

Briefing: Proposed Initiatives for Budget 2024

To	Minister of Conservation	Date submitted	9 February 2024
Risk Assessment	High Significant impact to delivery of conservation outcomes and frontline service delivery.	Priority	Very High
Reference	24-B-0047	DocCM	DOC-7563456
Security Level	BUDGET SENSITIVE/STAFF SENSITIVE		

Action sought	Approve the proposed initiatives for Budget 2024	Timeframe	14 February 2024 The deadline for DOC to submit initiatives to Treasury is 16 February 2024
Attachments	<p>Attachment 1 – Overview of proposed Baseline Reduction Target savings package and cost pressures savings packages</p> <p>Attachment 2 – Detailed breakdown of proposed Baseline Reduction Target savings package and cost pressures savings packages, including breakdown by function</p> <p>Attachment 3 – Description of proposed savings against Government's Budget 2024 focus areas</p> <p>s.9(2)(f)(iv)</p>		

Contacts	
Name and position	Cell phone
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Executive summary – Whakarāpopoto ā kaiwhakahaere

Budget reduction target and DOC's savings exercise

1. On 21 December, you received a letter from the Minister of Finance setting a Baseline Reduction Target (**BRT**) of \$33.8 million for the Department of Conservation (**DOC**) as part of the Government's Initial Baseline Savings Exercise for Budget 2024. This represents 6.5 percent of DOC's eligible base of savings. This letter also stated that DOC is not invited to submit any initiatives requesting new operating spending in Budget 2024, including to meet any cost pressures.
2. This briefing outlines how we recommend meeting this savings target. We seek your agreement to the proposed savings package by 15 February. Agencies are required to submit Budget 2024 initiatives, including savings initiatives, to the Treasury by 1pm on 16 February 2024 and your approval is required.
3. As advised in our previous briefing on Vote Conservation (23-B-0458 refers), in addition to the BRT, DOC has significant non-discretionary and demand-driven cost pressures including contracted pay adjustments: s.9(2)(i) in 2025/26; and an estimated additional s.9(2)(i) in 2025/26. In total, the BRT and cost pressures combined mean that DOC needs to find total savings of \$49.6 million in 2024/25 and s.9(2)(i) in 2025/26. The BRT savings package needs to be confirmed by you by 15 February, but more time is available to finalise savings for cost pressures.
4. As part of DOC's savings process for 2024/25, we have identified:
 - \$33.8 million of savings for the BRT from programmes, enabling functions and external services. These savings are expected to impact approximately 90 FTE.
 - \$15.4 million of indicative savings to fund cost pressures in 2024/25. These savings are expected to impact s.9(2)(f)(iv)
5. These savings are indicative and, as some will result in redundancies, are subject to the appropriate employment law change processes that DOC will need to undergo including consultation in good faith.

6. s.9(2)(f)(iv)

Savings will impact core services and conservation outcomes

7. We have prioritised savings which are both feasible in the timeframe and will have the least impact on core services and outcomes. However, the scale and speed required in the context of the structure and limitations of our overall finances and unmet demand, and the operational nature of our business, mean that there will be some negative impacts on DOC's ability to deliver on statutory functions, conservation outcomes and high-quality visitor experiences.
8. The proposed BRT savings are expected to have the following impacts:
 - About half of the proposed savings will have little impact as they effectively return unspent future funding that is not aligned to Government priorities (e.g., Kermadecs);
 - The remainder is a mix of:
 - i. Reducing corporate costs where impacts will be manageable (e.g., fleet, property, administration)

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- ii. Reducing services (and expert staffing levels) in the following areas: biodiversity monitoring, GIS support, halving our resource management interventions in plans and consents, and phasing out the Sentinel a Nuku ranger programme
 - iii. Reducing staffing in operational planning and support for the frontline, and strategic partnerships, both of which will require efficiencies in our approach to maintain the necessary work.
9. Unlike a number of departments, DOC does not have large structural underspends or scalable funded programmes to put towards savings – we largely have to reduce expenditure in core functions (whether back office or frontline) which are also already insufficient or under pressure. This structural challenge is the reason that some investment in capability has been provided for in recent Budgets, such as for modern financial systems, and has also prompted our Financial Sustainability Review which has been supported by the Treasury and Ministers.
10. As well as inadequate core systems, DOC also has a relatively small capacity in policy and legal services, with limited discretion in those work programmes, and a communications function that must deliver a large national public-facing service including meeting health and safety-related objectives (which also requires local knowledge).
11. DOC is under considerable additional financial pressure with the impact of extreme weather events and the unforeseen ‘inheritance’ of assets and their associated costs, such as the Chateau and the Metservice building. These events impose real costs which must be met and take funding away from critical activities such as threatened species management or weed control.
12. Phase one of the Financial Sustainability Review concluded that DOC, with the current visitor network and range of functions and statutory obligations, is not currently on a financially sustainable path, and further difficult decisions and trade-offs will be needed to address this.
13. In addition to the expected impacts outlined in paragraph 8 above, s.9(2)(f)(iv) [REDACTED]. Achieving these savings is critically dependent on certain efficiencies being realised through DOC’s simplification programme.

14. s.9(2)(f)(iv) [REDACTED]

Wider budget processes and next steps

15. On 25 January, the Minister of Finance wrote to all Vote Ministers setting out the capital process for Budget 2024 and inviting bids for new capital initiatives that meet certain criteria.

16. s.9(2)(f)(iv) [REDACTED]

17. [REDACTED]

18. **s.9(2)(f)(iv)** submit approved Budget 2024 initiatives to the Treasury by the due date of 16 February 2024. The Budget package is expected to be approved in April 2024 with Budget Day expected in late May 2024. Depending on your decisions DOC will need to commence consultation on organisational changes with DOC staff at the end of March 2024 so that savings can come into effect from 1 July 2024. We understand that approval will be needed from the Minister of Finance for departments to begin ahead of Budget announcements, and that Treasury is raising this with Budget Ministers as it affects most agencies.

We recommend that you ... (Ngā tohutohu)

		Decision
a)	Agree that DOC submits to the Treasury the savings initiatives for the Budget 2024 Baseline Reduction Target that are outlined in Attachments 1 and 2.	Yes / No
b)	Note the indicative package of savings options that DOC has compiled to cover cost pressures in 2024/2025 and 2025/2026 Attachments 1 and 2.	Yes / No
c)	Note the proposed savings package s.9(2)(g)(i) and that the savings process requires challenging trade-offs across DOC functions given our financial context.	Yes / No
d)	Note that: <ul style="list-style-type: none"> s.9(2)(f)(iv) while DOC has a simplification programme underway to achieve efficiencies, there remains uncertainty regarding the scale and timing of these efficiencies and therefore the impacts. 	Yes / No
e)	Note that: <ul style="list-style-type: none"> there are ongoing maintenance costs in relation to Ruapehu Alpine Lifts (RAL) s.9(2)(f)(iv) and that decisions will be needed in relation to these inherited assets, which will involve additional costs that we consider should not be met within DOC's baseline funding; and DOC will provide you with separate advice on these decisions. 	Yes / No
f)	s.9(2)(f)(iv)	Yes / No

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g)	s.9(2)(f)(iv) [Redacted]	Yes / No
h)	[Redacted]	Yes / No
i)	[Redacted]	Yes / No
j)	Note that this briefing is on the agenda for discussion at your weekly meeting with officials on 12 February 2024.	Yes / No
k)	Note that a letter from you to the Minister of Finance is required as part of the Budget initiative process by 16 February. Following our discussion with you on Monday, and your decisions on the briefing, we will provide a draft letter to your office on Tuesday 13 February.	Yes / No



Date: 09/02/2024

Ruth Isaac
Deputy Director-General, Policy and
Regulatory Services
For Director-General of Conservation

Date: / /

Hon Tama Potaka
Minister of Conservation

Released under the Official Information Act

Purpose – Te aronga

1. To seek your agreement to:
 - DOC's proposed savings package to meet the Baseline Reduction Target (**BRT**), and
 - s.9(2)(f)(iv) [REDACTED]
[REDACTED]

Background and context – Te horopaki

2. On 7 December 2023 we briefed you with preliminary advice on Budget 2024 (Briefing 23-B-0458 refers). We set out DOC's initial analysis of potential savings options across low, medium and high savings scenarios. On 26 January 2024 we provided you with a note outlining the indicative BRT savings package. We have now produced updated packages for your consideration and agreement.

The Minister of Finance has confirmed DOC's Baseline Reduction Target

3. The Minister of Finance wrote to you on 21 December 2023 setting out the Government's expectations for Budget 2024. A core component of Budget 2024 is an *Initial Baseline Savings Exercise* where the Minister of Finance will seek savings from government agencies. To complete the exercise the Minister of Finance has asked all Vote Ministers to look for the most appropriate savings from across their votes with a focus on:
 - low value programmes
 - programmes that do not align with the Coalition Government's priorities, and
 - non-essential back-office functions including contractor and consultant spending.
4. The Department of Conservation's (**DOC**) Baseline Reduction Target (**BRT**) is \$33.8 million per annum from 2024/25. This target is 6.5 per cent of DOC's eligible base of savings.

DOC also has significant cost pressures

5. In addition to the BRT DOC has significant non-discretionary and demand-driven cost pressures (see **Table 1**). Estimated cost pressures are \$15.8 million in 2024/25, with an additional s.9(2)(f) [REDACTED] in 2025/26. This means that DOC needs to find total savings of s.9(2)(f) [REDACTED] 2024/25 and s.9(2)(f) [REDACTED] in 2025/26.

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Table 1: DOC's estimated cost pressures

DOC's Estimated Operating Cost Pressures						
Operating forecast period	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	5 Year Total
Total estimated additional operating costs associated with cost drivers						
Personnel	s.9(2)(i)					
Personnel - Salary and Wage Inflation	[REDACTED]					
Volume	2,500,000	2,961,000	3,340,000	4,158,000	5,284,000	18,243,000
Volume - Inherited Assets	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	12,500,000
Volume - Drinking Water Infrastructure Remediation	-	461,000	840,000	1,658,000	2,784,000	5,743,000
Price	-	5,993,000	12,376,000	18,705,000	25,049,000	62,123,000
Price - Inflation	-	4,793,000	9,976,000	15,105,000	20,249,000	50,123,000
Price - Asset revaluations	-	1,200,000	2,400,000	3,600,000	4,800,000	12,000,000
Total	s.9(2)(i)					

6. Note that other cost pressures have not been included in this calculation. These include:
- increased demand on volume-driven regulatory activities that are not cost recovered;
 - the costs of resource management-related activities associated with new regulatory requirements; and
 - the cost impacts of severe weather events (e.g., the total costs associated with Cyclone Gabrielle are estimated to be between \$70 million and \$90 million over five years).

The Minister of Finance has set out additional requests as part of Budget 2024

7. On 25 January, the Minister of Finance wrote to all Vote Ministers setting out the capital process for Budget 2024 and inviting bids for new capital initiatives that meet certain criteria.
8. s.9(2)(f)(iv) [REDACTED]

You requested information providing an overview of DOC's financial position

9. On 31 January 2024 you wrote to the Director-General requesting the following financial information:
- OpEx and CapEx budgets
 - clear demarcation of contingencies, underspends, reserves and provisions in DOC's balance sheet, and
 - a comparison between 2017 and 2024 of FTE by function, and budgeted and actual expenditure.

OpEx and CapEx budgets

Table 2: OpEx and CapEx budgets for the 2024/25 financial year

Request	2017/18	2024/25
Operating Expenditure Budget	<p>The 2017/18 departmental OpEx spend by business groups was \$358.1 million</p> <p>DOC's total departmental operating budget in 2017/18 was \$383.8 million</p>	<p>The 2024/25 departmental OpEx budget for business groups is \$516.5 million.</p> <p>DOC's total departmental operating budget as the October 2023 baseline update was \$773.8 million when one-off funding is factored in from projects such as Jobs for Nature.</p>
Capital Expenditure Budget	<p>The 2017/18 departmental CapEx spend for "core" projects funded from baseline was \$20.0 million</p>	<p>The 2024/25 departmental CapEx budget for "core" projects funded from baseline is \$52.1 million.</p>

10. Key points on our OpEx budget:

- While funding has increased in recent years, much has been ringfenced for specific new initiatives, for grants to other parties, partially supported unavoidable costs or overdue maintenance catch up. For example, DOC received \$500 million over four years in Budget 2022 for the Jobs for Nature programme. DOC's funding is due to decrease by 19 per cent in 2024/25.
- DOC's cumulative operating costs increases from 2016/17 to 2021/22 were 15.9 per cent (excluding Jobs for Nature and accounting for adjustments related to Software as a Service) compared to CPI of 15.4 per cent over the same period. See slide 11 in Appendix 1 for diagram. The Regional Operations and Biodiversity, Heritage and Visitor groups receive 60 per cent of the annual business group budget.
- The Organisation Support group receives 25 per cent of the annual budget, with the majority spent on IT and Fleet costs, as well as corporate support functions. These are comparatively large due to the nature of DOC's national responsibilities.
- The remaining 15 per cent of the budget is spent by Policy and Regulatory Services, Public Affairs, Treaty Relationships and the Director General.

11. Key points on our CapEx budget:

- 60 per cent of annual CapEx is Visitor Asset replacements, including huts, tracks, structures and DOC roads.
- 30 per cent of annual CapEx is replacements for corporate property (office buildings, staff accommodation in remote locations) and fleet assets (cars, boats, small plant).
- 7 per cent of annual CapEx is replacing biodiversity assets, primarily fences.
- 3 per cent of annual CapEx is IT hardware replacements.

Contingencies, underspends, reserves and provisions

Table 3: Contingencies, underspends, reserves and provisions in DOC's balance sheet

Request	Response
Contingencies	DOC only has one tagged contingency for Ruapehu Alpine Lifts removal of redundant infrastructure.
Underspends	Like all Departments DOC must ensure it has a small underspend in each appropriation to ensure there is no unappropriated expenditure at year end. Additional underspends in recent years reflect timing of spend between financial years for major projects and programmes such as JFN, Milford Opportunities, IVL and Treaty Implementation funding. Approval has been sought each year for these underspends to be carried forward via the expense transfer process to enable the programmes to be delivered. DOC does not have a structural underspend problem, except with Treaty Settlement funding. We are working on advice on solutions.
Reserves	DOC has approximately \$394 million of asset revaluation reserves as at 30 June 2023, which are non-cash increases to the value of its assets, originally recorded at cost. DOC has cash reserves and Crown debtor balances as at 30 June 2023 of approx. \$269 million. This funds DOC's ongoing working capital and replacement of assets which are forecast to reduce the available cash balances down to a level to only support working capital by the end of 2027/28.
Provisions	DOC has approximately \$3.5 million of balance sheet environmental provisions relating to obligations to specific sites it must remediate. These will need to be spent to fulfil the obligations and are not available for general use.

12. Key points on contingencies, underspends, reserves and provisions:

- We have a reasonably high level of cash reserves and Crown debtor balances, but this is to fund asset replacements which will exhaust available cash reserves by the end of 2027/28. From then annual depreciation provides the funding for capital expenditure, which is estimated to only fund replacement of half of DOC's asset base as they reach the end of their useful lives.
- There are environmental provisions of \$3.5m as at 30 June 2024 which must be spent on obligations to remedy particular sites. There are no provisions, contingencies or reserves available towards BRT.
- Our underspends are predominantly as a result of timing between financial years of expenditure of major programmes, projects and other ring-fenced funding (including Jobs for Nature, Treaty Implementation Funding and unachieved IVL revenue which is appropriated). There is no underlying base level of on-going underspend that can be applied towards meeting savings target.

Comparison between 2017-24 of FTE by function, budgeted and actual expenditure

13. Key messages:

- We hold limited information on FTE distribution over time. This is because FTE funded through Budget initiatives are not tracked by DOC's systems; and DOC has undergone several recent organisational changes, including changes to functions.
- We report to Select Committee on our FTEs based on frontline/backbone split

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- As part of Phase 1 of the Financial Sustainability Review, PWC undertook analysis to understand our FTE working in enabling functions.
 - DOC's workforce grew by 26 per cent (540 FTE) between 2016 and 2022. FTE levels remained in line with Vote Conservation increases over the period.
 - Most growth was in rangers and other frontline staff (174 FTE) and in technical roles that directly support and enable frontline services (257 FTE).
 - The remainder of the new FTE were for enabling functions, corporate services and staff undertaking regulatory functions.
 - 71 per cent of the new "back-office" roles were technical roles that support frontline services as opposed to corporate services.
 - Some of the new FTE was to support new functions.
14. You also asked for advice on proposed savings against function for 2024/25 and impacts, including on FTEs. This information can be found in the tables in **Attachment 2**.

DOC has prepared a package of savings initiatives to meet the BRT for your consideration

Savings criteria

15. DOC has identified savings within the Government's Budget 2024 savings focus areas/categories as far as possible. **Attachment 3** contains a description of how the Government's savings focus areas have been considered as part of the identification of savings options.
16. While DOC funding has increased in recent years, much of this has been ringfenced for specific new initiatives, for grants to other parties, or for overdue maintenance catch up. For example, DOC received \$500 million over four years in Budget 2022 for the Jobs for Nature programme. As a result, DOC funding is due to decrease by 19 per cent in 2024/25.
17. Cumulative operating costs increased from 2016/17 to 2021/22 at a rate of 15.9 per cent (excluding Jobs for Nature and accounting for adjustments related to Software as a Service), compared to Consumer Price Index (a measure of inflation) of 15.4 per cent over the same period.
18. Funding decreased by around \$28 million in 2021 as a result of Covid-19, when third-party revenue decreased largely due to reduced international visitor numbers. This gap was primarily met from non-frontline services and activities. To date, only around half of this revenue has returned.
19. The following criteria were also considered in the identification and analysis of savings options:
- alignment to Government priorities
 - impact on the organisation's ability to continue to deliver and to make efficiency improvements
 - impact on outputs and outcomes
 - ease of implementation, and
 - feasibility of achieving the savings in time for 2024/25.

Savings package

20. Three categories of savings have been identified that will form DOC's Budget 2024 savings initiatives. These are outlined in **Table 4** below. All savings identified are indicative and subject to formal employment change processes, including consultation with affected staff (which is a legal requirement).

Table 4: Proposed BRT savings package

Saving type	Description	Total Saving (million)	Expected FTE impact
Programmes savings	Where funding has been ring-fenced for specific work. We have also included 'revenue swap outs' in this initiative ¹ .	\$18.5m	nil
Enabling functions savings	Parts of DOC that support frontline delivery, such as fleet, property, procurement and operational planning ² .	\$13.7m	77
External services savings	External Services are services delivered to external parties, such as regulatory services and communications.	\$1.6m	13.5
		\$33.8m	90.5

21. This package will have impacts on DOC's delivery and therefore conservation outcomes, including:

- a significant reduction in FTE for the Biodiversity Monitoring and Programmes function. s.9(2)(f)(iv)
- reduced Geographic Information Systems (GIS) support
- reduced contracted financial advice and accounts support for Systems Applications and Products (SAP)
- closure of the *Sentinel A Nuku* apprentice ranger programme in 2026
- a 50 per cent reduction of Resource Management Act 1991 advocacy, including a reduction in the legal contingency fund, with a resulting 50 percent reduction in conservation interventions.
- reduced baseline funding for strategic partnerships, which will need to generate its own funding, with a tightly focussed remit on high-value conservation outcomes.

22. There is a risk from this savings package of increased workload for frontline FTE who will need to pick up more administration work as a result of reduction in centrally provided administration support (Business Services), and a reduction in the Operations Planning team who support planning and scheduling as well as data management. The Simplification programme aims to streamline processes to mitigate this risk.

1 We have identified 'revenue swap outs', where anticipated increases in DOC's third-party revenue can be substituted for baseline funding.

2 Some savings currently categorised as enabling functions for the purpose of this briefing may include reductions to programme funding as functions draw from multiple funding sources. This will be refined as we go through our change processes.

23. A summary of BRT initiatives and the associated expected impacts is set out in **Attachment 1**. A full list of the savings options that make up the BRT package compared against DOC functions is set out in **Attachment 2**.
24. DOC's analysis also looked at whether there are any options to increase cost recovery or user fees that could be implemented in time for the 2024/25 financial year. The analysis concludes that options are limited in the immediate term. Options that have been identified include:

s.9(2)(f)(iv)

25. Revenue indications outlined above are estimates only and further work is required to confirm what additional revenue these options could generate and by when. You will receive further advice on this as this work progresses. Given this, DOC recommends including cost recovery and user fees as part of the 2025/26 indicative savings package for cost pressures instead of the BRT savings package. This will also enable us to bring to the table wider options for increased revenue that we are investigating as part of the FSR and identified in the Conservation 2022 baseline review.

Further savings options have been explored to address DOC's cost pressures

26. In addition to the BRT, significant non-discretionary and demand-driven cost pressures (see **Table 1**) have been identified. s.9(2)(f)(iv)
27. The Treasury budget initiative template requires agencies to outline their process for meeting cost pressures. Meeting cost pressures is the responsibility of individual agencies (although some decisions will require your approval) and DOC is not required to submit savings initiatives to meet cost pressures as part of the Budget 2024 process. More time is therefore available before you need to finalise how cost pressures will be met.
28. To date s.9(2)(f)(iv) of total savings has been identified across departmental and non-departmental spending out to 2025/26. s.9(2)(f)(iv)

The 2024/25 cost pressures savings package totals \$15.4 million

29. The indicative package of savings of that can be counted towards 2024/25 cost pressures will deliver a total of \$15.4 million (\$0.4 million under the \$15.8 million target). Indicative savings are outlined in **Table 5** below. All savings identified are indicative and subject to formal employment change processes and consultation with affected staff (which is a legal requirement).

Table 5: Indicative savings package for 2024/25 cost pressures

Saving	Total Saving (million)	Expected FTE impact
Programmes savings	\$0.5m	
Enabling functions savings	\$14.0m	92.6
External services savings	\$0.9m	5
	\$15.5m	97.6

30. This package will have impacts on DOC's delivery and therefore conservation outcomes, including:

- Stopping *Save our Kiwi* research (stopping long-term monitoring of managed populations of two species of kiwi)
- Reduced research into mitigating kea mortality from 1080
- Reduced research into toxoplasmosis in Maūi dolphins
- Reduced active protection of Kauri
- Stopping applied research on predator control tools/methodology
- s.9(2)(f)(iv) [Redacted]
- Reduced technical advice and programme support for biodiversity delivery
- Reduced active protection of freshwater catchments and species
- Reduced freshwater monitoring, and
- s.9(2)(f)(iv) [Redacted]

31. s.9(2)(f)(iv) [Redacted]

The 2025/26 cost pressures savings package totals s.9(2)(f)(iv) [Redacted]

32. s.9(2)(f)(iv) [Redacted]

Table 6: Indicative savings package for 2025/26 cost pressures

s.9(2)(f)(iv)

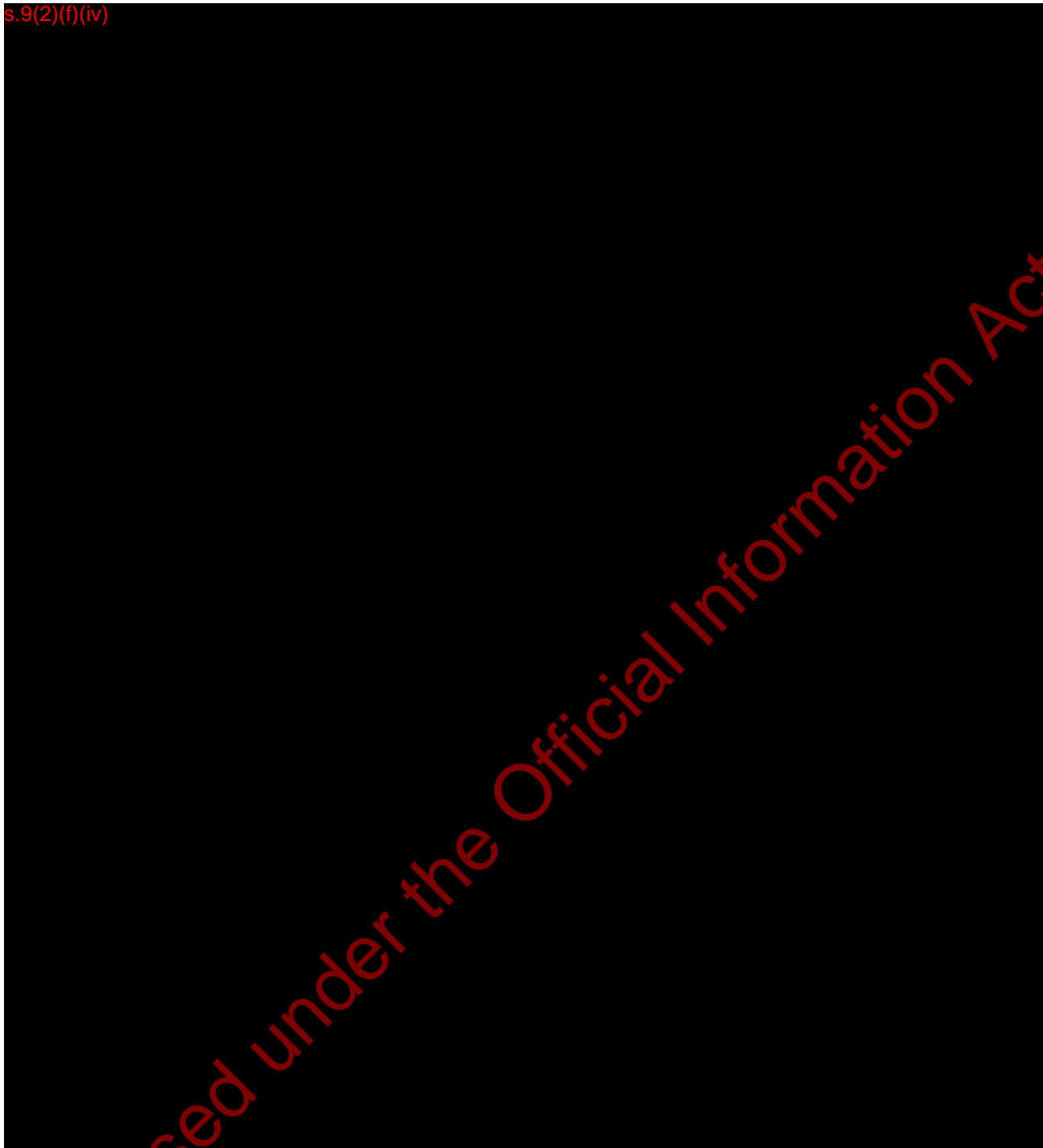
33.

34. **Attachment 1** contains a summary of the package of savings options that we have identified to meet DOC's BRT and indicative savings packages towards 2024/25 cost pressures and 2025/26 cost pressures.
35. **Attachment 2** contains a full list of proposed savings options that we have identified for DOC's BRT and indicative lists of savings packages towards 2024/25 cost pressures and 2025/26 cost pressures.

Further savings have been identified

36. Savings for DOC's BRT and cost pressures provide a cumulative total of s.9(2)(f)(iv) in savings by 2025/26. This means DOC will need to find further savings to meet cost pressures out to 2025/26. DOC will continue to explore other savings options, including programmes that received funding in Budget 2022, such as those set out in **Attachment 4**.
37. Even with the proposed programme, enabling function and external service reductions, s.9(2)(f)(iv)
38. As noted in Phase 1 of the Financial Sustainability Review, DOC is not on a financially sustainable footing, with forecast demands and expectations on DOC exceeding funding. The size and scale of DOC's land and marine manager responsibilities, along with the ageing visitor network and pressure on wildlife and nature, will continue to exacerbate cost pressures.
39. Further trade-offs and decisions will be needed. In Phase 2 of the Financial Sustainability Review, DOC will provide you with advice to support Ministers' decisions on what outcomes Government wants to invest in and the associated trade-offs. You will also receive advice on creating value for money and choices on the future role of non-Crown revenue. We will provide you with initial advice, including an overview and timeline for the Financial Sustainability Review Phase 2 in March.

s.9(2)(f)(iv)



There are wider financial risks for DOC that are not considered as part of the 2024 Budget process

45. The cost pressures identified in **Table 1** include maintenance costs in relation to RAL and Chateau Tongariro. They do not include the capital expenditure that would be required to resolve these issues. We will provide you with separate advice on these decisions. **s.9(2)(f)(iv)**

Risk assessment – Aronga tūraru

46. These savings will have impacts on frontline service delivery and conservation outcomes.

47. s.9(2)(f)(iv)
- 48.
49. s.9(2)(g)(i)
50. There is a risk of misalignment in timing between staff consultation relating to the redundancy process and the timing of Budget 2024. To mitigate this risk, a decision on savings initiatives and permission to consult staff is needed by the end of March 2024 in order to realise savings from 1 July 2024.
51. Redundancies and restructuring will also have a negative impact on staff morale as well as DOC's capacity to deliver and capability. DOC employs technical specialists and once this capability is lost, it is difficult to rebuild. The impact on morale is expected to be exacerbated by the multi-year timeline for making redundancies.
52. Some of the savings outlined in this briefing will require work to be picked up by staff in other areas of the Department. There is a risk of staff burnout, which will need to be managed by careful prioritisation. This risk is exacerbated because some areas that we will be relying on to pick up additional work are also expected to be subject to FTE reductions.
53. Stopping some work, particularly in relation to biodiversity outcomes and resource management will create a reputational risk to DOC and the Government.

Treaty principles (section 4) – Ngā mātaḥono Tiriti (section 4)

54. The BRT savings package includes closure of the *Sentinel A Nuku* programme, which trains students who whakapapa Māori to be kaitiaki rangers, giving them qualifications related to conservation. This has the potential to negatively impact relationships with Māori landowners and Treaty partners.
55. The identified savings as part of the 2024/25 cost pressures savings package will also involve slowing down the development of a Mātauranga Māori framework and policy. As a result, DOC may be seen as being slow to meet the WAI262 claim response and Whaingā Amorangi obligations.
56. Freshwater monitoring savings will mean that there will be limited support for Ngā Awa catchment monitoring. This may impact Treaty relationships in some catchments where work has begun but may not be able to be sustained.
57. Kea mortality research savings may negatively impact our relationship with Ngāi Tahu, who are partners in this work.
58. Freshwater delivery and kauri dieback savings may negatively our relationship with whānau, hapū and iwi in the regions where that work is undertaken.

Consultation – Kōrero whakawhiti

59. As part of the Budget 2024 process, DOC has engaged with the Assurance Panel, made up of members from the Treasury, the Public Service Commission and the

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Department of Prime Minister and Cabinet. The Director-General met with the Assurance Panel on 16 January 2024 to discuss DOC's approach to savings and a baseline savings assurance form was submitted to the Treasury on 30 January 2024.

60. The New Zealand Public Service Association (**PSA**) held series of online meetings with its members and sought email responses to provide ideas for savings that do not result in job losses and are consistent with Te Tiriti O Waitangi. The PSA has provided DOC with a 15-page submission including a variety of savings suggestions.
61. DOC staff have been asked to share their ideas via a feedback form on what processes and systems they think can be improved at an organisation-wide level and/or areas where efficiencies can be gained.
62. The Director-General provides regular updates on the work underway via weekly all-staff message and monthly all-staff sessions.
63. As the savings initiatives will result in redundancies, further consultation will be required as part of our change processes from the end of March 2024.

Financial implications – Te hiraunga pūtea

64. This briefing seeks approval to a package of \$33.8 million of savings to meet the BRT from 2024/25 that can be submitted as savings initiatives for Budget 2024.
65. A further \$15.4 million of savings has been identified towards meeting 2024/25 cost pressures and a further s.9(2)(f)(iv) towards 2025/26 cost pressures. This currently leaves unfunded cost pressures in 2025/26. The savings that will be needed to fund cost pressures do not need to be finalised at this point in time.

66. s.9(2)(f)(iv)

67.

Legal implications – Te hiraunga a ture

68. It is likely that a number of stakeholders will be concerned about the reductions in some areas in particular. We anticipate a strong negative reaction from eNGOs to the reduction in RM advocacy which is a priority function for DOC from their perspective given the positive benefits that our interventions have on the environment in this role. It is likely we will see our experts subpoenaed more often to support others' Environment Court cases and hearings.
69. As noted, it is imperative that DOC runs transparent and good faith consultation processes with staff in relation to any change processes and redundancies. This means that exact staffing reductions (numbers in any given function) cannot be confirmed until consultation is completed.

Next steps – Ngā tāwhaitanga

70. This briefing is on the agenda for discussion at your weekly meeting with officials on 12 February 2024.
71. DOC will provide you with:
 - s.9(2)(f)(iv)
 - Further advice on drawing down the remaining funding in the IVL (Briefing 24-B-0043 will refer, expected mid-February 2024).

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- s.9(2)(f)(iv) [REDACTED]
 - A joint briefing to you and the Minister of Finance on RAL (expected to be provided in March 2024).
 - s.9(2)(f)(iv) [REDACTED]
72. The deadline for submitting Budget 2024 initiatives to Treasury is 1pm on 16 February 2024.
 73. The Budget 2024 package will be in development from late February 2024 until April 2024. You may be invited for a bilateral with the Minister of Finance during this period and DOC will brief you ahead of this meeting and we will be available to support the meeting.
 74. DOC will need to commence consultation on organisational changes with DOC staff at the end of March 2024 so that savings can come into effect from 1 July 2024.
 75. Cabinet is expected to agree the Budget 2024 package in April, with Budget Day taking place in late May 2024.

ENDS

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24-B-0047 Proposed Initiatives for Budget 2024

Attachment 1 - Overview of proposed Baseline Reduction Target savings package

Table A: Indicative package of savings for \$33.8 million Baseline Reduction Target (BRT)				
Savings initiative	Savings	Description	Service level impact	FTE impact
1. Jobs for Nature outyears funding - note that this is distinct from Jobs for Nature Multi-Year Appropriation funding which is committed to funding projects to 2025/26	\$13.36m	Jobs for Nature is a \$1.219 billion programme, of which \$485 million has been agreed for DOC to use to help 225 projects across New Zealand. All of this funding is time limited and existing contracts are also time limited. Jobs for Nature produces key outputs such as pest control which are important to biodiversity.	This funding is not currently in our baseline and is therefore not allocated to any projects, so the effective impact is nil. Based on existing Jobs for Nature programme spending, you could expect this level of funding to potentially achieve: rat, possum and mustelid control over 40,000ha and goat and deer control over 50,000ha per annum.	None
2. Kermadec Ocean Sanctuary	\$3.089m	Funding for the implementation of the Kermadecs Ocean Sanctuary. The Government has decided not to support this Bill further.	The funding is not required as no Sanctuary is currently under consideration.	None
3. Contaminated Sites programme	\$2.000m	Contaminated sites provision redirected, \$2m of an \$18m provision. Decision making path to be confirmed.	Affected sites will continue to be managed as they are, setting up of the programme and remediation will be slowed down.	None
Total programme savings \$18.449				
4. Savings from enabling functions	\$13.724m	Staff reductions across Biodiversity, Organisation Support, Public Affairs, Regional Operations Planning teams, and the Director General's Office. Reduction in contractors and IT support, and IT savings and efficiencies projects. Sentinel A Nuku programme baseline reduction.	s.9(2)(f)(iv) [Redacted] Reduced GIS support across the Department. Increased workload for frontline staff who will need to pick up more administration work from reduced support staff. Reduced contracted financial advice and accounts support for SAP. Closure of the Sentinel A Nuku apprentice ranger programme in FY 26/27.	77 FTE
5. Savings from external services	\$1.635m	Reduction of RMA advocacy FTE across Regulatory Services and Legal functions. Strategic Partnerships and Investments staff reduction.	Reduced RMA advocacy by 50%, including legal contingency fund. Increased risk of poor outcomes for conservation in the RM system. Reduced baseline funding for strategic partnerships, which will need to generate its own funding, with a more tightly focussed remit on conservation outcomes.	13.5 FTE
Total Budget Reduction Target package savings \$33.808m				

Table B: Indicative package of savings for meeting cost pressures 2024/25

Savings initiative	Savings	Description	Service level impact	FTE impact
s.9(2)(f)(iv)				
Total programme savings \$				
10. Savings from enabling functions	\$13.996m	Reduced biodiversity FTE and research programmes, Health and Safety, Planning and Assurance staff. s.9(2)(f)(iv) [redacted]. IT system improvements. Reduced Treaty Relationships policy work.	Stopping Save our Kiwi research – stopping long-term monitoring of managed populations of two species of kiwi. Reduced research into mitigating kea mortality from 1080. Reduced research into toxoplasmosis in Maūi dolphins. Reduced active protection of Kauri. Stopping applied research on predator control tools/methodology. s.9(2)(f)(iv) [redacted] Reduced technical advice and programme support for biodiversity delivery. Reduced active protection of freshwater catchments and species. Reduced freshwater monitoring. s.9(2)(f)(iv) [redacted]	92.6 FTE
11. Savings from external services	\$0.930m	Reduced Land Delivery FTE and operational costs in Office of Regulatory Services. Reduced FTE in Strategic Communications and Engagement.	30% reduction in communications support for SLT. Reduced internal communications and land delivery capacity.	5 FTE
Total 24/25 cost pressures package savings \$15.426m				

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s.9(2)(f)(iv)

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Baseline Reduction Target (BRT): detailed proposals

Table A: Indicative package of savings for the Baseline Reduction Target

4. Savings from enabling functions:

Group	Option Description	FTE 24/25	Savings 24/25 (\$m)	Impacts
Biodiversity, Heritage and Visitors	Visitor Insights reduction	-	0.040	Less visitor insight research available for decision making.
	Monitoring and Evaluation 10 FTE	10.0	1.000	Decreased GIS service levels across department as team is not able to recruit, and as they transition to the new GIS system (30 June 24). No advice or support on social science especially on PF2050. No Freshwater monitoring support – this is not currently funded so it will lead to minimal current impacts.
	National Programmes s.9(2)(f)(iv)	s.9(2)(f)	█	█
	Additional small savings - social science opex and freshwater monitoring budget.		0.050	Limited progress on national freshwater monitoring programme. No increase to Nga Awa monitoring. No advice or support for Social Science research.
Director General's Office	s.9(2)(a)	█	█	█
	DDG Office	2.0	█	s.9(2)(a)
Organisation Support	Property 2 FTE	2.0	█	Reduced capacity to deliver B22 property remediation programme and other property projects.
	Reduce Business Services by 8 FTE	8.0	0.536	Administration work will be centralised. Some reduction in service to frontline staff.
	Fleet rationalisation	-	0.770	105 less vehicles available to do frontline operations work and travel between offices and sites.
	s.9(2)(a)	█	█	█

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	s.9(2)(a)			
	Reduce accounts (Temp Staff) 2 FTE	-	0.200	Less support for accounting systems, possible impact on speed of payment to suppliers.
	Offboarded contractors	-	0.268	Reduced service delivery in Finance in short term.
	Reduce Consultants/Corp advice - Tax	-	0.020	Reduced ability to seek external financial/tax advice.
	Information System and Services 4 FTE	4.0	s.9(2)(a)	Some projects will be consolidated, likely low impact.
	Reduce mobiles substantially	-	1.000	Reduction of mobile phones from desk-based staff, use of Microsoft Teams means impact is low.
	Information System and Services savings	-	0.640	
	SAP Contractors	-	0.500	Lower priority work on SAP systems stopped. Slower issue resolution time during change period.
	Switch off Meeting Room Support contract	-	0.300	Low or no impact.
	Third party revenue swap out	-	2.000	
Public Affairs	s.9(2)(a)			
Regional Operations	Reduction of Operations Support planning roles	38.0	3.000	40% reduction in planning and scheduling capacity across all regions. No dedicated Fire Team, no support for ongoing rollout of asset management system and data management. Reduction s.9(2)(a) and issues management. Highly dependent on simplified planning process.
Treaty Relationships	Sentinel A Nuku programme (kaitiaki rangers)	-	0.750	Programme will stop in 26/27 if no further funding is secured. Reduction in number of Māori who are trained in conservation work, and less ability to meet Ngā Whenua Rāhui NFPL.
Total:		77.0	13.724	

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5. Savings from external services:

Group	Option Description	FTE 24/25	Savings 24/25 (\$m)	Impacts
Policy and Regulatory Services	RM 1: Reduction by 50% of Resource Management Advocacy.	2.5	§ 9(2)(a)	50% reduction in capacity for advocacy across RMA and Legal teams. Minimal capacity for DOC to advocate for conservation in RM process. No support for Regional Operations contributions to Affected Party Approvals.
	RM 2: Reduction in legal contingency fund linked to reduction in estimated RM advocacy work.	-	0.190	
	RM 3: Reduction in RM advocacy capacity in ORS - paired to same reduction in legal team	6.0	§ 9(2)(a)	
Public Affairs	Reduce Strategic Partnerships and Investments team by 5 FTE	5.0	§ 9(2)(a)	Reduced baseline funding for strategic partnerships, which will need to generate its own funding, with a more tightly focussed remit on conservation outcomes.
Total:		13.5	1.635	

Table B: Indicative package of savings for meeting cost pressures 2024/25

10. Savings from enabling functions:

Group	Option Description	FTE 24/25	Savings 24/25 (\$m)	Impacts
Biodiversity, Heritage and Visitors	Biodiversity System and Aquatic 3 FTE	3.0	§ 9(2)(a)	Work will be stopped or carefully re-assigned to others to manage staff workloads.
	ANZBS implementation	-	0.180	Minimal impact.
	Species and Ecosystem Science programme - Maūi dolphin toxoplasmosis research	-	0.160	Reduction will come from planned research which can be carried out without significant impact on outcomes.
	Reduce opex for BHV leadership team	-	0.100	Less travel for leadership meetings and project support.
	Disestablish 3 roles in Heritage and Visitors	3.0	§ 9(2)(a)	Impacts in insights and pricing teams. Reduced capacity to deliver analysis and reporting on visitor insights and trends.
	Visitor Safety System Improvements	-	0.031	Site Safety plans delivered online with reduced support.
	Freshwater Monitoring	-	0.060	Limited progress on national monitoring programme, no increase to Nga Awa monitoring.

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ANZBS Monitoring workstream	-	0.030	Reduction in work with other agencies on developing and supporting the monitoring and reporting framework. DOC is the lead agency on this work.
Change structure of PF teams, reduce number of FTE, and associated opex	8.0	1.000	Less support for island incursions. Support for programme management, strategy, planning and admin will be reduced, this may slow progress on key deliverables. Support for communities and collaboration will reduce. Reputational impact as DOC is the lead for PF as a whole. This is a further reduction to the programme after the recent \$4m reduction to work on marine reserves.
Predator Control Research & Kiwi research		0.425	Stop applied research on predator control tools/methodology and long-term monitoring of managed populations of two species of kiwi.
Kea mitigation research		0.100	Reduction of research on how to improve kea mortality rates from 1080, as well as deer repellent use and updates to Kea Code of Practice.
Plant pathogens/kauri protection programme reduction		0.400	Less active protection of Kauri, including reducing infrastructure, advocacy and public engagement work. Less ability to meet requirements of the National Pest Management Plan. No further work on Myrtle Rust surveillance pilot.
Reduced freshwater delivery - Nga Awa, migratory species and freshwater pests.		0.350	Reduced delivery of work across all three programmes. Less active protection of vulnerable and declining freshwater species and spread of freshwater pests. Less work on improving knowledge of data deficient freshwater species.
Tools to Market	-	0.400	Reduction in funds to procure new predator control tools from local industries and contractors. Slower development of innovative tools.
Terrestrial Biodiversity 3 FTE	3.0	s.9(2)(a)	Reduction in senior advisory capacity in animal pest area (landscape control, island incursion, biosecurity).
Supporting the Frontline	-	0.070	No improvement of Bionet website. Less on-site support from technical staff, lost opportunity for collaboration between technical and frontline staff.
Biodiversity Training for DOC staff (animal pests, weeds etc)	-	0.040	Staff opportunities to do training or attend conferences reduced. Less subject matter expertise at DOC, less influence outside DOC. Staff likely to feel dissatisfied with lack of opportunity.

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Organisation Support	s.9(2)(a)			
	Reduce MBDI insurance cover to critical assets only	-	0.180	If assets are damaged in an event, they may not be covered by insurance to replace e.g. Chateau Tongariro and MET service building.
	Health and safety 2 FTE	2.0	s.9(2)(a)	Reduced delivery speed of some work. Likely low impact.
	Switch off DocCM and AWS and migrate to SharePoint	-	3.100	Short-term impact on GIS service delivery.
Public Affairs	s.9(2)(a)			
	Opex reduction	-	0.250	Reduced work on mātauranga Māori policy framework.
Total:		92.6	13.996	

11. Savings from external services:

Group	Option Description	FTE 24/25	Savings 24/25 (\$m)	Impacts
Office of Regulatory Services	Opex in ORS budget	-	0.500	Reduced contractor spend in Stewardship Land, Management Planning and Treaty Partner funding.
	Reduction of Land Delivery resource	2.0	s.9(2)(a)	Reduction in statutory land delivery capacity leading to less work done.
Public Affairs	Reduction in Strategic Communications and Engagement of 3 FTE	3.0	s.9(2)(a)	30% reduction in SLT engagement support. No media or communications support for ENI region. Reduced internal communications work.
Total:		5.0	0.930	

Table C: Indicative package of savings for meeting cost pressures 2025/26

13. s.9(2)(f)(iv)

s.9(2)(f)(iv)

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Attachment 3 - Description of proposed savings against Government's Budget 2024 focus areas

Government focus area	Savings type	Description
Low value programmes	Programme spending	Due to the way that DOC and Vote Conservation are structured and delivered, we have few programmes, grant and funding schemes that are funded separately from which to draw savings options.
Programmes that do not align with the new Coalition Government's priorities		We have identified programmes from which savings can be made for the BRT. These include the Kermadec Ocean Sanctuary, which Government has decided not to progress; uncommitted outyears funding for Jobs for Nature; and redirection of some funding from the contaminated sites programme. Programmes from which savings could be made to offset cost pressures are a reduction of the annual appropriation to the Nature Heritage Fund from 2024/25.
Back-office functions	Corporate services	We have identified \$5.698 million of savings options from the Organisation Support group as part of the BRT, and a further \$3.280 million as part of the cost pressures savings. Corporate functions are necessary to support frontline delivery and improvements to DOC's asset and financial management systems, and ICT systems, as well as to support a large national footprint and services.
	s.9(2)(b) (v)	
	Fleet	We have identified \$0.770 million savings options from DOC's fleet from 2024/25 as part of the \$8.978 million of corporate services savings. This will impact our ability to do our job at the frontline as rangers rely on the DOC fleet for transport.
	Policy	DOC has reprioritised its policy function to support a new Ministerial portfolio and to conduct a financial sustainability review. Compared to other agencies, DOC's policy spending is relatively small, despite the significant regulatory system issues, framework and broad scope of issues for

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		the portfolio. For example, MPI's Estimates indicate that it has a policy budget of around \$233 million in 2023/24 out of a departmental output budget of \$895 million (26%), whereas DOC's policy spending is \$7.2 million out of \$710 million in 2023/24 (1%).
	Communications	We have identified \$0.280 million savings options from Public Affairs as part of the cost pressures savings package. DOC has statutory responsibilities in relation to its communications to the public. DOC's communications include health and safety information for the public.
	Legal Services	The work in this area is highly non-discretionary and the team is small relative to workload.
Contractor and consultant spending		We have identified \$1.488m of savings options from offboarding contractors across the Organisation Support and Regulatory Services groups across savings packages. Finance and IT have contractors supporting the roll out of SAP and EAM systems across the Department, and training and supporting our frontline staff on the use of these. Regulatory Services have contractors providing expert advice across Stewardship Land, Management Planning, and Treaty Partner funding. Adjusted for one-off projects such as the Financial Management Information Systems upgrade, other Information Systems and Services and Software as a Service projects, DOC's base level of consulting / contractor spending remained stable from 2016/17 to 2021/22 and within Public Service Commission benchmarks.

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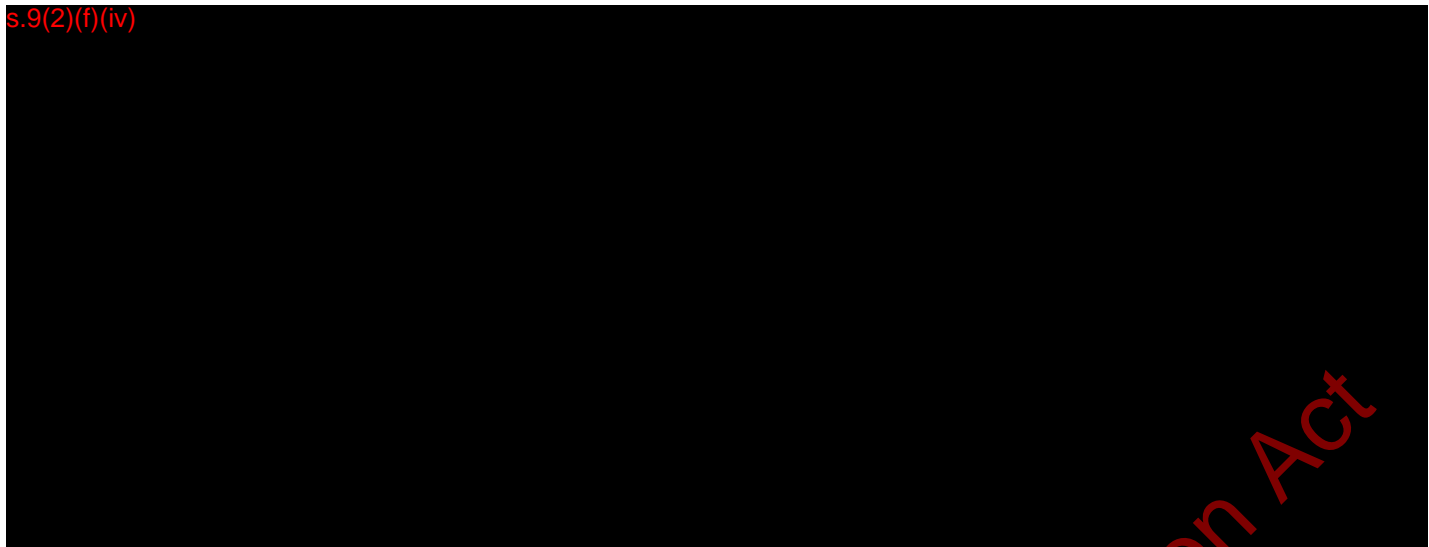
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