



Briefing: Vote Conservation Overview and Budget 2024

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| To | Minister of Conservation | Date submitted | 7 December 2023 |
| Risk Assessment | High | Priority | High |
| Reference | 23-B-0458 | DocCM | DOC-7509635 |
| Security Level | BUDGET-SENSITIVE STAFF-SENSITIVE | | |

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|----------------------|---|------------------|-------------|
| Action sought | Note the content of this briefing ahead of discussion at meeting on Monday 11 December | Timeframe | In December |
| Attachments | Appendix 1 – Financial Sustainability Review, Phase 1 Report Appendix 2 – Finance A3 Appendix 3 – Savings Scenarios | | |

| Contacts | |
|--|-------------------|
| Name and position | Cell phone |
| Ruth Isaac, Deputy Director-General Policy and Regulatory Services | s.9(2)(a) |

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Executive summary – Whakarāpopoto ā kaiwhakahaere

1. This briefing provides an overview of Vote Conservation, forthcoming trends and pressures, initial advice on the Department of Conservation's (DOC's) preparation for Budget 2024, and information on DOC's work to identify potential savings options.
2. DOC is not on a sustainable financial footing to continue to deliver its current service levels and expectations from the public and Government. Conservation outcomes are in decline. DOC's funding is due to decrease by 19% in 2024/25 and DOC is facing significant non-discretionary cost pressures. We are undertaking a Financial Sustainability Review to give you advice on strategic options about the scope and scale of DOC's responsibilities, key policy levers and the scope of third-party funding to set DOC on a more sustainable path from Budget 2025.
3. Details on the process for Budget 2024 are not yet known. Given the current fiscal context, Budget 2024 is expected to be very tight. The current Budget rules are different for DOC than for other agencies because DOC is part of a pilot project called the Natural Resource Cluster (NRC) along with the Ministry for Primary Industries (MPI) and Ministry for the Environment (MfE). As a result, DOC was provided with three-year funding in Budget 2022, with limited scope for further Budget initiatives before Budget 2025. Budgets are generally used to fund cost pressures and new initiatives. DOC has identified a small number of prioritised funding proposals for known fiscal risks and capital projects already identified and eligible for Budget bids under the NRC rules. If the NRC rules continue to apply, you will not be able to seek funding to advance policy priorities with financial implications and you will have to either wait for Budget 2025 or reprioritise existing conservation funding.
4. DOC understands that Government will be looking to identify savings from across government agencies. We have already been developing options for the permanent baseline reduction (PBR) of 2% from fiscal year 2025/26 agreed to by the previous administration (and as reflected in the pre-election Economic and Fiscal Update, PREFU), as well as for managing cost pressures. We have frozen recruitment for all but critical vacancies, s.9(2)(f)(iv)
[REDACTED]
5. We have identified areas from which savings could be sourced and provide three indicative savings 'scenarios' (lower, medium and high) for discussion with you, all of which involve trade-offs and cuts to current service levels. As you are aware, DOC is primarily an operational agency responsible for managing one-third of New Zealand's land, significant heritage assets and coastal waters for conservation purposes, responsible for regulating the ability of people to do business on that land or to enjoy it for leisure, as well being responsible for protecting species and ecosystems. Our departmental output expenses make up 81% of our total funding and pay for over 1,400 full-time equivalent frontline staff as well as operating expenses for our frontline work (such as fuel and materials). In addition, some of DOC's funding is ring-fenced for specific purposes. For these reasons, options for significant savings quickly get into the territory of reorganising frontline services, which will result in a reduction in service levels and conservation outcomes.
6. Our advice is to pursue the lower savings 'scenario', which rests on completing the Financial Sustainability Review already underway (and due to be complete in advance of Budget 2025) on the basis that this will enable Ministers to consider savings and trade-offs/choices in light of a strategic discussion of the government's medium- and longer-term objectives for conservation. In parallel we will continue the work underway to investigate efficiencies in our operating model and develop savings advice and options.

We recommend that you ... (Ngā tohutohu)

| | | Decision |
|----|--|-----------------|
| a) | Note that DOC is facing significant cost pressures. | Noted |
| b) | Note that we will provide you with further advice on Budget 2024 once the processes and timeline have been finalised. | Noted |
| c) | Note that in the current fiscal context, Budget 2024 is expected to be tight, and DOC has identified a small number of prioritised funding proposals for known fiscal risks and capital projects potentially eligible for budget bids under the current Natural Resource Cluster rules. | Noted |
| d) | Note that DOC has been conducting a Financial Sustainability Review. The Phase 1 report is attached at Appendix 1. We are planning to complete Phase 2 in time to give advice for Budget 2025. | Noted |
| e) | Note that DOC has conducted initial analysis of potential savings options across lower, medium and high savings scenarios for discussion with you. | Noted |
| f) | Note this briefing is on the agenda for discussion at your weekly meeting on Monday 11 December. | Noted |



Date: 07/12/2023

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

Date: / /

Hon Tama Potaka
Minister of Conservation

Purpose – Te aronga

1. This briefing provides you with information on Vote Conservation and DOC's financial position, the Financial Sustainability Review, preliminary advice on Budget 2024, and an initial overview of potential savings options that may need to be considered.

Background and context – Te horopaki

As Minister of Conservation, you are responsible for \$880 million of Vote Conservation funding in 2023/24

2. Vote Conservation has two components that combined make up DOC's baseline: Departmental and Non-Departmental appropriations. These funds are used to look after nature (land, water, species) and structures (visitor infrastructure and special places that have shaped New Zealand's history). Eighty-five percent of DOC's funding is Departmental funding, spent by DOC on operational services that the department delivers. Remaining funding is for costs associated with Crown Assets (primarily Crown land) or passed onto other organisations in the form of Non-Departmental funding.
3. Funding in Vote Conservation is partly sourced from the Crown (83%) and partly from third parties (17%) including recreational revenue (such as Great Walks and hut bookings), the International Visitor Conservation and Tourism Levy (IVL), and concessions revenue. Funding sourced from third parties is estimated each year depending on forecast levels of activity. DOC needs to manage its work effort to match actual funding in any given year. Some third-party funding is ring-fenced for specific purposes.
4. DOC's total appropriations are \$880 million in 2023/24, this is 0.44% of the core Crown Budget.¹ DOC is responsible for managing one-third of New Zealand's land, significant heritage assets, and coastal waters for conservation purposes, and is responsible for regulating the ability of people to do business on that land or to enjoy it for leisure, as well as being responsible for protecting species and ecosystems.
5. Appropriations have non-financial performance levels attached to them. These function as output targets. DOC is generally meeting agreed output targets, yet many conservation outcomes are in decline.

Government is expected to make decisions soon on funding and savings levels

6. We anticipate that Government will want to make decisions soon on the following subjects:
 - The initiatives Government chooses to fund through the mini-Budget and Budget 2024;
 - How your portfolio priorities will be funded (including new Conservation portfolio initiatives like a new Great Walk);
 - The level of savings that should come from DOC and by when these savings would need to be realised;
 - How non-discretionary cost pressures will be met in the year ahead; and
 - What this means for future Budgets.
7. In advance of this we have been preparing advice on packages of savings options for discussion with you. As the Minister responsible for Vote Conservation, you will be required to approve and submit to the Minister of Finance any spending or savings initiatives for Government consideration.

¹ DOC's baseline is higher in 2023/24 due to carried forward (one-off) unspent funds and time limited funding which is coming to an end.

DOC is not on a sustainable financial footing and we are undertaking a Financial Sustainability Review to provide options to address this

Having risen in recent years, DOC's funding is set to decrease by 19% from next year

8. Between 2018/19 and 2023/24, Vote Conservation increased from around \$500 million to \$880 million. While funding has increased in recent years, after a long period of minimal increases, much has been ring-fenced for specific new initiatives, or grants to other parties, or part-funded unavoidable costs or overdue maintenance catch up. A full and thorough review of the costs of meeting DOC's core responsibilities and Government objectives has not been undertaken. This is one key reason why the Treasury supports DOC's Financial Sustainability Review.
9. A large component of the increase in Vote Conservation has been due to the Jobs for Nature programme, which ends in 2025/26 and which represents a \$500 million increase over four years. A summary of funding initiatives since 2017 can be found at Appendix 2.
10. In 2023, Ministers chose to reallocate \$18.21 million of Vote Conservation funding over four years to fund the South-Eastern Marine Protection and Hauraki Gulf initiatives in large part by reducing other Budget 2022 funding initiatives and by utilising funds from the IVL.
11. DOC's workforce grew by 26% (540 Full Time Equivalents [FTE]) between 2016 and 2022. FTE levels remained in line with Vote Conservation increases over the period:
 - Most of this 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% of the new "back-office" roles were technical roles that support frontline services as opposed to corporate services.
12. Adjusted for one-off projects such as the Financial Management Information Systems upgrade, other Information Systems and Services (ISS) and Software as a Service (SaaS) projects, DOC's base level of consulting/contractor spend remained stable from 2016/17 to 2021/22 and within Public Service Commission benchmarks.
13. From 2016/17 to 2021/22, a lower percentage of DOC's total spending was on operating costs over the period - falling from 38% to 36% despite increasing prices. DOC's cumulative operating costs increases from 2016/17 to 2021/22 were 15.9% (excluding Jobs for Nature and accounting for adjustments related to SaaS) compared to CPI of 15.4% over the same period.
14. DOC's appropriations for 2023/24 total \$880 million and total appropriations for 2024/25 are estimated to be \$712 million as Jobs for Nature and other programmes conclude. This represents a 19% reduction in total funding. DOC's funding is forecast to fall further to \$701 million in 2025/26 and outyears.

Covid-19 has impacted third-party revenue

15. A decline in international visitors due to Covid-19 has impacted third-party revenue, and it has not yet returned to pre-2019/20 levels. Border closures led to a decline in international visitor numbers, and domestic lockdowns further limited our ability to generate revenue from recreational and tourism charges, as well as through cost recovery fees. As a result, DOC had to find \$28 million in savings in 2022/23. Weather events have further impacted our ability to generate revenue in recent years, because they resulted in closures to the visitor network.
16. DOC has been successful in increasing its revenue from donations and sponsorships, but this has not completely offset the fall in other revenue, and donations and sponsorship revenue is generally ring-fenced for specific purposes.

DOC is facing significant cost pressures

17. DOC is facing cost pressures, many of which are non-discretionary and primarily driven by inflation. The cost pressures estimated in the table below total \$33.005 million in 2024/25,

increasing to s.9(2)(i) in 2026/27. DOC is doing work to refine our estimates of some of our cost pressures with Table 1 outlining our most up-to-date information.

Table 1: Cost pressures as at 6 December 2023

| Cost pressure | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|---------------------|---------------------|------------------|--------------|
| Personnel – Salary and wage inflation ² | \$5,800,000 | \$6,870,000 | s.9(2)(i) | |
| Price – Inflation ³ | \$3,289,000 | \$4,793,000 | \$9,976,000 | \$15,105,000 |
| Price – Asset revaluations ⁴ | - | \$1,200,000 | \$2,400,000 | \$3,600,000 |
| Volume – Inherited assets ⁵ | \$2,300,000 | \$2,300,000 | \$2,300,000 | \$2,300,000 |
| Volume – Reduction in third-party revenue | \$3,460,000 | \$915,000 | \$702,000 | \$702,000 |
| Volume – Treaty Settlement Implementation | \$2,547,000 | \$11,792,000 | \$10,902,000 | \$9,691,000 |
| Meeting drinking water standards | - | \$5,135,000 | \$6,927,000 | \$6,891,000 |
| Total | \$17,396,000 | \$33,005,000 | s.9(2)(i) | |

18. DOC has been exploring options to reduce or meet these cost pressures. However, the wage pressures could be an underestimate and there are other cost pressures that have not been included in Table 1, such as:
- increased demand on volume-driven regulatory activities that are not (fully) cost recovered;
 - resource management-related activities associated with new regulatory requirements; and
 - the impacts of severe weather events such as cyclones. For example, the total costs associated with Cyclone Gabrielle are estimated to be in the order of \$70 million to \$90 million over five years.
19. Underinvestment in DOC's asset base has created another major cost driver. The Budget 2022 Natural Resource Cluster Review estimated that, for recreational assets, there was a backlog of almost 70,000 hours of deferred maintenance work and \$300 million deferred capital expenditure. Best practice, where assets are being replaced and renewed on a regular and timely basis, is for a ratio of carrying (depreciated) value of assets to their total value

s.9(2)(i)

³ For all financial years, inflation has been calculated using the PREFU 'CPI Inflation annual % change' forecast and adjusted for the funding increases secured through Budgets 2022 to work out the net annual cost pressure.

⁴ This has been calculated by looking at the latest annual increase (December 2022 vs December 2021) across the relevant Statistics New Zealand Price Indices (CGPI Residential Building Index, PPI Construction Output Index, CGPI Land Clearing and Establishment Index, CGPI Transport Ways Index, CGPI Land Improvements Index, CGPI Commercial Buildings Index and the CGPI Fencing Index), applying the increases against the 30 June 2023 carrying values of DOC's assets, and dividing the increases by the assets' useful lives to forecast the likely future uplift in annual depreciation driven by asset revaluations. The average annual increase in depreciation driven by asset revaluations is estimated at \$1.2m, with cumulative increases in outyears.

⁵ Costs associated with maintenance of Ruapehu Alpine Lifts, Chateau Tongariro, and the MetService building. Please note that these figures do not include the costs of removing or remediating either Chateau Tongariro or the Ruapehu Alpine Lifts. This would cost significantly more, and will require additional Government decisions.

(replacement cost) to be in the range of 45% to 55%. For DOC, this ratio dropped from 37% to 32% between 2016 and 2022.

20. The size and scale of our land and marine manager responsibilities, along with an ageing visitor network, and pressure on our wildlife and nature, will continue to exacerbate these costs.

DOC is generally meeting agreed performance targets, but outcomes are declining

21. Where we focus our attention, DOC does a good job of delivering what is asked of us. We have significant expertise in terrestrial, marine and aquatic ecosystem and species management and protection, as well as in the provision of high-quality recreation experiences and cultural heritage preservation. However, with current settings, we are not able to hold the line against growing pressures and threats in many areas and nature is deteriorating, along with our asset base.
22. DOC's current work is not enough to meet all of its responsibilities or drive an increase in outcomes (see slide 10 of Appendix 1), for example:
- at least 30% of New Zealand's biodiversity is found at sea, yet only 0.4% of New Zealand's marine environment is highly protected; and
 - less than 2% of species that are at risk or threatened with extinction are receiving sufficient protection (68 out of more than 4,000).

DOC is undertaking a Financial Sustainability Review to support Ministers' decisions from Budget 2025

23. DOC's responsibilities and the expectations on DOC have grown over time. A fundamental review of DOC's financial position is needed to match funding to DOC's activity levels and the scope of our work. In the context of the Government's savings target and cost pressures, there will be trade-offs and tough decisions will be needed. DOC is working on a Financial Sustainability Review to support these decisions.
24. Phase 1 of the Financial Sustainability Review has been completed and shared with the Treasury. It provides an initial assessment of DOC's current expenditure, performance and cost drivers.
25. In Phase 2, DOC will provide advice to support Ministers' decisions on what outcomes they want to invest in and the associated trade-offs. DOC will also advise you on value for money and choices about the future role of third-party funding. This work will enable us to create options to put DOC on a more sustainable funding path for Budget 2025 and beyond, with implications for the scale and scope of DOC's roles and responsibilities. s.9(2)(f)(iv)
26. We have provided the Financial Sustainability Review Phase 1 report at Appendix 1.

Budget 2024 advice

This advice is based on the current settings for Budget 2024

27. Budgets are generally used to fund both cost pressures and new initiatives proposed by Government. Budgets often include reprioritisation within and across Votes.
28. The current Budget process for DOC is different to most agencies. Along with the Ministry for the Environment and the Ministry for Primary Industries, DOC is part of a pilot project to modernise the Public Finance Act 1989 to achieve more collective and longer-term investment decisions. This is known as the Natural Resources Cluster (NRC) process.
29. As part of this process, DOC's baseline increases were determined in Budget 2022 for the following three years. Under current settings, the next time DOC can submit Budget bids is at Budget 2025 for the 2025/26 financial year and beyond.
30. There are some exceptions. NRC rules allow additional Budget bids, by invitation from the Minister of Finance, for major capital projects, new initiatives in response to adverse events, or

initiatives funded through the Climate Emergency Response Fund. There is also currently an exception that allows bids for non-discretionary Treaty settlement implementation costs.

31. We have assumed that the current Natural Resource Cluster Budget process stands for the purpose of this briefing. We will provide you with further advice when the timeframes and the process for Budget 2024 have been finalised. We also understand that the mini-Budget will not include Vote Conservation initiatives.

DOC has identified a small number of prioritised funding proposals that are eligible for budget bids under the current rules

32. Given the current fiscal context, Budget 2024 is expected to be very tight. As part of the Natural Resource Cluster, DOC has limited scope to apply for additional funding in Budget 2024.

33. Under the current rules, there may be an opportunity to address certain cost pressures through Budget bids. The cost pressures currently in scope are:

- s.9(2)(f)(iv)
- cyclone recovery work; and
- Treaty settlement implementation costs.

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

35. You will receive a separate briefing in February on Cyclone Gabrielle recovery (23-B-0476).

36. If the NRC rules continue to apply, you will not be able to seek funding to advance policy priorities with financial implications and you will have to either wait for Budget 2025 or reprioritise existing conservation funding.

37. DOC officials will provide you with further advice on Budget 2024 when the process and timelines are finalised, and we are available to discuss this at your request.

Government is expected to make decisions soon on saving targets

38. s.9(2)(g)(i)

39. The National Party manifesto documents assume 6.5% savings across the combined departmental output expenses of a number of central government agencies and it is currently unclear what this specifically means for DOC. The National Party manifesto documents also indicate that further savings from consultant and contractor spending are to be specified. Treasury has been preparing to give advice on a number of scenarios, including 6.5% savings on top of the permanent baseline reductions (PBR) of 2% that the previous administration had agreed from fiscal year 2025/26 onwards. Indications are that guidance will be provided before Christmas, with decisions to be confirmed in February, following advice to Vote Ministers from relevant departments.

40. It will take time for us to work through potential savings options with Ministers and to implement Government's decisions. We understand that implementation timeframes will be a matter for the advice on detailed proposals.

41. Any savings proposals that involve redundancies impacting the start of the 2024/25 fiscal year will need to be developed in line with HR procedures and ready for consultation by 31 March 2024. This would be the deadline for DOC to be able to implement the change process by the start of fiscal year 2024/25.

42. This paper sets out initial analysis and advice on potential savings options across low, medium and higher savings 'scenarios'. To prepare for any decisions, we have put in place a recruitment freeze for all but critical roles s.9(2)(f)(iv)

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

while Ministers consider further options for savings and cost pressures.

Of DOC's \$710 million departmental output expenses, \$457 million is core Crown funding

43. As part of the process of setting targets for government agencies, Government will consider what the base from which to find those savings will be for each agency, as well as the level of savings that will be sought.
44. Of DOC's \$710 million 2023/24 departmental output expenses, only \$457 million is Crown funding that is not ring-fenced.

Table 2: Core Crown funding

| Crown funding \$'000 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|---------------------|----------------|----------------|----------------|
| Departmental output expenses | 710,230 | 635,510 | 624,020 | 624,060 |
| Less: Non-Crown third-party revenue ⁶ | 59,465 | 59,478 | 59,051 | 59,051 |
| Total Crown funding | 650,765 | 576,032 | 564,969 | 565,009 |
| Adjustments: Non-discretionary costs / ring-fenced funding \$'000 | | | | |
| Capital charge | 42,968 | 43,499 | 43,698 | 43,761 |
| International Visitor Levy | 63,449 ⁷ | 35,243 | 35,243 | 35,243 |
| Jobs for Nature Programme ⁸ | 73,238 | 13,419 | 1,002 | - |
| Treaty Settlement Implementation | 13,828 | 6,583 | 6,432 | 6,432 |
| Total adjustments | 193,483 | 98,744 | 86,395 | 85,436 |
| Adjusted Departmental Crown funding for savings | 457,282 | 477,288 | 478,574 | 479,573 |

45.

9(2)(g)(i)

Illustrative savings scenarios vary substantially depending on the base level of funding

46. We have prepared some illustrative scenarios in case Government wants to find savings in addition to the 19% decline in DOC's budget next year. These scenarios do not include cost pressures resulting from severe weather events, such as the unfunded cost pressures from Cyclone Gabrielle, or the cost of removing or remediating either Chateau Tongariro or the Ruapehu Alpine Lifts.

⁶ This revenue comes from recreation and tourism charges; donations and sponsorship, leases and rents; retail sales; permissions cost recoveries; and resource sales.

⁷ This figure is the level of the appropriation – or what DOC is allowed to spend, as opposed to actual revenue.

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

Table 3: Illustrative scenario from a \$457 million base of savings

| Cost pressure/driver (\$'000) | 2023/24 | 2024/25 | 2025/26 | 2026/27 | Total |
|-----------------------------------|---------|---------|---------------|---------|--------|
| Permanent Baseline Reduction | - | - | 12,400 | 12,400 | 24,800 |
| 6.5% savings from \$457m | - | 29,705 | 29,705 | 29,705 | 89,115 |
| Total estimated cost pressures | 17,396 | 33,005 | s.9(2)(f)(iv) | | |
| Total scenario from a \$457m base | 17,396 | 62,710 | | | |

Table 4: Illustrative scenario from a \$710 million base of savings

| Cost pressure/driver (\$'000) | 2023/24 | 2024/25 | 2025/26 | 2026/27 | Total |
|-----------------------------------|---------|---------|---------------|---------|---------|
| Permanent Baseline Reduction | - | - | 12,400 | 12,400 | 24,800 |
| 6.5% savings from \$710m | - | 46,150 | 46,150 | 46,150 | 138,450 |
| Total estimated cost pressures | 17,396 | 33,005 | s.9(2)(f)(iv) | | |
| Total scenario from a \$710m base | 17,396 | 79,155 | | | |

DOC is an operational agency, which means that its \$710 million departmental funding pays for the frontline

DOC's departmental output expenses pay for frontline staff

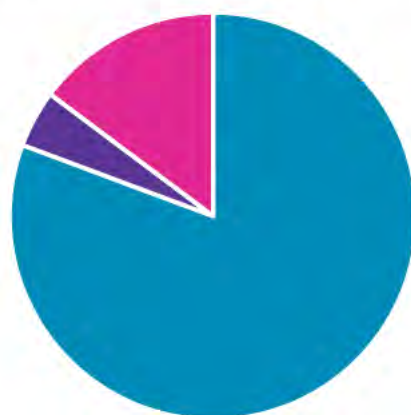
47. DOC is primarily an operational agency meaning that DOC's \$710 million departmental output expenses budget for 2023/24 pays for frontline staff, services and essential support. As at 31 March 2023, 1,433 full-time equivalent staff or 55% of DOC's staff, were classified as frontline staff. In this way DOC is very similar to the Department of Corrections, which we understand is likely excluded from the departmental savings exercise.
48. Amongst the staff that are not defined as "frontline" for reporting purposes are staff whose work directly supports frontline delivery, such as critical science and technical biodiversity staff, legal staff that undertake Resource Management case work, and geospatial, radio network and other ICT technical specialists, and a large proportion of regulatory roles.

DOC's departmental output expenses make up about four-fifths of its total appropriations

49. As an operational agency, DOC's departmental output expenses make up the vast majority of its overall funding; \$710 million out of a total of \$880 million. This means that conservation outputs are delivered by the department directly and departmental output appropriations pay for items such as vehicle fuel and materials, as well as frontline staff and supporting functions.

Diagram 1: Departmental output expenses as a proportion of DOC's total appropriations

DOC's 2023/24 appropriations



- Departmental output expenses
- Departmental capital expenditure
- Non-Departmental output and capital expenditure

For other agencies, departmental output expenses, and therefore the funding earmarked for savings in the National party manifesto, make up a much lower percentage of their total funding

50. DOC's departmental output appropriations make up 81% of DOC's total appropriations. This is higher than for many other government agencies, because elsewhere frontline work is often delivered by a Crown entity, or via other devolved parties, providers or programmes, rather than by the department itself, or other major "frontline" services are payments to households and individuals.

Table 5: Departmental output expenses as a percentage of total appropriations

| Agency | Departmental output expenses 2023/24 | Total appropriations 2023/24 | Departmental output expenses as a percentage of total appropriations |
|----------|--------------------------------------|------------------------------|--|
| DOC | \$710m | \$880m | 81% |
| MSD | \$1,630m | \$42,973m | 4% |
| IRD | \$723m | \$18,105m | 4% |
| MHUD | \$73m | \$11,262m | <1% |
| MOT | \$76m | \$10,114m | <1% |
| Treasury | \$138m | \$9,242m | 1% |
| MBIE | \$1,248m | \$7,007m | 18% |
| MFE | \$248m | \$3,493m | 7% |
| MFAT | \$557m | \$1,566m | 36% |
| DIA | \$559m | \$1,399m | 40% |
| MPI | \$895m | \$1,304m | 69% |
| Customs | \$273m | \$301m | 90% |

Because DOC's departmental output expenses are such a high proportion of its funding, significant savings will impact service levels

51. DOC's departmental output expenses are a high proportion of its total funding. In this context, savings are very likely to reduce services and current service levels are not sufficient in a number of areas (see Appendix 1). Looking for significant savings from our \$710 million departmental output expenses therefore take us into the territory of how we can reorganise our frontline and major changes to service delivery. This will take time and it will mean that DOC delivers less overall, which are decisions that require Ministerial direction.
52. Finding ways to deliver outcomes more efficiently depends on availability of more efficient models. DOC staff are already spread thinly, both in terms of the locations where we need to work and the roles that we need to fulfil. Our work is also labour-intensive. While some productivity improvements may be possible, the nature of our work has not fundamentally changed and there are no clear "game changer" innovations on the immediate horizon. In the longer term, greater use of technology such as genetic modification may present more options. Identifying system and process efficiencies is both possible and necessary and we have work underway to identify such efficiencies. In many cases, realising these efficiencies will, however, require upfront investment.
53. Given this context, our advice is to first complete the Financial Sustainability Review already underway to enable Ministers to consider choices around the scope and scale of the Department, strategic funding options for conservation, options for optimising third-party revenue and efficiencies.

DOC has conducted initial analysis on options for the sources of savings

54. DOC is undertaking analysis of the types of savings options available in order to provide advice. The options cover:
 1. Programme spending.
 2. Departmental spending.
 3. Increasing third-party revenue.
 4. Strategic investment, revenue and efficiency choices through the Financial Sustainability Review from Budget 2025 onwards
55. It is likely that any significant savings targets will require options from a mixture of these approaches.
56. We are using the following guidelines from the National Party manifesto documents to analyse these savings categories:

| What the Coalition Agreement and National's Manifesto say | Reference |
|--|---------------------|
| Start reducing public sector expenditure by 6.5% on average | 100-Day Action Plan |
| Deliver savings in public sector spending by reducing non-essential back-office functions | Coalition Agreement |
| When evaluating government expenditure, it should be assessed on the extent to which it is delivering public goods, social insurance, regulating market failure and political choice | Coalition Agreement |
| Requiring Chief Executives to identify back-office spending not critical to frontline services | 100-Day Action Plan |
| Instruct public sector Chief Executives to begin reducing consultant and contractor expenditure | 100-Day Action Plan |
| Stopping work programmes not supported by the incoming Government | Tax Plan |

| What the Coalition Agreement and National's Manifesto say | Reference |
|--|-----------|
| Leaving job vacancies empty and stopping some new hires with a view to reducing headcount in non-essential back-office roles such as communications and policy | Tax Plan |
| Retiring working groups, taskforces and other functions made obsolete by the change of government | Tax Plan |
| Stopping programmes to refurbish offices or upgrade property leases | Tax Plan |

57. We are also considering the following criteria in our analysis of savings categories:

- 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.

(1) Programme spending and recent Government investment options

58. 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.

59. The few programmes with funding that can be easily identified may not be lowest value for money. The savings options identified at this stage are also heavily skewed towards biodiversity. Biodiversity is core to DOC's responsibilities and these programmes are often in place to deliver against specific objectives, such as pest control, which need additional support.

Table 6: Total baseline available for key programmes

| Programme | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Comment |
|---|-----------|-----------|-----------|-----------|--|
| Jobs for Nature outyears funding | \$13.36m | \$13.36m | \$13.36m | \$13.36m | Uncommitted, earmarked for PBR. |
| Jobs for Nature MYA funding | \$125.95m | \$23.85m | \$1.02m | - | Largely committed through contracts. |
| Predator Free 2050 | \$21.361m | \$25.888m | \$25.948m | \$25.948m | Part of Government's effort to slow NZ biodiversity decline. s.9(2)(f)(iv) |
| Ramping up Deer Management and Goat Control (Budget 2022) | \$7.47m | \$7.93m | \$7.93m | \$7.93m | Would result in spread, deforestation and increase future cost of management. |
| Kermadec Ocean Sanctuary | \$8.118m | \$2.972m | \$3.226m | \$3.089m | Further policy work needed before implementation. |
| Community Conservation Fund | \$5.713m | \$4.909m | \$4.909m | \$4.909m | Will impact conservation outcomes. Fund is already oversubscribed. |
| Queen Elizabeth II National Trust | \$3.212m | \$3.412m | \$3.412m | \$3.412m | Will impact conservation outcomes on private land. Fund is already oversubscribed. |

| Programme | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Comment |
|-------------------------------------|----------|----------|----------|----------|--|
| Support for Māori Land | \$5.564m | \$6.914m | \$6.914m | \$6.914m | Will impact conservation outcomes on Māori land. Fund is already oversubscribed. |
| South East Marine Protection (SEMP) | \$3.217m | \$2.101m | \$2.041m | \$2.041m | Will impact conservation outcomes. |
| Revitalisation of the Hauraki Gulf | \$3.405m | \$3.505m | \$3.505m | \$3.505m | Will impact conservation outcomes. |

60. In addition, DOC received funding for a number of cost pressure initiatives in Budget 2022 that could be reduced/returned. These initiatives are summarised in slide 2 of the Financial A3 (see Appendix 2). Cuts to the future funding of these initiatives could be made, reducing and/or slowing delivery of expected outputs (see also Appendix 3, scenario 3).

(2) Departmental spending options

61. DOC is also looking at its core departmental spending to determine how to make savings where it is most feasible and where it will have the lowest impact on outcomes. Departmental savings options of this magnitude will involve restructuring and redundancies. We anticipate that Treasury and the Public Service Commission will provide Budget Ministers with advice on timelines that takes this into account.

The potential to find savings from back-office functions alone

62. 9(2)(g)(i)

63. DOC considers that cuts of this magnitude cannot feasibly be delivered only from back-office functions. Back-office functions are necessary to support frontline delivery and improvements to DOC's asset and financial management systems and ICT systems is necessary. Compared to other agencies, DOC's policy spending is relatively small, despite the significant regulatory system issues, framework and broad scope of issues for 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%).

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

Departmental savings from a wider base

65. DOC has been developing savings options from departmental spending across all functions and outlined below are some examples of savings options we are considering from this wider base. These options are considered lower risk. They demonstrate some of the impacts and issues that need to be worked through to develop savings options:

Scaling down our frontline efforts in Resource Management. This would mean less involvement in planning and consenting with detrimental impacts on conservation outcomes. This is an efficient lever to achieve conservation outcomes, stakeholders expect DOC to deliver this service and it can prevent disputes from escalating and ultimately costing more. However, this is an option we need to consider because it is discretionary.

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

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

- *Reducing our fleet to generate savings.* This will impact our ability to do our job at the frontline as rangers rely on the DOC fleet for transport.

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

66. We've been assessing potential options against the criteria set out in paragraphs 56 and 57 to rate options from "low" to "high" risk. When we apply the illustrative 6.5% of \$710m target, this requires us to consider options in the "medium" to "high" risk categories on top of reductions in programme spend. This means that they will impact outcomes and involve reduced service even without funding DOC's cost pressures.
67. Where savings options result in redundancies in 2024/25, the cost of these redundancies will need to be covered in 2023/24. We understand that Treasury and the Public Service Commission are currently considering how any 2024/25 redundancies would be funded and will provide advice on this to Budget Ministers.

Funding available from holding vacancies

68. DOC is currently holding vacancies. We are currently \$2.2 million under departmental personnel budget due to vacancies for the year to date. Extrapolating that out to the full year would yield \$5.3 million in savings. However, this money will be needed to pay for Public Service Pay Adjustment at April 2024 and in outyears.

(3) Increasing third-party revenue

69. DOC is undertaking work as part of the Financial Sustainability Review to identify third-party funding options ahead of Budget 2025. s.9(2)(f)(iv)

(4) Strategic investment, revenue and efficiency choices through the Financial Sustainability Review

71. Our recommended approach is to complete the Financial Sustainability Review ahead of any decisions on savings. DOC will provide advice to support Ministers' decisions on what outcomes they want to invest in and the associated trade-offs. DOC will also advise you on value for money and choices about the future role of third-party funding. The current recommendation is to deliver this in time for Budget 2025.

Indicative savings 'scenarios'

72. Appendix 3 sets out three indicative savings 'scenarios' and indicative options packages associated with these scenarios for discussion with you. The table includes indicative impacts. Note that more work is needed to identify and assess the impact of these savings options on outputs.
73. Please note that the scenarios in Appendix 3 do not include cost pressures. DOC has estimated cost pressures of \$17 million in 2023/24, rising to s.9(2)(i) (see Table 1). If we need to find additional savings to meet these cost pressures, these savings will be relatively more impactful than the savings packages in Appendix 3.

Risk assessment – Aronga tūraru

74. Risks are discussed in this paper and will be inherent in any savings options pursued. Detailed risk analysis and advice will be required as any savings options are developed further. The programmes you wish to stop will require careful rationalisation in light of the cost pressures in Vote Conservation.
75. Note that responsibility for delivering against environmental and conservation outcomes is often shared (e.g., amongst Natural Resource Cluster agencies, Central Agencies, local government) and the impacts of DOC's work changing in scope may affect other parts of the environment and conservation systems. These will need to be surfaced and discussed with these entities.

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

76. Further analysis of the interaction with Treaty principles of any savings options will be needed as options are developed.
77. The scope of the Financial Sustainability Review includes a number of matters that directly reflect, and changes that could impact on, DOC's ability to meet Treaty obligations.

Consultation – Kōrero whakawhiti

78. Nil. However, DOC has consulted Department of Prime Minister and Cabinet, Public Service Commission and Treasury on the Financial Sustainability Review and Treasury on Budget 2024.

Financial implications – Te hiraunga pūtea

79. Nil from this paper.

Legal implications – Te hiraunga a ture

80. Nil from this paper.

Next steps – Ngā tāwhaitanga

81. Officials will schedule meetings with you to discuss Government's savings ambitions for DOC and savings options and will explore the savings options identified in this briefing or any further savings options you request. Based on these discussions and further work we will engage with Treasury and respond to Government's requests for savings options based on these discussions.
82. Officials will provide you with further advice on Budget 24 when the details of the process and timeline are finalised.
83. We will also provide you with specific advice on the financial implications of Cyclone Gabrielle, Ruapehu Alpine Lifts and Chateau Tongariro.

ENDS

Financial Sustainability Review

Phase 1 Final Report

21 September 2023



Department of
Conservation
Te Papa Atawhai

New Zealand Government

Released under the Official Information Act

Executive Summary

Introduction

See also pages

- The purpose of this review is to provide Ministers with the information needed to make choices about future conservation outcomes and investment; this first phase highlights the Department of Conservation's (DOC) current performance and cost drivers

4-5

System context

- DOC manages one-third of Aotearoa's land and a significant part of its oceans, with around 0.64% of the (Core) Crown budget for 2023/24. New assets and responsibilities are regularly added to its role – including some responsibilities that DOC was never set up for (such as artworks and ski fields).
- DOC operates in an increasingly complex conservation system, shaped by partnership and shared priorities, and with significant commercial contracts and risks. Current performance reporting gives little sense of the scale of work needed to maintain or uplift conservation outcomes within this wider context
- There are wider economic costs to doing too little to manage PCLW and species well, and equally benefits for the economy and communities of doing more – we have to find ways to achieve more of what really matters.

6-9

DOC's high-level performance story

- DOC is generally meeting its output targets and implements government priorities well, even major new programmes such as Jobs for Nature. DOC also has considerable expertise in species management and is making strides in a few critical areas.
- However, many critical conservation outcomes are static or declining, risking irreversible loss. Unmet needs are increasing – our output targets are too narrow and too low, costs are increasing, and funding is increasingly ringfenced for other activities or needs to be directed towards other responsibilities. Increases to Vote Conservation funding haven't been reflected in increases in measured outputs, which only focus on a narrow set of DOC's total work and responsibilities. Work is needed to improve alignment of appropriations with outputs and outcomes

10-15

The drivers of costs

- Workforce is the biggest driver of supply-side costs. The workforce has been through a period of sustained growth, reflecting specific investments in capability through Budget bids and areas of increased focus/risk (such as Treaty, regulatory and legal work). As with the rest of the public sector, costs per FTE have increased, and more of DOC's funding is now spent on people costs and is not easily available for reprioritisation or new initiatives
- DOC has used efficiencies and other savings to keep down its operation costs, but under-investment in its recreation assets has created another major cost driver. The Budget 2022 Natural Resources Cluster review estimated that, for recreational assets, there was a backlog of almost 70,000 hours of deferred maintenance work and \$300m of deferred capital expenditure. Half of DOC's visitor assets are fully depreciated.
- Extreme weather events exacerbated by climate change increasingly impact how DOC delivers its work and its ability to keep planned and priority work on track, as well as impacting vulnerable species. Recovery from Cyclone Gabrielle is expected to cost over \$70m more over the next five years. Remediation costs use up more of DOC's core funding and there are significant risks associated with unmanaged/low conservation value land eroding

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Executive Summary

See also pages

Drivers of performance against outcomes

- There are systemic issues holding back DOC's performance: there are too many FTEs for current baselines and insufficient flexibility. There is a need to consider different operational models or innovative solutions, rationalise DOC's planning framework and network of assets, and develop the policy framework and commercial disciplines needed to grow third-party revenue appropriately
- While there are clearly investments that make a difference and that could be scaled up, low maturity of systems and data gaps mean it can be difficult to show links between funding and progress on conservation priorities. DOC can't always demonstrate what matters most for achieving conservation outcomes, or how it can prioritise resources towards these outcomes. DOC is pulled in too many directions. Freeing up resources to improve DOC's systems/data, and to invest in Government's priorities, will require a stronger drive for efficiency in DOC and a willingness to make more trade-offs

Future pressures on maintaining current delivery & performance

- Workforce and inflationary pressures are currently projected to generate a total budget gap of almost \$70m over the next four years unless action is taken. This gap will be exacerbated by costs associated with DOC's extensive and aging visitor assets
- A range of demand pressures are also increasing expectations around what DOC can deliver and costs. For example, increased weather impacts on riskier assets and ecosystems, Treaty settlement implementation and regulatory system requirements (including resource management reform implementation).
- It is clear that trade-offs will be needed between current activities and areas such as increasing resilience to climate change, transitioning to more sustainable visitor management, and addressing irreversible decline of Aotearoa's places, ecosystems and species

Next steps / Phase 2

- In the year ahead, a range of Government decisions will present choices around the level of ambition – and associated funding requirements – for conservation outcomes: New Zealand must set its national targets for the Global Biodiversity Framework, government must reset the implementation plan for Te Mana o te Taiao, and the next phase of the Predator Free 2050 is due to be set in 2024
- Phase 1 has demonstrated that there are strategic choices and trade-offs for Ministers around objectives for conservation, but also opportunities to streamline the Department for more effective and efficient delivery against those objectives. Work is already underway on some of the streamlining actions DOC can take, including to improve our ability to show the links between funding and impacts, and to support better prioritisation.
- Proposed workstreams for Phase 2, coupled with immediate actions to ramp up work to find short term efficiencies and savings in ongoing Budget 2022 work to improve asset management and cost recovery, will enable DOC to provide advice to support Ministers' choices around the scope and scale of DOC's role in the conservation system within different potential funding paths. Phase 2 will also look at medium term opportunities to drive value for money and increase third-party investment to offset some of the costs to the government of delivering conservation outcomes.

17

18-21

22-23

This report summarises the key findings from Phase 1 of the review

Phase 1 focuses on current performance and cost drivers

This first phase of work provides Ministers with an initial assessment of:

- DOC's current delivery/performance, and the factors driving this performance, including efficiency and effectiveness
- Projected future costs based on known cost drivers, including their impact on DOC's financial sustainability, and implications for outputs and outcomes
- Illustrative future Government choices, and gaps for further work (Phase 2)

The review builds on previous work from the Budget 2022 Natural Resources Cluster review and DOC's draft Long-Term Investment Plan (LTIP) prepared in 2019, which highlighted the big gap in investment required to improve delivery of DOC's statutory obligations.

The findings from Phase 1 have been informed by financial analysis and trends, reviewing past material and conversations with internal stakeholders. The review team also completed a limited activity survey (run over one week) of the time spent by frontline ranger staff across a representative sample of five of DOC's districts (see Appendix 2).

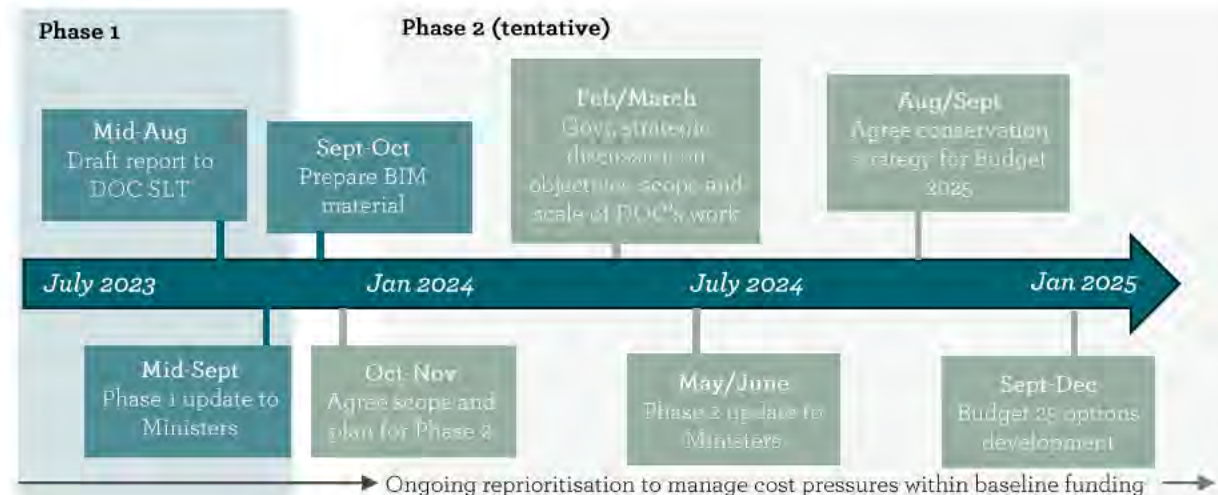
The review aligns with the Government's Fiscal Sustainability and Effectiveness programme

This work is part of DOC's overall programme of work to improve efficiency and effectiveness, find savings, identify reprioritisation options to manage cost pressures and improve its financial management system, including improving investment governance and controls.

Phase 2 will build on the insights and strategic direction provided under Phase 1

Alongside immediate departmental work to identify savings and improve efficiency, medium-term choices and trade-offs for Ministers will be explored through Phase 2. These include:

- Setting objectives for the conservation system in light of the scale of challenge to be addressed and affordable financial parameters
- Reviewing the role and scope of DOC, including where it could do more or less
- Improving value for money – opportunities for doing things more efficiently or with new approaches, and the range/mix of levers for more effective interventions
- Developing funding options, including the role of third-party funding and improved cost-recovery



Getting on a sustainable footing requires a review of the strategic, operational and financial choices for achieving conservation outcomes

Nature is in trouble

Aotearoa’s species and ecosystems are under threat from climate change, invasive species, land sea use change, exploitation pollution Many species are unique New Zealand (100% of reptiles, frogs bats, 50% of marine flora and fauna, are found nowhere else) and are taonga



This has implications for our taonga, natural environment and economy

Our economy depends on nature tourism agriculture, forestry, fisheries, energy, resources, sports and recreation Our health, wellbeing and national identity is intertwined with nature – it connects us place, provides us with green spaces and recreation, allows us to gather kai Healthy forests and vegetation on land is more stable resilient The economic value of ecosystem services is increasingly recognised

A system-wide response and a strong system leader are needed

Te Mana o te Taiao – Aotearoa New Zealand Biodiversity Strategy provides ‘all of New Zealand’ response sets direction goals for biodiversity DOC is lead agency for strategy is responsible for much of its delivery

But DOC is only one part a network of central and local government agencies, iwi, NGOs, businesses, community groups individuals with critical roles to play To achieve good outcomes, DOC needs partner with others the conservation system (e.g NZCA, Conservation Boards, Fish and Game, Animal Council, iwi/PSGEs, regional councils, industry, communities, ENGOs)

DOC’s responsibilities extend well beyond conserving biodiversity

DOC manages use of conservation land for recreation, including providing a large network of visitor services, maintains heritage assets, enforces laws that protect biodiversity and historic heritage, provides regulatory services such as permissions for activity on PCLW, maintains improves our lands and waters for future generations, including establishing/monitoring marine reserves

DOC’s effectiveness as a system leader, delivery partner and land manager is compromised by financial sustainability challenges

The Budget 2022 Natural Resources Cluster review made clear that a context rising costs, falling baselines, declining outcomes, changes are needed to deliver a sustainable conservation system That review led stop-gap funding to address immediate cost pressures and deliver new initiatives It also called for improving cost recovery developing a more sustainable asset base Responses are underway, but inflationary pressures have increased Cyclone Gabrielle has also added this challenge as DOC responds damage assets, places and species, a need increase resilience of PCLW

The Financial Sustainability Review (the review) aims to give Ministers the information they need to make choices to respond to these challenges

range of responses are needed ensure system can deliver on Government priorities, undertake functions effectively and efficiently, and look after network of land, waters, visitor heritage sites, species ecosystems its care






DOC initiated this review work out what needs change operationally, advise Ministers on a range of options, associated strategic implications and choices they can take identify new revenue sources, improve value for money, become financially sustainable, boost conservation outcomes

DOC is also developing a framework prioritise our work protect species special places, this will inform resource allocation at place and across country

DOC is responsible for a large proportion of our land and waters, and for protecting our most treasured places and species

DOC is charged under the Conservation Act 1987 (the Act) with conserving Aotearoa’s natural and historic heritage, in a way that gives effect to the principles of the Treaty of Waitangi and provides for recreation and tourism opportunities consistent with conservation values

DOC has responsibility for:

-  Over 30% of New Zealand's land (8 million hectares) and water (4.5 million hectares) areas, including 220 large islands, hundreds of smaller islands, 52 marine reserves, sanctuaries, and 13 national parks
-  Over 21,800 visitor assets, including 15,000 km tracks (>9 times length of NZ), 170 visitor buildings and huts, 1015 toilet blocks, and 300 campsites, more than 15,500 heritage sites
-  Over 14,000 native species – actively protecting 440 of over 4,000 species assessed as ‘At Risk’ or ‘Threatened’
-  Giving effect to Treaty of Waitangi principles through administration of the Act, and as part of over 70 Treaty Settlements covering more than 70 iwi, with more than 3,000 specific obligations and many ongoing commitments
-  Administering 25 Acts of Parliament, contributes many others, including Resource Management Act 1991, the Fisheries Acts 1983 and 1996, Biosecurity Act 1993, Forest and Rural Fires Act 1977 and Crown Pastoral Land Act 1998

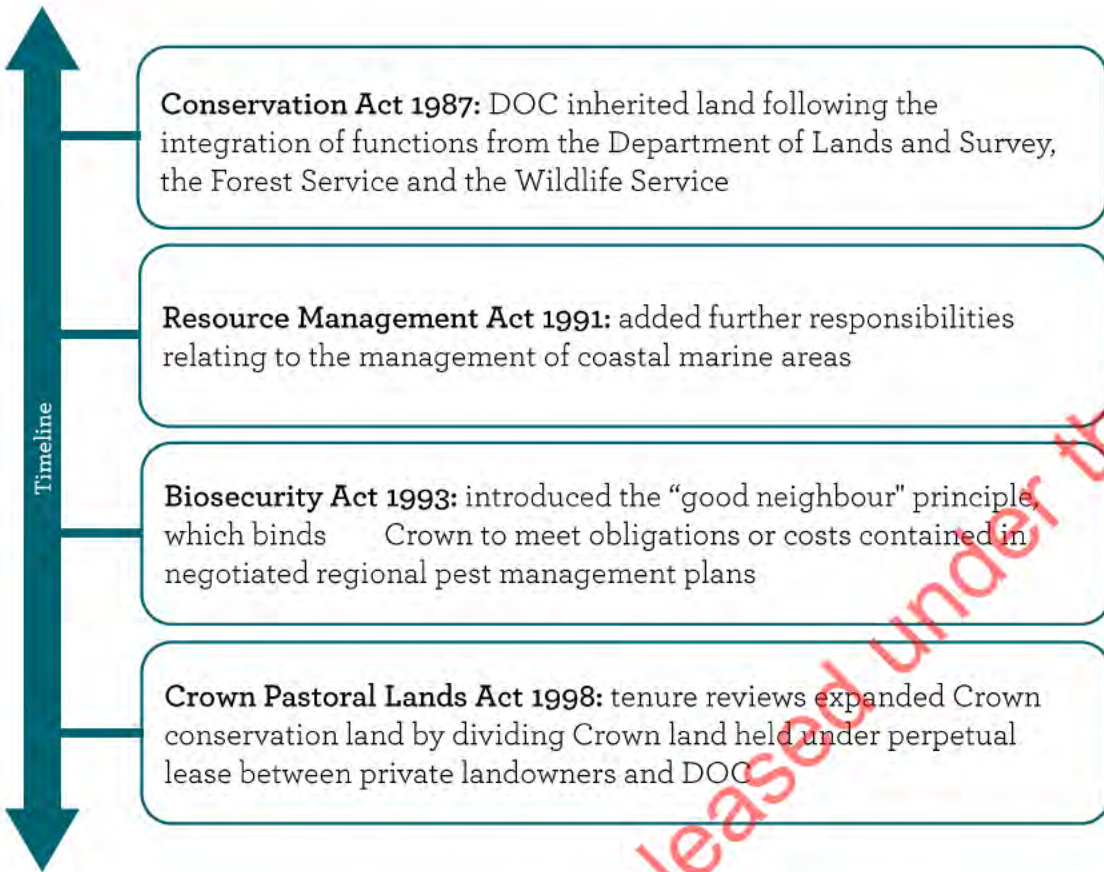
Which means that DOC:

- Is spread thinly across New Zealand:
 - Physically** → from the Kermadec Islands in the north to the subantarctic archipelago in the south (over 100 locations in 10 regions)
 - Functionally** → from plants and animals to visitor experiences and general maintenance (e.g. mowing lawns, removing graffiti, fixing potholes)
- Bears significant land manager liabilities (e.g. fencing, regional pest management, soil erosion), including for land that has little conservation value (and therefore a low priority to manage) and from which we cannot easily divest
- Has the most neighbours in New Zealand – PCL covers 45% of the South Island, putting DOC front and centre in local communities
- Is New Zealand’s largest provider of visitor activities – Supporting regional economic development (e.g. Great Walks, key destinations), with significant asset management and health and safety obligations, as well as managing associated commercial leases and permissions
- Has significant advocacy, regulatory and enforcement responsibilities – Processing over 1,900 applications each year to allow activity on PCL and undertaking significant advice, assessment and legal cases on RM decisions.

“ Operating a DOC office is like being a gardener, stock manager and tourism business, all in one. ”
DOC employee

Expectations on DOC have also grown over time, but its role and funding have not been reviewed comprehensively

DOC's roles and responsibilities have expanded:



So has the area of land and the number of conservation assets it manages, e.g.:

| | 1980s / 1990s | Today | Increase |
|--------------------------------|------------------------------------|------------------------------------|----------|
| Marine Mammal Sanctuaries | 1.4 million hectares | 3.4 million hectares | 143% |
| Marine Reserves | 0.7 million hectares | 1.8 million hectares | 157% |
| Tracks | 3,500 kilometres | 15,000 kilometres | 329% |
| Departmental Operating Funding | 300.9 million dollars ¹ | 549.3 million dollars ² | 83% |

And increased expectations that have broad impacts on DOC's work:

Treaty partnerships are now central to delivery, leading to increased engagement and more shared decision-making arrangements, changing the way that DOC manages land response. Treaty settlements.

Health and safety precedents and law changes have driven increased expectations costs (e.g. resulting from the Cave Creek disaster) are significant given large numbers of workers visitors across PCLW.

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1 - 1993/94 departmental operating funding, inflated by CPI to June 2023 dollars.
 2 - 2022/2023 departmental operating funding per Supplementary Estimates 2023 excluding Jobs For Nature funding, capital to operating transfers, and operating expense transfers



Case Study

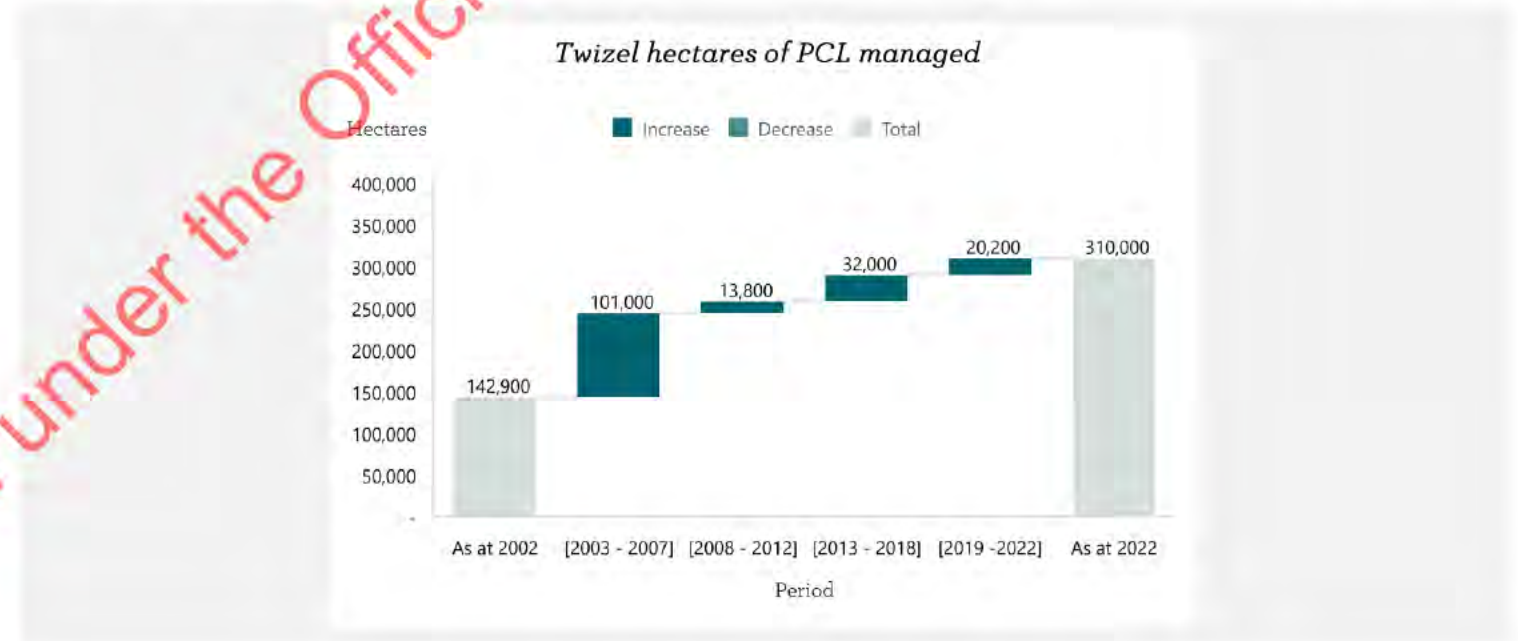
Impact of tenure reviews on Twizel District

BUDGET-SENSITIVE

Tenure reviews have doubled of the amount of public conservation land to be managed in Twizel

Over the last 20 years, public conservation land in Twizel has doubled from almost 143 thousand hectares to 310 thousand hectares, primarily through tenure reviews, without any increase in funding.

Much of this land has low conservation value, but creates other responsibilities for DOC, including pest control (rabbits, deer, possums, weeds, wilding pine), asset maintenance, soil, and water conservation. Erosion risk on this, and other, land is increasingly important for wider economic assets and communities.



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DOC is part of a wider conservation system, which requires maintenance, modernisation and high levels of engagement

A range of strategies influence how and what DOC delivers

The Minister of Conservation (MOC) is responsible for overall priorities and direction for conservation system. There is a need to set clear priorities with advice and support from DOC. This requires a thorough conversation that has not taken place for some time about what our functions and responsibilities require, as well as where to focus most, being explicit about what we cannot do.

DOC is party to the *New Zealand-Aotearoa Government Tourism Strategy*; Natural Resources Cluster strategic outcomes; and leads implementation of *Te Mana o te Taiao*, Predator Free.

DOC's integrated strategy (see appendix 1) reflects its statutory responsibilities and consolidates its roles across strategic documents. There are strategic outcomes under overarching commitment to be an honourable Treaty Partner:



Conservation general policies, strategies and plans are tools provided by statute for guiding DOC's work, but most are out of date and the framework needs reconsideration.



As part of a wider network of conservation actors, DOC collaborates with others and balances a variety of interests.

DOC operates within a wider conservation network

Conservation requires the work of many actors, including:

- Other statutory and quasi-statutory bodies, such as New Zealand Conservation Authority, conservation boards, Fish & Game councils
- Treaty partners
- Non-government organisations such as Forest & Bird
- Local government and other central government agencies
- Other stakeholders such as businesses, landowners, and community

DOC must bring together national priorities and local context

DOC delivers its conservation work with others at place. The long-term success of this work depends on the support and trust of local communities and Treaty partners. Maintaining this requires DOC to make hard decisions and apply the national strategic perspective to local context (social, cultural, economic, environmental).

Change is needed for the system to be fit for the future, but outcomes also take time and long-term investment and commitment is needed.

In short, there is a need to reconsider what the conservation system is, its priorities, and the first step will be confirming the Government's objectives across the full suite of roles and functions. Better understanding of the full costs involved in meeting those priorities, the associated obligations, and stewardship responsibilities for the system, is critical.








Improvements to the system will be required, including changes to the legislative framework to increase overall effectiveness and efficiency. Agreement about what can be achieved within a sustainable funding path over a time period is required.










DOC's performance against output measures does not reflect the scale of work needed to maintain or uplift conservation outcomes, nor all of its statutory responsibilities

BUDGET-SENSITIVE

Historically, DOC has focused on targeting very specific areas of intervention, such as at-risk species and maintaining safe and accessible tracks. This approach has delivered benefits and many high-profile, localised conservation success stories; but it has not been able to hold the line on nature's decline due to the scale of the challenge (as indicated below), which is growing over time. DOC is missing measures for whole areas of activities, e.g. Treaty obligations, regulatory activities, and land management.

DOC is meeting most of its output targets But DOC's assessment of wider conservation outcomes is that performance is not at an acceptable level Reflecting the limited scale of DOC's current conservation work

| Non-financial planning levels (NFPLs) Achieved 2022/23 | |
|---|---|
| Management of Natural Heritage  | Management of Historic Heritage  |
| NFPL achieved: 12 of 14 | NFPL achieved: 2 of 3 |
| Crown Contribution to Regional Pest Management  | Management of Recreational Opportunities  |
| NFPL achieved: 1 of 1 | NFPL achieved: 4 of 5 |
| Conservation with the Community  | Search and Rescue Activities - Permanent Legislative Authority  |
| NFPL achieved: 2 of 2 | NFPL achieved: 1 of 1 |
| Policy Advice, Statutory Planning, and Services to Ministers and Statutory Bodies  | Other activities ¹ <ul style="list-style-type: none"> Advocacy and compliance Processing concessions or permissions |
| NFPL achieved: 3 of 5 | Not Measured ¹ |

| Outcomes | 2021/22 | Performance Indicators & Assessment |
|---|---|--|
| Ecosystem and species across Aotearoa New Zealand are thriving from the mountains to the seas |  | Marine ecosystem representation |
| |  | Marine species representation |
| |  | Terrestrial ecosystem composition |
| Public conservation lands and waters are maintained and improved for future use |  | Terrestrial pest |
| |  | Terrestrial weeds |
| Connection with nature and cultural heritage enriches people's lives |  | Visitor satisfaction with experience at heritage sites |
| |  | Visitor participation in recreation on public conservation lands and waters |
| |  | Visitor satisfaction with the quality of the experience and opportunities provided |
| |  | Visitor participation at heritage sites |

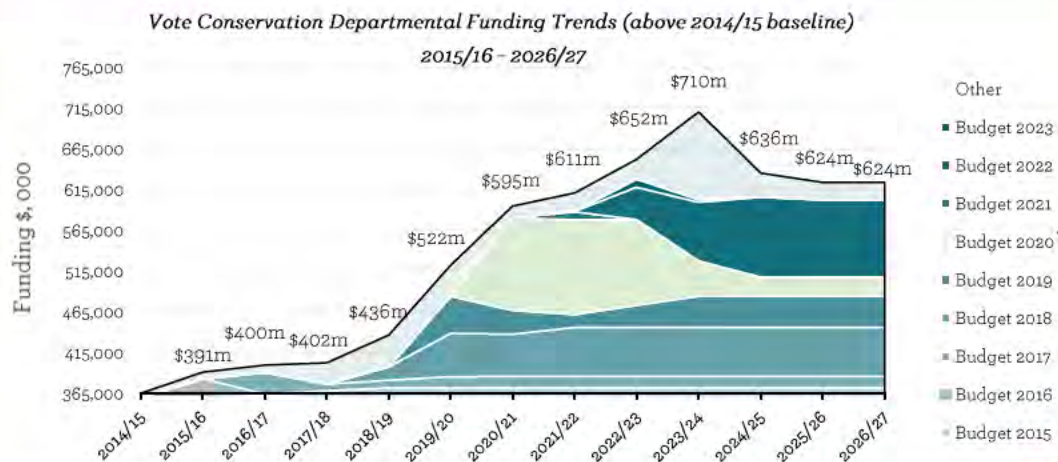
Inconclusive 
 Acceptable level 
 Concerning 
 Below acceptable 

- <1%** About 30% of New Zealand's biodiversity is found at sea, yet only 0.4% of New Zealand's marine environment is highly protected
- <2%** Less than 2% of species that are at risk or threatened with extinction are receiving sufficient protection (68 out of more than 4,000)
- <5%** Only 4% of DOC heritage sites are actively managed (650 out of 16,000)
- <10%** Only 7% of DOC land is covered by the national predator control programmes each year (600,000 hectares out of 8,700,000)
- 1/4** Only 24% of heritage sites intensely managed are meeting standards (12 out of 50)
- 1/3** 1/3 of known species in New Zealand do not have a risk status due to insufficient information

Work is underway to develop a system to transparently track progress on Treaty obligations and performance

¹ -These are illustrative examples of activities undertaken but not reported through NFPLs. See Appendix 3 for more detail.

Increases in funding have not increased measured outputs – funding has gone to other activities or has not kept up with rising costs



* Includes Jobs for Nature funding for 2019/20 through to 2025/26 (92% of Budget 20 uplift across four years)

Notes

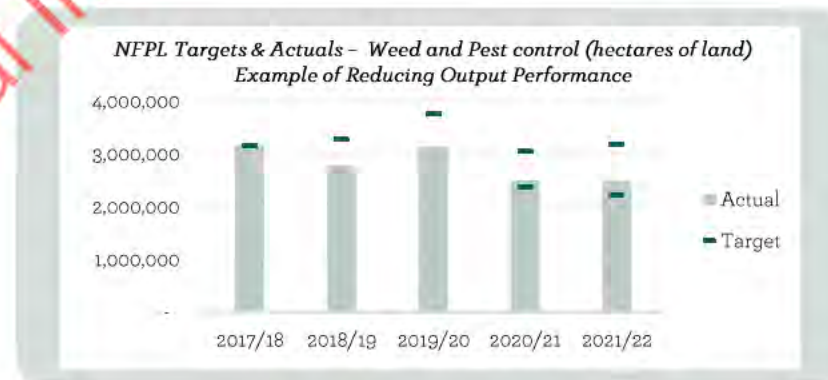
- Departmental output expense funding from 2015/16 to 2027/28
- Other budget movements include changes to third-party and Crown concession revenue, and baseline transfers and adjustment since 2014/15
- DOC's funding from 2023/24 onwards is per *Main Estimates - 2023/24* subject to change pending future budgets and baseline adjustments
- Tagged contingency funding has been excluded

DOC's output performance measures have not changed significantly despite significant recent increases in funding

Annual Vote Conservation funding has increased over last six years. DOC's responsibilities have been growing (see page 7), but DOC's non-financial planning levels (NFPLs) measures have not significantly changed. Some NFPL targets have even reduced quantum or are now measured via a range. For example, target number of hectares for pest weed control has reduced by 30% since 2016/17.

DOC's performance has declined in some areas where outputs are measured

DOC has largely been meeting its NFPL targets; where these are missed, it's typically due to external factors such as weather events or COVID-19. Even so, performance in some areas, such as weed pest control, has decreased.



But there are recent examples of good progress where DOC focuses its efforts:

- **Targeted protection of some species:** five species moved from 'Nationally Critical' (the last category before 'Extinct'); the North Island brown kiwi improved from 'At Risk' to 'Not Threatened'
- **New ways of doing things:** investment in science and technology is accelerating development of new and existing predator control tools, including drones and remote sensing tools
- **Delivering new experiences:** newest Great Walk – The Paparoa Track – opened in 2019, this 120km project is popular (exceeding visitor targets), with social and economic benefits for Blackball and Punakaiki communities and businesses



In greater focus: Much of the new income is not available for DOC's core work

There have been significant changes to Vote Conservation

Since 2018/19 Vote Conservation increased from around \$500m to a peak of around \$900m in 2023/24 (of which 63% relates to departmental expenditure excluding depreciation and capital charge). In the future Vote Conservation is due to decrease to \$728m by 2026/27 as the Jobs for Nature and other programmes conclude. This will represent a 21% decline from current funding.

Some of the significant budget increases to Vote Conversation include the following:

| Budget 18 | Budget 20 | Budget 22 | Budget 23 (uplifts) |
|---|--|--|--|
| Approximately \$60 million per annum departmental funding for predator control and biodiversity initiatives | Up to \$120 million per annum for the Jobs for Nature programme that concludes in 2025/26 | Up to \$120 million per annum departmental funding to address cost pressures and progress policy initiatives - package for 3 x budgets | Includes funding for Public Service Pay Adjustment, Molesworth Station and Cyclone Gabrielle |

Much of the new Budget funding is ring-fenced or is passed through to others

Although increases in Vote Conservation have been substantial, the table above shows that much of this funding has been for specific cost pressures (e.g. wages and assets) or provided to pass through to others, such as the Jobs For Nature funding (\$485m over five years).

Time-bound funding can create problems with sustaining outcomes

DOC has increasingly received time-bound funding for specific purposes, which create challenges once the funding ends. The national wilding conifer programme is a recent example. Excellent progress has been achieved, with demonstrable improvements to outcomes. However, now that the funding has ceased, DOC won't be able to support ongoing wilding conifer control efforts, meaning treated areas are at risk of reinfestation, with substantive consequence for biodiversity, fire prevention and other economic implications.

Other revenue to support DOC's conservation outcomes has declined by \$15m since 2016/17

Prior to COVID, third-party-sourced revenue from concessions represented 32% of total third-party revenue. This had fallen to 13% by 2021/22.

Border closures led to a decline in international visitor numbers, and domestic lockdowns further limited DOC's ability to generate revenue from recreational and tourism charges. These revenue streams have decreased by 10% since 2016/17 and are yet to return to pre-2019/20 levels.

Weather events have further impacted available commercial revenue in recent years. Examples include damage in the Southern South Island Floods (50 major assets and the full length of the Milford & Routeburn track closed from Feb until late 2020) and the closure of some facilities following Cyclone Gabrielle. These events impact DOC's ability to generate both recreation and concessions revenue while asset repairs are undertaken.

DOC has been very successful in increasing revenue from donations and sponsorship to offset the impact of declines elsewhere. However, this revenue is ring fenced for specific purposes and cannot be used to support wider DOC conservation outcomes.

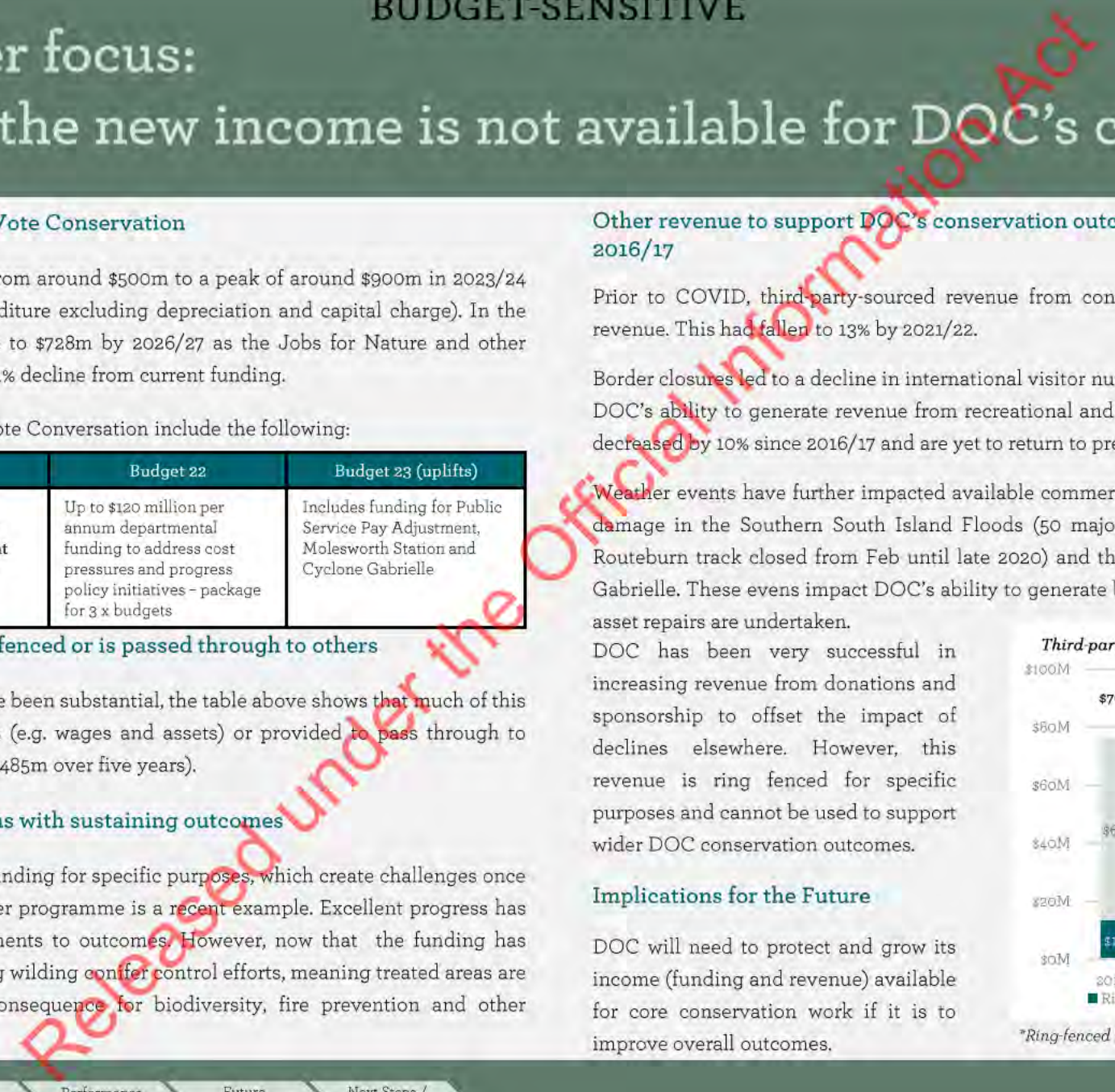
Implications for the Future

DOC will need to protect and grow its income (funding and revenue) available for core conservation work if it is to improve overall outcomes.

Third-party revenue: ring fenced* vs available for conservation



*Ring-fenced funding relates to donations and sponsorships



Greater transparency about DOC's spending, in a way that shows progress against priorities, is needed

Understanding the drivers of DOC's performance is a challenge

There are several reasons why understanding performance is difficult:

- Output reporting not reflecting activities funded delivered, or DOC's prioritisation of resources (see pages 10-11)
- Financial trends cost of inputs (see page 12)
- Other challenges opportunities (see page 13)

DOC's appropriation structure provides limited insight on what is delivered

More than 75% of DOC's departmental spending is captured two appropriations with very broad scopes – Management of Natural Heritage and Management Recreational Opportunities (see Appendix 3) This structure provides DOC with flexibility on what outputs it can spend money on but is less useful for explaining how money was spent, including 169 increase these appropriations between 2016/17 and 2021/22 Supplementary management reporting on intermediate outcome outputs (IOOs) provides greater clarity on the purpose of spending, but primarily still captures outcomes not

Current NFPLs do not capture all of DOC's work

DOC's NFPLs provide transparency of a range of outputs that are important for conservation and recreation outcomes However, set of common frontline activities reported the activity survey highlights other important outputs that are not currently reported (see Appendix 3) Gaps include delivery against Treaty commitments, advocacy compliance functions, such as submitting on RMA proposals or processing concessions or permissions The activity survey indicated that these activities may account for more than 10% of ranger time

There are also examples of spending that does not fit easily into existing appropriation scopes, such as boundary fence and road maintenance (which are likely treated as inputs other DOC outputs)

Additional funding was provided for specific earmarked work

Budgets 2020 and 2022 provided funding of over 600 earmarked deliver new priorities, including Predator Free Jobs for Nature While there is a degree of overlap between these initiatives and DOC's biodiversity NFPL activities, work is not directly aligned

Funding strategic priorities through reprioritisation may also be affecting delivery of NFPL-related work

The additional Vote Conservation funding recent years has not been sufficient support delivery of some of government's strategic priorities Instead, these priorities have been funded by shifting resources other activities DOC has not always been clear or transparent about impact these decisions on Government's goals/priorities outcomes over time and has not always provided clear reprioritisation options for Ministers meet unfunded costs of initiatives

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



In greater focus:

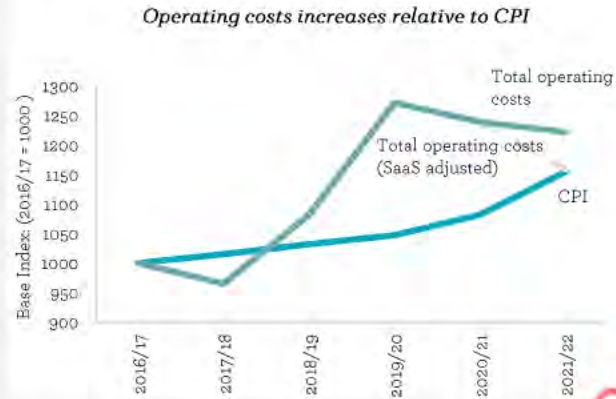
There has been a culture of cost cutting and underinvestment

DOC has kept operational spending in line with inflation

In contrast to the 50% increase in employee costs over the last six years, other operating cost increases have remained roughly in line with inflation.

DOC's cumulative operating costs (excluding Jobs for Nature and accounting adjustments related to SaaS) increased by 15.9% while CPI over the same period was 15.4%.

Note: The spike in expenditure in 2019/20 was due costs associated with the South Island flooding event.



Impacts on DOC's activities

DOC has managed its operating costs through a combination tactics, including:

- Efficiency savings, such as moving to a hybrid/electric fleet and reducing helicopter usage
- Delaying non-critical work, such as planned asset maintenance and staff training
- Not using new funding to increase spending on field services or other frontline activity.

The impact was a reduction in the proportion of total funding spent on operating costs from 38% to 36%.

Implications for the future

DOC has become more dependent on its workforce to deliver its activities and outcomes, and has sacrificed investment in assets, people development, process improvements and other areas to pay for this. Freeing up resources to allow this balance to be restored will be a challenge.

DOC has a history of underinvesting in its assets

DOC has consistently underinvested in the renewal and replacement of its assets by around \$25m per annum. Total required capital expenditure between 2016 to 2022, based on asset values and ages, was \$304m; actual expenditure was \$162m, representing an underinvestment of almost 50%.

Investment in assets has been constrained by insufficient funding levels due to the increasing gap between the level of depreciation funding, and the capital investment required, which continues to grow driven by asset valuation uplifts.

Capital Investment Trends – Required versus Actual 2016/17 – 2021/22

| All assets (\$ million) | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Total |
|------------------------------|---------|---------|---------|---------|---------|---------|-------|
| Required capital investment* | 44.8 | 46.9 | 48.8 | 51.5 | 53.6 | 58.7 | 304.1 |
| Additions | 16.7 | 26.5 | 31.1 | 15.8 | 33.5 | 38.7 | 162.3 |

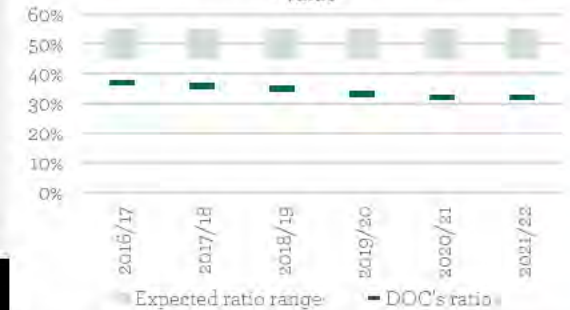
*required capital investment is based on the cost or valuation at 30 June divided by the estimated useful life of the individual asset class

This level of underinvestment is also reflected in the age profile of DOC's assets.

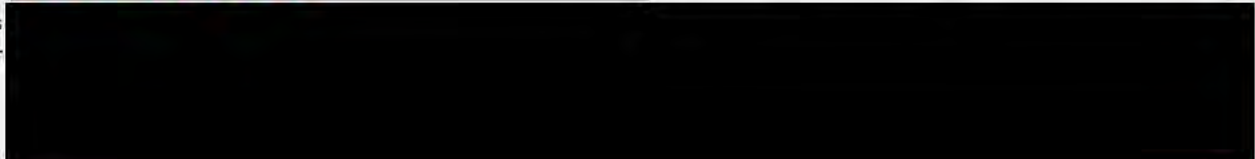
Best practice, where assets are being replaced and renewed on a regular and timely basis, is for a ratio of the carrying (depreciated) value of assets to their total value (replacement cost) to be in the range of 45% to 55%.

For DOC, this ratio dropped from 37% to 32% between 2016 and 2022.

Ratio of carrying (depreciated) value of assets to total value



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



It's difficult to articulate what matters most for achieving conservation outcomes or how DOC prioritises its resources against outputs

DOC's NFPLs may not reflect the most effective way to deliver outcomes

DOC's output measures play a key role in planning and prioritisation work, but it is not clear how effective this approach is. DOC has a range of levers available to affect outcomes, but it cannot be sure that the right balance is being achieved. For example, what is the relative impact of large-scale interventions to protect broader landscapes and ecosystems, versus targeted work to restore the population of a specific species on the brink of extinction?

This is symptomatic of DOC's inability to demonstrate a connection between its inputs, processes, and outcomes, or to use monitoring and evaluation to understand what works best. DOC is beginning to address this through its new Biodiversity Planning Approach, which will provide:

- Greater clarity of work required to deliver against agreed 4-year, 10-year and 50-year biodiversity outcome targets that reflect DOC's strategies
- Resource allocation tools that support outcome-based investment decisions, with transparent trade-offs
- Streamlined multi-year planning, workplan scheduling and targeted monitoring

DOC is not well placed to reprioritise its baseline towards what matters most

s.9(2)(g)(i)

In order to be able to make prioritisation decisions, DOC needs clear direction from Ministers on the relative priority of different conservation outcomes and our core functions/responsibilities. DOC has work underway to provide advice that will enable support Ministers to give this direction and make decisions with clearer trade-offs identified.

Local context impacts on effectiveness of national-level prioritisation

DOC's local operations often have a critical role to give effect to national de-prioritisation decisions. However, DOC's local operations face external pressure from the community to maintain existing delivery (e.g. planned divestment of "low-value" huts in 2006 which was not always given effect at place), as well as internal pressures felt by individual rangers to spread resources thinly to attempt to protect all species everywhere. These are issues DOC will need to address.

Ongoing investments in data and systems will support better prioritisation

DOC continues to make decisions about undertaking conservation activity and interventions without underpinning reliable up-to-date data sets. There is a need for DOC to utilise existing tools better to support prioritisation (e.g. ecosystem and species management units).

DOC has significantly ramped-up investment in data systems over the last three years, including regulatory enabling systems. This means that DOC can now monitor and manage maintenance capital works undertaken at each property (e.g. huts and campsites). Continued focus on the implementation of these systems is a necessary investment to enable DOC to deliver better conservation outcomes.

More resource is required to continue delivering the same level of performance; DOC's workforce is biggest driver of costs

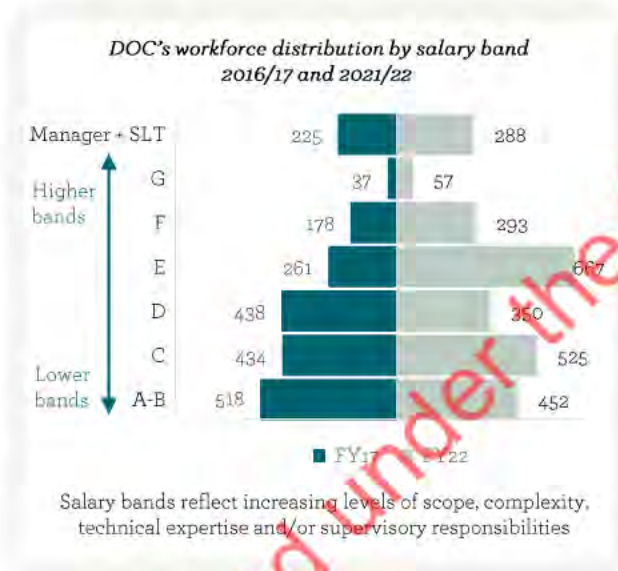
DOC's workforce looks very different compared with five years ago, and is the biggest driver of supply-side costs

Over past five years, DOC's workforce has become more expensive. This has been driven by upwards shift salary bands as DOC's workforce distribution has changed a 'pyramid' 'convex' structure

This reflects management's response salary and market pressures via job sizing, FTE growth following specific funding initiatives, investment service support functions to enable frontline roles do their work (67% of new FTE roles relate enabling functions and corporate services)

Growth workforce (540 additional FTE; see following page for further detail), combined with a 19% increase average FTE costs, means that DOC is spending a larger proportion of its total cost*

on personnel (increasing from 43% 2016/17 49% 2021/22). This trend is consistent with wider public sector and is reflective of labour-intensive nature of delivering conservation work at place. As a proportion of workforce, Manager & SLT roles remain unchanged (11% of workforce)



More resources are required to deliver the same level of output performance

Inflation has eroded level of services DOC delivers some areas and is expected be ongoing pressure requiring a response

The cost of maintaining a large and aging asset base has now grown beyond a point that DOC can affordably manage, and capital investment has not kept pace with asset revaluation uplifts of existing assets. This means that gap between what is needed maintain 80% of assets to standard requires a level of capital investment above current funding

NFPLs relating assets are also percentage-based do not capture growth underlying asset base, therefore associated cost increases to maintain assets. For example, length of track being maintained has grown 11,000km 15,000km over last 14 years

Climate change, weather events and other external factors impact DOC's work

DOC increasingly needs divert personnel respond climate weather events, which impacts on its ability keep other priority/planned work on track

Pest predator control is under pressure from climate change. More favourable climate conditions for pests and predators (e.g. alpine zones) is likely impacting amount of work required control a given hectare influencing DOC's assessment of which interventions are most effective

Asset maintenance work is also becoming increasingly reactive rather than planned, driven by a need respond increasingly frequent weather events. On average, 12 annual operating & capital expenditure is projected respond to annual weather events. The disruption constrains DOC's ability plan and reprioritise work, further increasing total deferred asset maintenance. How DOC responds is reactive, unsustainable, diverts staff resource

* Total costs include personnel, operating and centrally managed costs



In greater focus: There's been sustained and unsustainable workforce growth

BUDGET-SENSITIVE

The workforce has been through a period of sustained growth

DOC's workforce grew by 26% (540 FTE) from 2016 to 2022. Most of this growth was in rangers and other frontline staff (174 FTE), and in technical/other roles that directly enable the front line (257 FTE).

The remaining growth was in corporate and other support functions, including business support (34 FTE) and organisational development (35 FTE), reflecting DOC's commitment to improve how it does things, as well as specific investment in capability.

DOC's ability to map the increase in FTE to specific Budget funding (attempted in the middle table) is limited due to poor HR systems, a restructure in 2022, and funding being repurposed or deferred.

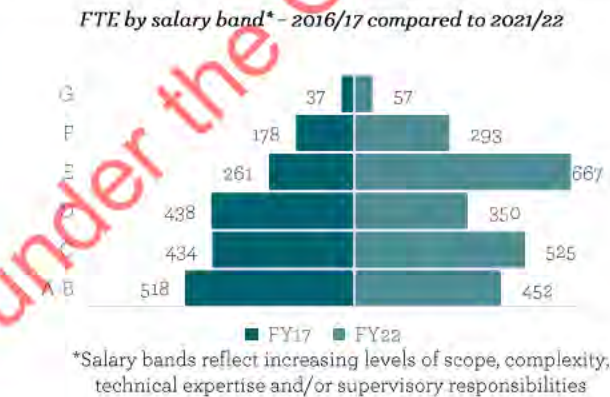
During this period, the workforce structure has changed

The structure of DOC's workforce is also different. In 2016, DOC had a traditional 'pyramid' structure, with most staff sitting in the lower pay bands (A-D). By 2022, there had been a marked shift away from lower pay bands into mid-range bands (C-F).

This shift was driven by a combination of new technical roles paid for by specific budget funding, and job revaluations that moved many staff up a band.

The composition of the workforce has also changed

One noticeable change was that the number of staff on fixed-term contracts reduced, from 23% of the workforce in 2016 to 20% in 2022. This change was driven by legislative requirements to move staff on rolling fixed-term contracts to permanent contracts. However, average spans of control did not change (11% of staff remained in management and SLT roles).



Examples of new roles linked to new Budget funding

| Budget 17 | Budget 18 | Budget 19 | Budget 20 |
|--------------------------------|--------------------------------|--------------------------------|-------------------------|
| 63 FTE: tourism infrastructure | 50 FTE: biodiversity programme | 1080 security team established | 20 FTE: Jobs for Nature |

As a result, workforce costs increased by 50% over five years

DOC's average cost per FTE increased a higher rate than the public sector average over the period (19% compared to 17%, or in real-terms 3.6% compared to 1.6%). However, it remains below the public sector average.

The combination of workforce growth and salary increases has resulted in total workforce costs increasing by around 50% in five years. This means that more and more of DOC's core funding is being spent on payroll, and less and less is available to cover other operating costs, including front-line fieldwork, maintenance of assets or delivering new policy initiatives.

Much of the growth has been reactive and unplanned

Changes to DOC's workforce are symptomatic of:

- A tendency to recruit rather than exploring other ways to deliver new work or respond to priorities
- A reactive rather than planned approach to recruitment

Implications for the future

In a fixed or constrained budget environment, the current workforce will become quickly unsustainable. DOC already relies on vacancies to balance its spending. Wage pressures will require further reductions to current FTE numbers to be affordable.

Without a strategic review and redesign of its workforce, DOC will remain locked into greater inflationary pressures, will struggle to employ the capabilities it will need in the future, and will not have the flexibility needed to respond to emerging challenges.

A range of persistent challenges is holding back DOC's performance

Relying on the workforce rather than operational or innovative solutions

DOC tends to resort to a 'do it ourselves' mindset, rather than considering different service delivery or sourcing models. Innovative use of emerging technologies (e.g. remote sensing, genetic technologies) and data could transform how conservation work is delivered, monitored and managed (2021 Long-term Insights Briefing)

Less of DOC's overall funding is being spent on operating costs, (decreasing 38% of total costs* 2016/17 to 36% 2021/22), likely limiting effectiveness of frontline delivery

Funding over the last five years has been weighted towards rebuilding backbone functions to improve how DOC operates and address capability gaps. The impact of these investments on DOC's frontline-focused NFPLs is unclear.

The current statutory planning framework is not fit-for-purpose

With Treaty settlements, conservation boards and an array of prioritisation and planning instruments, DOC operates a complex, likely duplicative, contested and potentially over-planned and/or governed system.

Most statutory plans are out of date, some by more than 10 years, indicating that the current framework of national policies, strategies and plans is not manageable.

Frontline staff spend a lot of time determining and agreeing priorities at place or planning governing areas due to a wide range of interests at play. Local interests include conservation board priorities, local engagement priorities and relationships, community group priorities, Treaty partner relationship agreements and sometimes joint operational plans. DOC and partners agree

* Total costs include personnel, operating and centrally managed costs

There is evidence that DOC can strengthen its commercial disciplines

Third-party revenue available to support DOC's outcomes has reduced over the last five years, impacted by COVID-19 and other external events. Increasing such revenue is an opportunity to reduce future funding gaps, however it is risky to rely on given its susceptibility to externalities outside of DOC's control. There is evidence that DOC doesn't have the commercial disciplines needed to achieve significant growth in a short period of time. Symptoms of this include inconsistent fees and charging policies; fees set that don't fully recover administrative costs; and not being able to match costs with revenues.

As a result, DOC is increasingly cross-subsidising work related to concessions and permissions, above baseline funding. Further investment in systems and data that DOC needs to operate a more commercial system, including fees, charges and concessions, is required, along with a more comprehensive policy framework for charging and the potential use of tools such as memorandum accounts.

Challenges of delivering with a volatile and unsustainable funding profile

Some of DOC's funding is time-bound or one-off, without sustainable levels of ongoing funding. This means that in subsequent years, DOC struggles to maintain the benefits achieved. The national Wilding Pine Programme is an example of this where funding levels are insufficient to support ongoing wilding conifer control efforts, meaning that previously treated areas may be reinfested.

Jobs for Nature funding (£485m) over five years has created volatility within DOC's funding profile including a challenge to scale-up and quickly reduce activity spending when it ends in 2025/26.

DOC struggles to spend additional funding it receives, especially where it is non-departmental spending without necessary departmental funding for administration. This can lead to repeated underspends or expense transfers.

Labour market and economic pressures will further reduce DOC's ability to maintain outputs or deliver new policies over the next four years

Workforce and inflationary pressures are projected to cause a funding deficit

Bringing together known non-discretionary cost pressures, it is projected that a funding gap will emerge from 2024/25



It is unlikely DOC's workforce will be sustainable medium long term As more of DOC's funding will increasingly need be directed towards maintaining existing workforce, rather than delivering new policy cost pressure initiatives

DOC will need find operational efficiencies other savings opportunities to respond these cost pressures maintain current service delivery levels. This will impact outcomes that DOC is able deliver, its ability meet future demands pressures Any decisions DOC makes will need include consideration of potential unintended consequences and how they may impact the productivity of frontline service delivery

There are growing risks associated with increasingly aged visitor assets

DOC has built more assets than it has funding for, without considering affordability and associated maintenance of asset base Inherited or donated assets are further expanding asset base for Tongariro Chateau These are often low-value and DOC incurs ongoing operating costs maintain or dispose of them



There are also liability risks if concessionaires on PCL go bankrupt or end their leases, leaving behind infrastructure that DOC needs remove or maintain

Assumptions applied to forecast projection:

- Funding reflects core baseline funding from 2022/23 to 2026/27
- Depreciation, capital charge and time-limited funding such as Jobs for Nature and International Visitor Levy (IVL) are excluded
- Third-party revenue is excluded except for concessionaire revenue which has been maintained at 2022/23 (OBU) levels of \$11.5m. Concessionaire revenue was \$20m in 2022/23 however was maintained at \$11.5m to demonstrate the sensitivity of the cost pressure.
- FTE growth reflects an uplift from current FTE of 2,640 in March 2023 to 2,904 reflecting roles under recruitment as at March 2023. DOC's assumed establishment FTE of 3,127 is reached in 2024/25
- Operating costs remain at 2023/24 budget levels (reflecting no change to activity delivered) and are adjusted only for inflation

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DOC is also facing a number of external demand pressures

Demand side factors are driving additional cost pressures

Expectations around what DOC can deliver are increasing. The examples below are of the most significant demand-side cost pressures DOC will need to manage over next five years (with cost estimates, where available). Managing these pressures will not be enough to improve conservation outcomes. Trade-offs, new ways of working and potentially further investment will be needed to deliver step changes in visitor and asset management, adapting to climate change, reduce biodiversity decline (covered on page 16). DOC is also expected to support Government's economic goals in areas such as tourism, aquaculture and renewable energy.

Climate change is impacting priority work

- Climate change is making DOC's job harder and more expensive, increasing pressure on asset management and habitats and species.
- Based on recent severe weather events, Cyclone Gabrielle 2023, Cyclone Dovi 2022 and Southern South Island Flood 2021, DOC can expect to face annual cost pressures of at least \$12m (opex & capex).
- Current reactive approach is unsustainable as frequency of events increases. Diverts staff and budget from core activities, with unclear impacts on DOC's baseline and performance over time.
- DOC must also invest in new ways of doing things to reduce its carbon footprint.

Role for MOC and DOC in RM system implementation

- DOC's RMA system costs are increasing due to overlap between implementing new system and working within the old one – but also due to increased demand for DOC expert advice
- Under the current system, there are specific responsibilities for MOC and a broader role for DOC. The activity survey undertaken (see Appendix 2) indicated around 3% of current ranger time relates directly to RMA, however this excludes wider costs associated with our science inputs, national operations, policy, legal and other supporting activity, and does not capture senior leadership engagement at place with Councils and on large RM-related proposals.
- There will be new responsibilities and requirements for MOC and DOC under the new system, which will require additional DOC staff to support. Estimated to cost \$43.3m over four years. On top of this, there is increasing demand for better spatial layer data on biodiversity from Central Government, Local Government, developers, and hapū/iwi.

Regulatory system is not fit-for-purpose

- The conservation regulatory system is increasingly difficult to engage with, including backlogs in processing applications, delays in conservation management planning (e.g. 17 out of 19 Conservation Management Plans out of date in 2024) and uncertainty around how DOC's Treaty responsibilities play out in regulatory context is having a chilling effect.
- As an organisation driven by statute, this impacts on DOC's work at all levels. Current and future costs of this are unknown, and work is needed to clarify DOC's regulatory role and prioritise improvements. Increasing time and cost slows work down further, which creates further costs such as legal cases.

Increasing Treaty relationship expectations and obligations

- Increasing number of Treaty settlement obligations (over 3,000 in Te Haeata) adds pressure and regulatory and operational complexity, but working with iwi at place also has enormous benefits.
- Significant aspirations of iwi for different opportunities and arrangements prior to and post settlement (e.g. co-management, access to resources, economic opportunities, decision-making). These come directly from Māori and indirectly from the Waitangi Tribunal and other Court decisions, and many require a Government policy response
- While DOC has a key role to play, improvement in some areas requires a co-ordinated response from government (e.g. consideration of remuneration for iwi, reducing engagement burden and costs).

Trade-offs will be needed to maintain and lift performance

Current delivery is not sufficient to maintain or improve outcomes

Across all areas of DOC's work there are opportunities to do more and do things better or differently (e.g. through innovative use of technology) to deliver substantive change in outcomes. The Government has choices around where to focus its investment, how far and fast to go, the scope and scale of DOC's role, and the overall funding mix. The examples below would each require significant trade-offs, reprioritisation, and additional investment over the next 5-10 years to enable DOC to increase its contribution to achieving the Government's ambitions around supporting sustainable tourism growth and thriving biodiversity.

Increasing resilience of New Zealand's biodiversity and PCLW to the impacts of climate change

- Climate change impacts on DOC's work on the land, ecosystems, species and assets it manages; the costs of this are increasing every year.
- DOC's 2020 Climate Change Adaptation Action Plan set out actions (most are unfunded) to address these impacts – aligned with government response, e.g. managed retreat.
- In Budget 2023, DOC estimated that up to \$200m is needed over the next four years to enable:
 - Climate-risk informed decisions, to secure priority species, habitats and to retreat/relocate some visitor assets
 - Nature-based solutions, such as coastal wetland and peatland restoration and management, to increase resilience of communities – with biodiversity co-benefits.
- Other opportunities (not included in Budget 23 proposal) include additional wilding pines and browser animal control for forest health, and soil and water conservation outcomes to reduce down-stream impacts from weather-related events.

Transitioning to sustainable visitor management

- Across the visitor and heritage system, DOC has a role as a steward, supplier/provider and regulator. However, the current visitor network is unaffordable and unsustainable; substantive change is needed to address this – acknowledging tension between visitor expectations and conservation efforts.
- 2021 Heritage and Visitor strategy frames DOC's approach to visitor management. It informs DOC's Future Visitor Network programme, which aims to:
 - Provide clear direction on what the future visitor network should look like to help prioritise investment
 - Confirm what DOC is best placed to provide (and what it should not)
 - Transition the visitor management system from asset-focused to actively managed products that facilitate visitor-focused experiences.
- This is a complex, multi-year work programme that will require significant investment and decisions around divestment, cost recovery and DOC's role.

Addressing the continued decline of New Zealand's ecosystems and species

- The scale of New Zealand's biodiversity challenge requires DOC to prioritise its efforts on the critical areas that will make the biggest difference.
- Alongside national goals, the UN's Kunming-Montreal Global Biodiversity Framework (adopted in December 2022) includes 23 global targets for urgent action, including to protect 30% of the planet by 2030. New Zealand joined this agreement; our contribution is currently undefined.
- DOC doesn't have the resources, systems or technology for intensive management across all PCLW. For example, DOC has estimated the costs of activities needed to achieve long-term persistence of 547 terrestrial and wetland species at \$76m - \$95m per annum. Extending this to the rest of the estimated 4,000 species requiring conservation management would be an additional \$480m - \$601m per annum (DOC LTIP (draft), 2019).
- Foundational investment also needed to improve data systems and accelerate development of new and innovative solutions to delivering predator control.

Strategic choices and efficiencies will be required to manage conservation within an affordable and sustainable funding path

Phase 1 has demonstrated that there are some strategic choices and trade-offs for Ministers around their objectives for conservation outcomes, but also that there are opportunities to streamline DOC for more effective and efficient delivery against those outcomes

DOC has undertaken initial work to demonstrate the potential scale of costs associated with a range of high-level funding paths. Under each funding path there will be opportunities to offset some of the costs of government delivering conservation work through greater value for money or increased third-party funding.

The proposed workstreams for Phase 2 (summarised in the diagram) will enable DOC to provide advice and support Ministers to make strategic choices for outcomes and investment decisions.

In several of the areas the report has identified for improving effectiveness and efficiency, DOC already has work underway. The report has highlighted the need to ramp up work in the following areas:

- Embedding changes to DOC's investment governance and financial management systems, including controls
- Reviewing the current outcomes framework and output measures, and aligning business planning priorities
- Implementing operational improvements (e.g. a new Enterprise Asset Management function)
- Establishing a Taskforce to identify immediate efficiencies and savings

The proposed Phase 2 workstreams and immediate actions DOC is taking on effectiveness and efficiencies will proceed in parallel to enable DOC to support Ministerial decisions ahead of Budgets 2024 and 2025.

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The themes uncovered in this report inform decisions about next steps

Phase 1 has provided the following insights:

Choices need to be made imminently about future service levels and funding priorities

- DOC is delivering important and impactful work as manager of one-third of New Zealand's land area, but is not holding the line on conservation outcomes or meeting all of its responsibilities.
- Financial pressures on DOC will further constrain delivery, while expectations and needs are increasing. DOC's work to lift performance within current settings is necessary but not sufficient to address this challenge.
- Choices are needed about what should be stopped, what needs to be done differently, what needs investment.

Work underway should generate a better evidence base for Ministers and officials to make these choices

- DOC's strategy includes clear outcomes, but DOC lacks systems and frameworks to enable funding decisions and prioritisation between them. Costed choices for changes are not clearly put to Ministers.
- Government's relative priorities need to be clearer, and investments tend to focus on new programmes or expanding visitor experiences, instead of sustainable delivery of core services and modernising the Department - but the impacts of this have not been transparent.
- DOC is considering how to demonstrate more clearly the impact of funding and strategic initiatives.

Revisiting appropriations and performance measures will help with reporting on progress

- DOC's appropriation structure and output reporting make it difficult to demonstrate where additional funding is spent and to show progress. Appropriations are too broad, and output measures miss important work.
- This means DOC does not adequately communicate the extent to which it spreads its baseline funding to meet the costs of other non-discretionary, but unreported, work associated with managing one-third of New Zealand's land area.

Innovative approaches to service delivery will also be needed to drive efficiency and effectiveness

- DOC's responsibilities are large and to meet the various expectations on it, innovative approaches to delivery will be needed.
- Solutions will need to draw on new technologies and models and leverage DOC's uniquely extensive regional delivery network of rangers and district offices, as well as its deep partnership relationships with iwi, business and communities.

Strengthened policy settings and commercial disciplines can play a part in generating revenue

- Third-party revenue can fluctuate and is taking time to recover from COVID-19.
- Current settings and DOC's current commercial framework/capability limits its ability to rely on third-party revenue - but DOC also under-recovers and cross-subsidises user-pays activities from taxpayer funding.
- There is potential to increase third-party revenue to support conservation in a way that manages risks - no Government can tackle the biodiversity challenge alone. More work is needed to determine the appropriate role and scope of wider sources of finance in supporting conservation outcomes through DOC and more broadly.

Phase 2 of the review will explore further how to:

Support the Government to set clear objectives and priorities across all of DOC's functions and responsibilities and to make choices for the scope and scale of DOC in the conservation system within potential funding paths.

Improve business planning, data and systems. Develop an evidence base on the most cost-effective interventions for achieving conservation outcomes. Develop a transparent prioritisation framework to inform business decisions and advice to Ministers on trade-offs.

Get clearer on the relationship between the costs of DOC's activities and DOC funding. Improve appropriations and output measures to better reflect DOC's activities and align planning with priorities.

Identify opportunities and costs of new service delivery options, sourcing solutions, technology and process improvements. Undertake work to support Government to achieve game changing large-scale interventions.

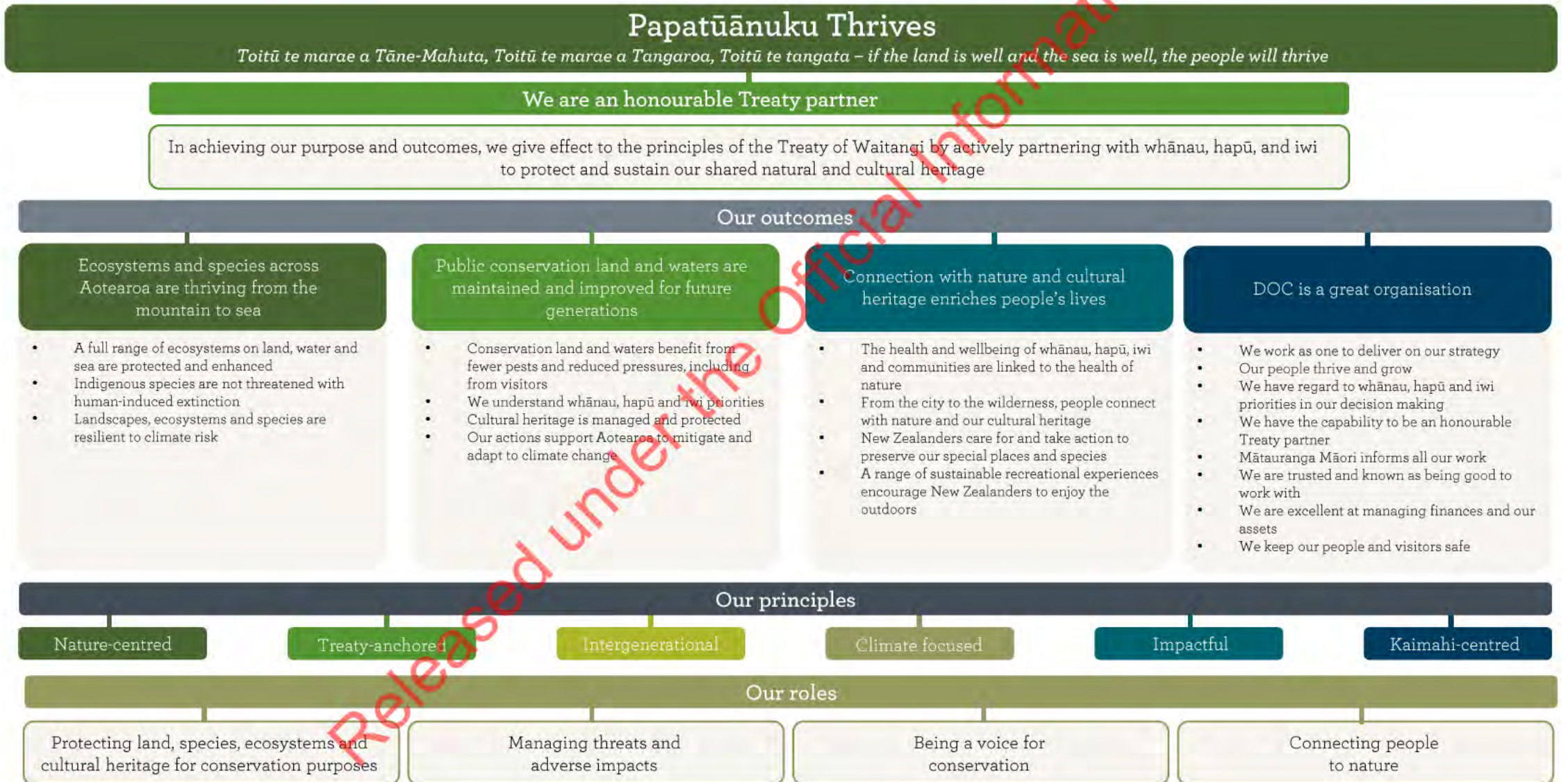
Provide realistic projections of future third-party revenues and the conditions needed to achieve revenue increases. Develop advice on cost recovery policy settings and the scope and role of third-party financing for conservation outcomes.

Appendices

Released under the Official Information Act



1. DOC's strategy translates its statutory functions into outcomes



2. The limited activity survey provides some initial insights into the time being spent by frontline ranger staff across DOC's key responsibilities

How the survey was conducted

An activity survey was completed by senior rangers, supervisors and rangers across five representative Districts spanning a range of contexts (*Auckland Inner Islands; Te Anau; Twizel; Waikato/Hamilton; Whakatāne*) over one week. These ranger roles represent more than one-third of DOC's permanent workforce and are the main delivery mechanism for DOC's conservation work.

The survey required participants to:

1. Estimate the share of time spent across pre-defined activity categories, both on average in Winter and Summer months (or refer to July 23 and Nov 22)
2. For each category, identify three sub-activities they spend most time on

Follow-up sessions were held with Operations Managers (OMs) or equivalent to validate activity survey results and capture additional insights.

The results are indicative of frontline ranger work, but with some key caveats:

- **Not statistically significant:** just over 80 responses from population of 850+, but results generally matched expectations of OMs' sample.
- **Not a comprehensive view of all DOC's delivery work:** did not capture support and delivery from wider regional or national teams, or work done by contractors or fixed-term summer staff. Responses affected by staff availability, e.g. supervisors on leave, or Treaty roles were vacant.
- **Challenges with survey design:** some activities span multiple categories (e.g. planning or supervision vs staff doing field work). The split was more reflective of how ranger roles are split rather than appropriations. However, time allocated to administration and supervision was 32%, similar to the 30% assumption for work planning.

Average proportion of ranger time spent across activities within DOC



Key insights (subject to caveats) include:

- As much time spent on visitor heritage, and community and Treaty as on biodiversity.
- Wide variation by District, dependent on local context.
- Around one-quarter of ranger time allocated on administrative tasks (email, new finance system, other meetings). May be opportunities to reduce this.
- Districts manage tension between national priorities and local pressures, delivering both planned and reactive work (10-20% of work is reactive).
- Some of DOC's direct delivery work is not captured clearly by current output reporting, e.g. regulatory advocacy work (see Appendix 3).
- Low cost (<3% of time) land management place, if narrowly defined as work DOC wouldn't otherwise choose to do. But much greater cost of necessary land-related activities that at best only prevent outcomes getting worse, such as submitting on a proposal under RMA process or maintaining amenity areas for visitor or heritage assets (e.g. mowing lawns, cleaning toilets).

BUDGET-SENSITIVE

3. Some of DOC's output activities don't neatly align with the main way it measures performance, e.g. advocacy through regulatory systems

* Excludes Policy Advice and Search and Rescue Activities PLA

| Dept Output Expenses* | Appropriation Output Description <i>This appropriation/category is limited to:</i> | NFPL (Estimates performance measures) | Examples of common frontline delivery activities that... | | |
|--|---|---|---|--|--|
| | | | ...align & are measured by NFPLs | ...align but are not measured by NFPLs | ...neither align, nor are measured by NFPLs |
| Conservation with the Community | <ul style="list-style-type: none"> Public awareness and educational services, and growing conservation through building partnerships with others, including iwi, councils, community groups, businesses, and individuals | <ul style="list-style-type: none"> Number of community and funding agreements enabling conservation work by others Number of strategic partnerships supporting priority conservation work | <ul style="list-style-type: none"> Processing pesticide applications and community agreements | <ul style="list-style-type: none"> Co-management or support for Treaty-partner conservation work Hosting, meeting or communicating with the wider community Technical support and training of volunteers and community groups Visitor centre operations (including safety/recreation info provision) | <ul style="list-style-type: none"> Remediation of contaminated sites Compliance monitoring associated with other regulatory systems (e.g., Crown Pastoral Land Act) Boundary fence and road maintenance |
| Crown Contribution to Regional Pest Management | <ul style="list-style-type: none"> Delivery of services to control weed and animal pests on lands administered by the Department of Conservation to meet statutory good neighbour obligations and negotiated outcomes of regional pest management plans | <ul style="list-style-type: none"> Number of regional pest management strategies with completed Crown exacerbator weed and pest programmes | <ul style="list-style-type: none"> Weed, pest and predator control associated with land management obligations | | |
| Management of Historic Heritage | <ul style="list-style-type: none"> The protection and conservation management of historic heritage | <ul style="list-style-type: none"> Number of historic heritage assets for which remedial work is completed to standard during the year Historic heritage assets for which regular maintenance work is on track to standard during the year Percentage of historic or cultural heritage assessment reports completed to standard during the year | <ul style="list-style-type: none"> Assessing and maintaining the condition of heritage assets Facilities and amenity management for heritage assets- including grounds maintenance, cleaning, and supplies | | |
| Management of Natural Heritage | <ul style="list-style-type: none"> Maintaining, restoring and protecting ecosystems, habitats and species | <ul style="list-style-type: none"> Hectares of land receiving treatment for rats and mustelids; possums; deer; goats Hectares of land receiving treatment for weeds [and wilding conifers] using a site-led approach # of island biosecurity programmes where a pest-free status has been maintained # of optimised ecosystem prescriptions providing active management of ecosystems Threatened species managed for persistence Species under active management to ensure local security | <ul style="list-style-type: none"> Weed, pest and predator control Monitoring and surveillance of fences, traps, pest-free islands Species monitoring, surveying, banding Specifies feeding and health management Conservation work funded through strategic partnerships Biodiversity-related research | <ul style="list-style-type: none"> Advocating for biodiversity and heritage outcomes in Resource Management Act (RMA) planning and other regulatory systems (e.g. Crown Pastoral Land Act) Processing permissions applications Fire control/response | |
| Management of Recreational Opportunities | <ul style="list-style-type: none"> Recreational facilities and services, and the management of business concessions | <ul style="list-style-type: none"> % of huts; tracks; structures meeting required service standard % of recreation longer-term concession permits, licenses, leases, and easements monitored annually % of other longer-term resource use concessions monitored annually | <ul style="list-style-type: none"> Assessing and maintaining the condition of visitor assets Facilities and amenity management for visitor assets- including grounds maintenance, cleaning, and supplies | <ul style="list-style-type: none"> Processing concession permits Visitor centre operations (including safety and recreation info provision) | |
| Statutory Planning, Services to Ministers and Statutory Bodies | <ul style="list-style-type: none"> The provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by ministers on government policy matters relating to conservation, including climate change mitigation | <ul style="list-style-type: none"> # of ministerial briefings # of Official Information Act requests received and actioned within statutory requirements # of Parliamentary Questions received (range) with 100% meeting the ministerial deadline | <ul style="list-style-type: none"> OIAs, Ministerials, PQs | <ul style="list-style-type: none"> Updating statutory plans | |

Conservation finances

Navigating the future with decreasing funding and increasing cost pressures

In short

DOC provides services that protect conservation assets and enable people to benefit from them, including for business or leisure.

As a frontline operational agency, DOC's core job stays the same, although the area, assets and expectations we manage have grown over time. How we do our work depends on funding, taking account of the health and safety of employees, concessionaires and visitors.

DOC's funding base will decrease by 20% by 2026/27 – not accounting for the Government's planned savings.

Under the previous Government, DOC's budget was set until 2025. Cost pressures and new initiatives are funded through reprioritising existing funding, with the Hauraki Gulf and the southeast South Island marine protection network providing examples of that approach.

Strategic choices will be needed between current activities and areas of increasing demand such as resilience to climate change, managing the visitor network, and addressing the decline of treasured places, ecosystems and species.

DOC has a Financial Sustainability Review underway.

We will advise you on options and next steps emerging from that.

How conservation funding works

Around four-fifths of conservation is funded by the Crown and one-fifth comes from third parties like concessions, the International Visitor Levy and Great Walk bookings. The latter varies year-on-year reflecting demand.

DOC is directly responsible for spending 85% of total appropriations (departmental funding).



Now

In 2023/24, DOC is managing one-third of New Zealand's land with \$880 million or 0.44% of government spending.



If we spread departmental funding evenly across DOC-managed land and water, it gives \$56 per hectare to work with.



Each year, only 7.5% of public conservation land receives 1080-based predator control, one of the most effective tools we can use currently.

Ahead

The overall funding path for Vote Conservation (see graph to right) will decline by 20% by 2026/27. Funding is set until 2025.

DOC Appropriations Forecast Expenditure 2023/24 - 2026/27



Estimated cost pressures (see table to right) are increasing, from \$17 million in 2023/24 to an estimated \$5.9(2)(i) in 2026/27. These are driven by inflation, Treaty settlements and assets. A high share of non-discretionary spending limits savings opportunities. DOC currently has a recruitment pause in effect to stay within our funding envelope.

| Cost pressure (\$000) | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---------------|---------------|--------------------|---------|
| Salary and wage inflation (net) | 5800 | 6870 | \$5.9(2)(i) | |
| Inflation (net) | 3289 | 4793 | 9976 | 15,105 |
| Asset revaluations | 0 | 1200 | 2400 | 3600 |
| Inherited assets – Tongariro and MetService | 1637 | 1637 | 1637 | 1637 |
| Treaty settlement implementation | 2547 | 11,792 | 10,902 | 9691 |
| Three Waters registered sites remediation | 965 | 1930 | 2286 | 2837 |
| Reduction in third-party revenue | 3460 | 915 | 702 | 702 |
| Total | 17,698 | 29,137 | \$5.9(2)(i) | |
| Permanent baseline reduction of 2% | - | - | | |

There are other factors that will affect DOC's work financially (beyond the table) and the experience New Zealanders will have connecting to shared natural heritage.

- Ageing visitor assets** – for example, 50% of huts are over 30 years old. Many assets will reach their end of life in the next 3-4 years, triggering choices about funding the rebuild of these or shrinking the network.
- Extreme weather events.** In the last 3 years, there has been a severe weather event every year costing DOC \$12–13 million per event, or 400% of the 10-year rolling average spend of \$3million. Funding recovery from Cyclone Gabrielle is expected to cost up to \$90million over the next 5 years.

Strategic choices ahead on where to place effort

Vote Conservation
Crown and third-party funding reducing

Known and Unknown
Inflation and extreme weather

4000 species vulnerable to extinction
Biodiversity decline

Assets reaching end of life
Visitor network in decline

2023–2026

DOC has been part of the previous Government's Natural Resources Cluster Pilot Budget Process. In 2022, our budget was set for 3 years. Under this system, DOC can next submit a Budget bid in the 2025/26 financial year and would only be able to submit initiatives in the meantime to fund responses to natural events, capital initiatives, inflation and the Climate Emergency Response Fund.

2023 unplanned actions + \$39.9 million

| Initiatives | \$ OPEX |
|---|---------|
| 1 Molesworth Recreation Reserve: purchasing farming assets and ongoing management | \$16.7m |
| 2 Public Sector pay adjustment | \$13.9m |
| 3 Addressing damage to sites and assets from 2023 North Island weather events | \$9.1m |

Funding for conservation – Budget 2018 to now

The last few years saw DOC navigating impacts from the COVID-19 pandemic. This has included being an intermediary in channelling funds to support job creation by third parties, (ie the Jobs for Nature programme, now in its final year). DOC has been exposed to drops in third-party revenue from low visitor numbers.

New national programmes were also funded in this period to protect New Zealand's natural DNA and heritage. Conservation funding has grown by 80% since 2018/19, but core departmental output expenses (excluding third-party revenue, non-discretionary areas of spending and Jobs for Nature) only grew by 40% over the same period.

What happened at the time

2018 FIRST-TIME NATIONAL PREDATOR CONTROL

First time locking in funding for predator control, over 4 years. A priority to address biodiversity crisis.

+ \$181.6m

| Initiatives | \$ OPEX |
|-----------------------------------|---------|
| 1 Predator control | \$81.3m |
| 2 Biodiversity contingency | \$76.0m |
| 3 Organisational capability | \$16.2m |
| 4 Visitor management | \$5.5m |
| 5 Biodiversity in Mackenzie Basin | \$2.6m |

Actions taken in Budget

2019 PANDEMIC

DOC is in part funded by the International Visitor Levy, which stopped when the borders were closed during the pandemic.

+ \$117.2m

| Initiatives | \$ OPEX |
|---------------------------------|----------|
| 1 International Visitor Levy | \$106.2m |
| 2 Improving safety and security | \$10.7m |
| 3 Provincial Growth Fund | \$0.3m |

2020 ECONOMIC RECOVERY FROM PANDEMIC

Four-year Jobs for Nature programme set up to boost economy through employment. DOC channelled funding to others. Programme is now finishing.

+ \$513.6m

| Initiatives | \$ OPEX |
|--|----------|
| 1 Jobs for Nature est. 30.0 FTE | \$501.8m |
| 2 Ngāi Tai Supreme Court decisions | \$7.9m |
| 3 Southern South Island flood recovery contingency | \$3.9m |

2021 LOW INTERNATIONAL VISITOR NUMBERS

Financial impacts from pandemic, such as lower third-party revenue from slow return of visitors coming to New Zealand.

+ \$10m

| Initiatives | \$ OPEX |
|---------------------------------|---------|
| 1 Preserving concession funding | \$10.0m |

2022–25 CONSUMER PRICE INDEX (CPI), PROTECTING MARINE ENVIRONMENT AND CONTROLLING PESTS

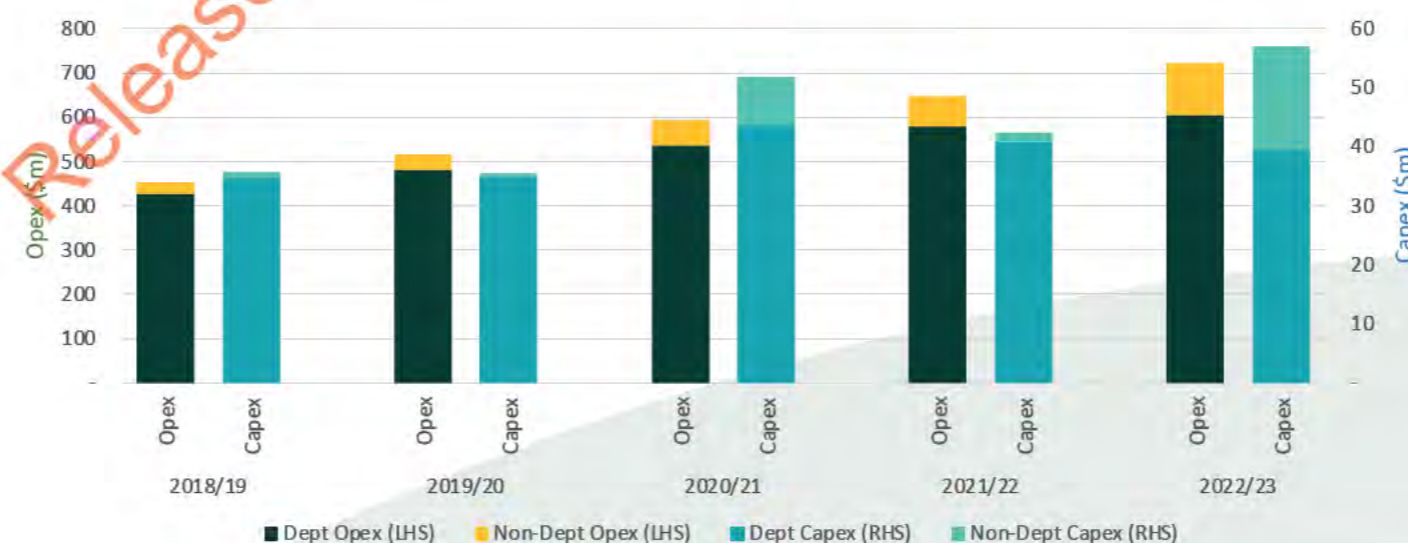
Natural Resources Cluster Pilot Budget Process allocated funds for 3 years.

Addressing increasing living costs for DOC's people, and marine protection in the Hauraki Gulf and the southeastern South Island.

+ \$364.7m

| Initiatives | \$ OPEX |
|--|----------|
| 1 Controlling destructive pests, est. 14.0 FTE | \$61.6m |
| 2 CPI and wages | \$120.1m |
| 3 Fit-for-purpose recreation assets, est. 32.0 FTE | \$32.4m |
| 4 Ramping up deer/goat management, est. 11.0 FTE | \$30.0m |
| 5 Legislative and regulatory compliance, est. 13.0 FTE | \$28.0m |
| 6 Fiordland predator control for mast events, est. 3.0 FTE | \$26.9m |
| 7 Property maintenance, est. 5.0 FTE | \$25.0m |
| 8 Protecting cultural heritage, est. 2.0 FTE | \$13.2m |
| 9 Practically improve marine management, est. 1.5 FTE | \$12.0m |
| 10 Extinction risk for flagship marine species, est. 3.5 FTE | \$7.1m |
| 11 Battery electric vehicles | \$5.0m |
| 12 Carbon storage to achieve New Zealand's carbon goals | \$3.4m |

DOC appropriations – actual expenditure 2018/19–2022/23



Annualised workforce growth
DOC 2.0%
Govt 3.3%

Overall envelope

Appendix 3 – Savings scenarios, indicative options packages and indicative impacts

Please note that these scenarios do not include cost pressures. DOC has estimated cost pressures of \$17 million in 2023/24, s.9(2)(f)(iv)

If we need to find additional savings to meet these cost pressures, these savings will be relatively more impactful than the indicative savings packages below.

s.9(2)(f)(iv), s.9(2)(g)(i)

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