



Submission initiated by the Department

Date:	10 February 2014	File ref:	Business Performance Group	DOCDM	1351843
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Minister of Conservation

Subject:	BEECH MAST FUNDING
Action Sought:	Note this submission
Deadline:	No Deadline

Paper Type: (Cabinet, Statutory or Other)	Other	Dept's Priority: (Very High, High, Normal or Low)	High
Risk Assessment: (e.g. possible negative reactions/consequences)	Possible negative reaction that funding is being applied to 1080 and that it should be used otherwise.	Level of Risk: (High, Medium or Low)	Low

Contacts for telephone discussion (if required)				
	Name	Position	Telephone	
1	Christeen Mackenzie	Deputy Director-General, Business Performance/CFO	██████████	██████████
2	Geoff Tilbrook	Director, Finance	██████████	██████████
3	Nigel Hutt	Acting National Management Accounting Manager	██████████	██████████

Executive Summary

A significant beech mast event has occurred that will lead to rodent and stoat plagues next winter and this will endanger threatened forest birds and other species. To reduce the risk to vulnerable native species, the Department of Conservation (DOC) needs to respond by extending its pest control work, including aerial 1080 and ground based bait stations and traps, which will cost an additional \$8.245 million. This is a significant unbudgeted cost that has to be found within the existing appropriations for Vote Conservation.

It is proposed to fund the additional pest control work by making a provision in the Department's accounts in the current 2013/14 financial year. This will be met from forecast savings. No additional funding is required in 2013/14 or subsequent years, but some reallocation of budgets between Departmental output expenses is required. These adjustments will be made in the 2014 March Baseline Update (MBU).

Recommended Action

It is recommended that you–

- | | Minister's
decision |
|---|--------------------------------|
| a) <u>Note</u> the risks to native bird and other species of this beech mast event. | (yes / no) |
| b) <u>Note</u> that the cost of additional pest control work is estimated to be \$8.245 million. | (yes / no) |
| c) <u>Note</u> that the Department intends to make a provision for these costs in the 2013/14 financial year. Advice has been received from our external auditors that this accounting treatment is appropriate. | (yes / no) |
| d) <u>Note</u> that the costs will be met from forecast savings. No additional funding is required in 2013/14 or subsequent years, but some reallocation of budgets between Departmental output expenses is required. These adjustments will be made in the 2014 March Baseline Update (MBU). | (yes / no) |

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Christeen Mackenzie
Deputy Director-General, Business
Performance/CFO

..... / /
Nick Smith
Minister of Conservation

Purpose

1. The purpose of this submission is to advise you of the approach for funding the currently unbudgeted cost of \$8.245 million to provide a pest control response for the anticipated rodent and stoat plagues next winter as a result of the beech 'mast' event.

Background:

2. The Department of Conservation is preparing a major new pest control campaign to protect vulnerable native species from an expected surge in rat and stoat numbers later this calendar year. Climatic conditions have prompted an unusually heavy forest flowering this summer across both islands. The flowering is particularly prominent in South Island beech trees. When seed supplies run out these predators will turn on endangered birds such as mōhua, kākā, kea, whio and kiwi along with other at risk species like bats and land snails. This is a major threat to our native species.
3. In response in 2014/15 DOC is to significantly expand its aerial 1080 operations and ground based bait stations and traps in South Island beech forests to combat the rising predator numbers, which will entail covering an additional 485,000 hectares of land. This programme is being called the 'Battle for our Birds' campaign, which you have recently launched.
4. The increased pest control response will cost \$8.245 million. This is a significant unbudgeted cost that has to be found within the existing appropriations for Vote Conservation.

Funding Implications

5. Cabinet Office circular CO (11) 6 provides the guidelines for making changes through the Budget process. Although DOC is forecasting a surplus this financial year it is unlikely that Treasury will support using expense and capital transfers (ECT), or retention of underspend (RoUs), to carry any funding forward for beech masting as these processes do not apply to general underspends.
6. However, given the circumstances that, as this is a uniquely large event and you have made public announcements as responsible minister to spend the \$8.245 million dollars, this has irreversibly committed the Department to this work. Under accounting guidelines this has created a "constructive obligation" and as such we are able to make a provision in the current 2013/14 financial year¹
7. The provision for additional pest control work will be met from forecast savings as outlined in the following table.

¹ Refer Treasury Guidance on Recognising Liabilities and Expenses, November 2013

	<i>\$ Millions</i>
Beech mast funding required	8.245
Funded by:	
Savings in restructuring costs	-2.761
Forecast savings in budgeted asset write off costs	-0.500
Savings in erosion remediation work for Pourere Beach	-2.307
Savings in budgeted fire fighting costs	-0.620
Application of unallocated contingency funds	-0.500
Reduction in forecast legal costs	-0.300
Forecast savings for Great White Butterfly eradication costs *	-0.750
Forecast savings in other operating expenditure	-0.507
	<u><u>-\$ 8.245</u></u>

* The work done to date on Great White Butterfly control appears to be effective and we anticipate not having to spend as much in 2013/14 as that provided for.

8. No additional funding is required in 2013/14 or subsequent years, but some reallocation of budgets between Departmental output expenses is required. These adjustments will be made in the 2014 March Baseline Update (MBU).
9. Outside of the beech masting event, the Department is already planning a ramp up of the land area covered by 1080 operations commencing in the 2014/15 financial year. The cost of this is additional to the beech masting response and will be met from within existing operating budget and the reprioritisation of some expenditure.

Consultation

10. DOC's external auditors (KPMG) have been consulted about the accounting treatment and agree that we are able to expense the mast costs this year².
11. Treasury have been consulted in the preparation of this paper.

Risk Assessment

12. Pest control costs are included in the Departmental output expense "Management of Natural Heritage". Underspends from other output expenses will need to be transferred into this output to avoid any potential breach of the Public Finance Act. The transfer of budgets will occur in the March Baseline Update (MBU) process.
13. There may be some adverse reaction as the control programme will use 1080 and/or that funds should be applied elsewhere. Communications will be managed by the "Battle for the Birds" project which will continue to communicate the severity of the current problem, and that it necessarily has to be treated as a national priority.

ENDS

² KPMG have submitted their papers to OAG for review and we are awaiting their concurrence..



Submission Approval and Certification Sheet

Title of Submission:	Date shown on submission: ___/___/___
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Check for these things (If any answer is 'No', the paper must be reworked before submission).	
• Does this comply with the ministerial submission template?	Yes / No
• The submission has been printed single sided.	Yes / No
• Is it clear what you are asking the Minister to do?	Yes / No
• Is your information accurate and free of acronyms, jargon, errors in grammar, typing and spelling?	Yes / No
• Have any significant risks relating to this matter been identified?	Yes / No None present
• Have any legal implications been identified?	Yes / No None present
• Are there financial and/or appropriation issues in relation to this paper? <i>If Yes, sign off by DDG Business Services or CFO is required below</i>	Yes/No
• Does this submission link into your business plan?	Yes / No
• Is it the right length? <i>Can you justify its length if it is more than 5 pages?</i>	Yes / No
• If your submission includes a Cabinet paper, have you followed all the requirements in <i>Chapter 4</i> of the Cabinet Office <i>CabGuide</i> ?	Yes / No Not applicable
• Does this submission have one original and three file copies attached?	Yes / No

I accept accountability for the content of the attached submission or briefing and certify that it complies with the requirements of the checklist above.

_____, DDG _____ /___/___
(signature) (Group) (date signed)

If financial/appropriation issues have been identified above: I confirm that full consideration has been given to financial and/or appropriation issues.

_____, DDG Business Performance/CFO or Director, Finance ___/___/___
(signature) (date signed)