in meeting our fiscal and policy goals.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Nicola Willis'.

Hon Nicola Willis
Minister of Finance

cc:

Hon Chris Bishop, Minister of Housing, Minister for Infrastructure and Minister for RMA reform

Hon Simon Watts, Minister of Climate Change

Hon Andrew Hoggard, Associate Minister for the Environment

Simon Court, Parliamentary Undersecretary to the Minister for Infrastructure and to the Minister for RMA Reform

James Palmer, Secretary for the Environment and Chief Executive

Caralee McLiesh, Secretary to the Treasury and Chief Executive

Recommendations

I agree and seek your agreement to the following:

agree to commission an independent rapid review of the Ministry for the Environment as per the attached Terms of Reference;

~~agree~~ / not agree
Minister for the Environment

note that the Treasury will contract the independent reviewer and costs are expected to be less than \$50,000;

note that the Treasury will provide secretariat support to the independent reviewer;

note that costs for the review will be met from baselines; and

agree to Treasury invoicing the Ministry for the Environment for these costs on completion of the review.

~~agree~~ / not agree
Minister for the Environment



Hon Penny Simmonds
Minister for the Environment

14 / 3 / 24

Terms of Reference

Independent Rapid Review of the Ministry for the Environment

CONTEXT

1. High inflation and interest rates are creating significant cost of living issues for New Zealanders and slowing economic growth. This is resulting in lower-than-expected revenue and substantial cost pressures for the Government, which has been in fiscal deficit since 2019/20.
2. This Government is committed to getting government expenditure under control after several years of significant growth across the public sector without corresponding improvement in outcomes. In doing this, we are looking for better value for money.
3. To progress our objective, the Government has an ongoing Fiscal Sustainability Programme to embed a culture of responsible spending across Government. The first step in this Programme included an Initial Baseline Exercise to find savings options ahead of Budget 2024.

INDEPENDENT RAPID REVIEWS

4. The Government intends to complete a small number of Independent Rapid Reviews in advance of Budget 2024. These reviews are for agencies that we consider an independent view would be helpful to provide challenge and assure us that all savings options have been considered.
5. Independent Rapid Reviews have been commissioned based on consideration of:
 - Submissions made as part of the Initial Baseline Exercise
 - Potential to find significant additional savings
 - Growth in headcount of the agency since 2017.

TERMS OF REFERENCE

Objective

6. The Independent Rapid Review is to identify realisable savings over the forecast period (and ideally from 2024/25) to support value for money in public spending.
7. The Independent Rapid Review will increase visibility and enhance scrutiny of public spending by this agency.

Scope

8. The Government is seeking value for money from all government spending.
9. In determining where to focus, the Independent Review must take into account the expectations set by Government for the Initial Baseline Exercise, including what was asked of agencies and the protection of frontline services. For the avoidance of doubt, this includes non-departmental appropriations and public funding to Crown entities.
10. The Independent Reviewer has discretion as to their approach to this scope so long as the objectives of the Independent Rapid Review are met.
11. Given the timing for this review, as a starting point the Independent Reviewer will have available the material already put forward by agencies in their Initial Baseline Exercise.
12. The Independent Reviewer will likely need to focus on:
 - Areas identified in the guidance for the Initial Baseline Exercise, including low-value programmes, programmes not aligned to the Government's priorities and non-essential back-office functions, to assess gaps and opportunities as to whether there are additional savings options to support value for money
 - Protection of frontline services
 - Areas of FTE and contractor and consultant growth
 - Contestable funds and grants.
13. The Independent Reviewer is to provide savings options to meet the objectives of this Independent Rapid Review. Decisions on these savings options will be made by Ministers as part of the Budget 2024 process.
14. In doing so, the Independent Reviewer will also have regard to the changes that may be needed to the operating model of the department over the medium term, or further work necessary, to ensure its financial sustainability and ability to deliver Government priorities within tighter baselines.

Agency Context

15. The Ministry for the Environment's FTE has increased by 189% since 2017. Operating expenditure has increased by 87%. Contractor and consultant spend has increased by 87% since 2018.
16. The Review should ensure appropriate value for money is achieved, and we are seeking assurance particularly in relation to:
 - overheads and staffing mix;
 - regulatory/statutory responsibilities and functions, including but not limited to evidence and data;
 - waste expenditure, including through the Waste Minimisation Fund and product stewardship schemes;
 - Crown Entities - the Environmental Protection Authority and the Climate Change Commission;
 - residual Jobs for Nature funding, including as part of the Kaipara Moana Remediation Programme and Freshwater Improvement Fund.

Dependencies

17. The Independent Rapid Review will depend on the quality of information available to the Independent Reviewer. The agency will cooperate fully with this review to ensure the availability of information. The Independent Reviewer will heavily rely on input from expertise from within the agency. The Independent Reviewer will need to engage constructively with the agency to develop pragmatic savings options that are realisable.
18. The Independent Reviewer is not responsible for advising on the targeted policy savings prepared by the Treasury for Budget 2024, but can test and challenge these options if they consider it necessary to achieve the objectives of the Independent Rapid Review.

Product

19. The Independent Reviewer will provide a written report to the Minister of Finance and the agency Minister no later than 3 April 2024. The report should:

- describe the methodological approach taken;
- identify savings options and provide advice on those options;
- detail key assumptions and qualifications to that advice;
- provide or reference any supporting data, modelling or analysis.

20. The Reviewer will also be available to provide:

- an oral briefing on progress and emergent findings to the Minister of Finance and the agency Minister from 20 March 2024 and before providing their written report. This acts as a mid-point check-in for the review.
- an oral briefing to the Minister of Finance and the agency Minister following receipt of the written report until end April 2024.

Support

21. The Treasury will provide secretariat support to the Independent Reviewer.

Independent Reviewer

22. Iain Rennie has been engaged to act as the Independent Reviewer for this Independent Rapid Review.