



Cabinet paper material

Proactive release

Hon. Eugenie Sage, Minister of Conservation

Title: Management of Natural Heritage: Adjusting the spending profile between financial years

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These documents have been proactively released:

Cabinet paper – Management of Natural Heritage: adjusting the spending profile between financial years

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Material redacted

No material has been withheld from these documents.

In Confidence

Office of the Minister of Conservation

Chair, Cabinet Business Committee

MANAGEMENT OF NATURAL HERITAGE: ADJUSTING THE SPENDING PROFILE BETWEEN FINANCIAL YEARS

Proposal

1. This paper seeks Cabinet approval to delegate authority to the Minister of Conservation and Minister of Finance (joint ministers) to approve funding transfers in the Departmental Management of Natural Heritage appropriation between financial years within the forecast period which are fiscally neutral.

Background

2. The Management of Natural Heritage appropriation funds a diverse range of work programmes with the objective of maintaining, restoring and protecting ecosystems, habitats and species. These programmes are of a long-term nature and may take several generations for the benefits to be realised. However, when there are extreme weather or human events (either of a one-off nature or over a sustained period), the ability of the Department to respond can have significant implications on current year deliverables and achieving the stated long-term outcomes.
3. The Department has identified key work programmes/events where having the ability to rapidly alter work schedules due to changing environmental conditions (driven by either natural or human events) will mitigate the impact on intended outcomes. These include Beech Mast, Save our Iconic Kiwi, Myrtle Rust and Kauri Dieback programmes, additional fire responses, severe flooding and pest incursion escalations.
4. Predator control programmes require additional resourcing when summers are hotter/ dryer than normal, or the summer is materially warmer than the previous. Hotter/dryer summers between seasons impacts threatened species breeding habitats and stimulates wide spread seeding of beech and other trees leading to rapid predator population growth. In such instances the Department needs to respond with additional monitoring, research and field operations to deliver a larger scale or more intensive intervention programme.
5. In recent years fire response, natural disasters (flooding, earthquakes) and critical ecosystem events (Myrtle Rust, Kauri dieback) have been managed by short-term reprioritisation of funding. Again, these events are outside of the Department's control but require immediate response to support the local community or ecosystems impacted.
6. The Department is constantly at risk from unplanned pest or new pest incursions on land and islands it manages. Either the result of climate driven events (E.g. rising

water levels, higher temperatures and severe winds accelerating the spread of seeds) or human causes (accidental release of predators), island incursions such as stoat on Mototapu in 2018, incur significant additional transportation, field surveillance and trapping costs in the respective financial year.

7. The Department's current annual budget in relation to paragraphs 4, 5 & 6 above is approximately \$30-\$35 million. It is envisaged having the ability to bring forward (or delay) up to \$15 million per annum of associated research, monitoring and immediate field intervention/remediation work would significantly improve the Department's ability to manage these key programmes of work.

Current State

8. The current spending profile of the Management of Natural Heritage appropriation is as follows:

Vote Conservation Minister of Conservation	\$m				
	2018/19	2019/20	2020/21	2021/22	2022/23 & Outyears
Departmental Output Expenses: Management of Natural Heritage (funded by revenue Crown)	165.492	181.232	174.218	173.771	173.771
Management of Natural Heritage (funded by revenue other)	20.301	23.351	24.401	24.401	24.401
Total Management of Natural Heritage	185.793	204.583	198.619	198.172	198.172

9. The table above shows that the Department is expecting a significant uplift in required work programmes in 2019/20. This is due to the forecasted super beech mast event after analysing temperature data from the previous two years. It is anticipated a 1million hectare predator control programme will be required in 2019/20 instead of the baseline 800,000 hectare programme.
10. The spending profile shown in paragraph 8 assumes that spending after 2019/20 will be stable. However, the unpredictability of natural or human events could necessitate altering the phasing of the expenditure. Funding will need to be brought forward or deferred as the Department has no control over such phenomena; yet is tasked with the management of natural heritage.
11. Unpredictable and more frequent climate driven natural events leads to additional short-term resourcing issues for the Department. Its response will require funding flexibility to increase the amount of and frequency of existing management action plans. For example, beech mast seedfall events lead to rapid population growth of mice, rats and stoats. Wider scale predator control programmes will be required leading to additional procurement of baits, sourcing of helicopters, contracting rangers, greater level of monitoring in the field and the potential of emergency translocation of endangered species.
12. Associated with the beech mast seedfall events, we can expect to see an increased number of pest incursions onto pest-free islands as rodent numbers explode and through other events such as king tides aiding animal pest transportation to islands.

13. The strong winds associated with El Niño bring hot and dry weather to the east coast, but it will be very wet on the west coast. This heightens the likelihood of extreme fire risk and flooding events that put further pressure on the Department's immediate resources. A 2007 study of national fire records showed the number of wildfires had nearly doubled between 1992 and 2007 and continues to fluctuate between seasons to the present day.

The proposal

14. At present Cabinet Office (CO) Circular (18) 2 "Proposals with Financial Implications and Financial Authorities" sets out a number of guidelines and requirements for transferring spending between financial years. These can only be used in specific circumstances and hence limits the Department's ability to respond to unforeseen expenditure related to significant natural and human events.
15. CO (18) 2 section B details "Proposed financial changes that can be approved by Joint Ministers". Vote Conservation investigated using the following methods to change the spending profile in the Management of Natural Heritage Appropriation. The methods were deemed unsuitable due to the following reasons:
 - 15.1. *Front-loading of Spending*: this allows departments to bring forward funding within the forecast period for specific activities that will permanently and sustainably reduce spending in out years; This it is not suitable as there will be no permanent reduction in outyears spending in this situation.
 - 15.2. *Creating a Multi-year Appropriation and transferring some of the Management of Natural Heritage Appropriation to this new appropriation*: setting up such an appropriation is not suitable as a multi-year appropriation needs to relate to a unique multi-year project; which is not applicable in this case. The Department is seeking the transfer of funding in respect of a range of ongoing predator control programmes.
16. After consideration of both options and following discussions with Treasury, both options were deemed unsuitable. Treasury advised Vote Conservation to seek Cabinet approval for joint ministers to be delegated authority to approve adjustments to the spending profile in the forecast period of the Management of Natural Heritage Appropriation. This authority falls outside the types of financial change that can normally be approved by the Ministers in accordance with Section B CO (18) 2.
17. The Cabinet approval being sought is in accordance with Section A "Proposed financial changes that must be approved by Cabinet" of CO (18) 2.

Consultation

18. Treasury has been fully consulted in the writing of this paper.

Financial Implications

19. There are no financial implications as a result of this paper.
20. The authority sought for joint Minister's through this paper must result in fiscally neutral (total \$NIL) transfers over the forecast period (current year plus (4) outyears).

Legislative Implications

21. There are no legislative implications.

Impact Analysis

22. A Regulatory Impact Statement is not required.

Human Rights

23. The proposals outlined in this paper do not raise any issues of inconsistency with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Publicity

24. No publicity is planned.

Proactive Release

25. The Minister of Conservation does not propose to release the paper proactively.

Recommendations

26. The Minister of Conservation recommends that the Committee:

1. **Note** that due to natural phenomena, there is uncertainty with the spending profile of the Departmental Output Class Management of Natural Heritage Appropriation within the forecast period;
2. **Agree** that the spending profile of the Management of Natural Heritage Appropriation may need to be altered to reflect unforeseen natural or human events;
3. **Authorise** the Minister of Conservation and Minister of Finance jointly to approve transfers of funding in the Departmental Output Class Management of Natural Heritage between financial years within the forecast period with no effect on the overall total of the appropriation within this period.

Authorised for lodgement

Hon. Eugenie Sage

Minister of Conservation