

# Departmental Memo

<b>To</b>	Minister of Conservation	<b>Date submitted</b>	5 April 2024
<b>Security Level</b>	<b>BUDGET SENSITIVE / STAFF IN CONFIDENCE</b>		
<b>From</b>	Ruth Isaac, Deputy Director-General, Policy and Regulatory Services		
<b>Subject</b>	<b>Updated cost pressure forecasts and impact on proposed reduction to DOC's Baseline Reduction Target</b>		
<b>Attachments</b>	No attachments		
<b>Actions</b>	<b>Note</b> the contents of this memo and forward to the Minister of Finance for her information		

## Purpose – Te aronga

- To update you on the Department of Conservation's (DOC's) revised cost pressure forecasts and s.9(2)(f)(iv) that was included in our savings package to meet immediate cost pressures.

## Background and context – Te horopaki

- As part of Budget 2024, the Minister of Finance set a baseline reduction target (BRT) of \$33.8 million for DOC.
- On 16 February 2024, you wrote to the Minister of Finance to confirm your budget initiatives and provide context on DOC's financial position, including that further savings would be needed to meet DOC's growing cost pressures in 2024/25 and 2025/26.
- Based on our forecast (at the time) s.9(2)(f)(iv) along with a number of wider changes.
- In your letter to the Minister of Finance, s.9(2)(g)(i)
- DOC subsequently revised this number to s.9(2)(f)(iv) due to the need to s.9(2)(f)(iv) in order to implement the new model well.
- On 13 March 2024, we sent you an aide memoire (24-B-0150 refers) to provide you with an update on possible options to reduce the impact on frontline conservation staff from budget savings, including the updated figures and FTE estimates. These options were provided to the Treasury for their consideration.

### Our cost pressure forecasts have been revised down

8. We have updated our cost pressure forecasts. Estimated cost pressures have decreased from \$49.6 million to \$41.0m in 2024/25, and from s.9(2)(i) in 2025/26.
9. Cost pressure reductions (\$8.7 million in 2024/25 s.9(2)(i)) are due to:
  - DOC has internally reprioritised funding to address inflationary cost pressures in the current financial year, resulting in lower inflationary cost pressures in outyears;
  - Estimated wage cost pressures have decreased in 2024/25 due to:
    - wage uplifts have now been calculated according to employment agreements, instead of using assumptions; and
    - some of the costs will be absorbed in 2023/24 (e.g. Public Service Pay Adjustment uplifts in April 2024), resulting in a smaller incremental increase in 2024/25 and subsequent years.

- 9(2)(f)(iv)
10. Our revised forecasts mean that we do not need to make the savings by reducing the s.9(2)(f)(iv) meet cost pressures in 2024/25. 9(2)(f)(iv)

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

### Risk from further savings

12. DOC's ability to meet its savings target and cost pressures for 2024/25 is subject to Budget Ministers approving the programme and other savings initiatives submitted as part of DOC's Budget 2024 initiatives. Programme savings make up a substantial part of DOC's BRT savings (\$18.5 million of \$33.8 million).
13. Any further savings requests for 2024/25 from Budget Ministers would require reduction in either frontline roles or further scaling or cuts to programmes.
14. We are waiting for confirmation from the Treasury / Budget Ministers on:
  - s.9(2)(f)(iv)
  - the outcome of the possible 'additional savings' exercise the Treasury recently requested advice on.

### Next steps – Ngā tāwhaitanga

15. This will be an agenda item at the officials meeting on 8 April 2024. We recommend you forward this memo to the Minister of Finance for her information.

ENDS