



BRIEFING

Major Events Fund – Intervention options to offset fiscal savings impacts

Date:	22 March 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	2324-2613

Action sought		
	Action sought	Deadline
Hon Melissa Lee Minister for Economic Development	<p>Note that a reduction to the Major Events Fund has been proposed under the government fiscal savings exercise which will reduce the remaining balance through to 2027 to \$5.14 million.</p> <p>Agree to a combination of intervention options to minimise the impact of the cost savings exercise on the Major Events Fund.</p>	25 March 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Kylie Hawker-Green	Manager, Major Events	Privacy of natural persons	✓
Privacy of natural persons	Principal Advisor, Major Events		

The following departments/agencies have been consulted
Sport New Zealand, Ministry for Culture and Heritage

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

Major Events Fund – Intervention options to offset fiscal savings impacts

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Purpose

To present you with a summary of the impacts of the fiscal savings exercise on the Major Events Fund, and to provide you with intervention options to bolster the fund balance.

Executive Summary

As part of the government wide fiscal savings exercise, cuts to the Major Events Fund are proposed. You requested a briefing outlining the impacts of this funding reduction. This paper outlines the implications of the reduction and presents three interventions for your consideration which would ease Major Events Fund fiscal pressures.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a. **Note** that a reduction to the Major Events Fund has been proposed under the government fiscal savings exercise which will reduce the remaining balance through to 2027 to \$5.14 million (assuming current applications are approved), limiting buying power and the ability to populate the major events pipeline through to 2027.

Noted

- b. **Note** that officials have identified three interventions, some of which include sub-options, which would ease Major Events Fund fiscal pressures, but these require Ministerial approval.

Noted

- c. **Agree to:**

Intervention One (I1): Close the Creative and Cultural Incubator Programme by:

- i. **Option I1.1:** Honouring all existing contracts (including renewal rights (contingent on event's meeting contractual requirements) and closing the fund to further applications returning \$1.9 million to the Major Events Fund. **(MBIE recommended)**

Yes / No

OR

- ii. **Option I1.2:** Honouring all existing Incubator events for one more event and closing the fund to further applications returning \$2.79 million to the Major Events Fund **(Not recommended)**

Yes / No

OR

- iii. **Option I1.3:** Honouring current commitments for events to be staged in 2024 and year one for the three events approved in the November 2023 funding round, and closing the fund to further applications returning \$3.16 million to the Major Events Fund **(Not recommended)**

Yes / No

OR

- iv. **Task** officials to conduct a comprehensive review of the Incubator and its outputs prior to deciding whether to close the programme.

Yes / No

- d. **Note** that \$15 million was transferred from the Major Events Fund to the FIFA Women's World Cup 2023 Appropriation to offset FIFA Women's World Cup 2023 fiscal pressures and that there is an underspend in that appropriation (which sits within Vote Sport and Recreation).

Noted

- e. **Agree** to consult with the Minister for Sport and Recreation to determine his support to have the FIFA Women's World Cup 2023 Appropriation underspend transferred back to the Major Events Fund 2022-2027 Multi Year Appropriation.

Agree / Disagree

Subject to the Minister for Sport and Recreation's position:

- f. **Agree** to task officials to trigger a return of the FIFA Women's World Cup 2023 Appropriation underspend through a Budget Technical Transfer (Budget 2024). **(Intervention Two (I2)) - MBIE recommended.**

Agree / Disagree

- g. **Agree** to:

Intervention Three (I3): Technical Transfer Free and frank opinions

- a. **Option I3.1:** Retain a portion of the Free and frank opinions

(\$0.34 million for four years, \$1.36 million in total); Free and frank opinions
(MBIE recommended)

Yes / No

OR

- b. **Option I3.2:** Apply the full \$1.94 million per annum reduction to the MEF and Free and frank opinions
(status quo). **(Not recommended)**

Yes / No

h. **Note** that officials will meet with you on 25 March 2024 to discuss this briefing.

Noted



Kylie Hawker-Green
Manager, Major Events
LSE, MBIE

22 / 03 / 2024

Hon Melissa Lee
Minister for Economic Development

..... / /

Background

1. Government invests in major events to secure and enhance targeted economic, cultural and social benefits. Free and frank opinions [redacted] Additionally, events were shown to be delivering social benefits and international profiling opportunities for New Zealand.
2. Cost pressures (driven by increasing global competition, general cost increases and pressures on local government event funding pools) have been eroding the buying power of the MEF. This is leading to increasingly large investments being sought from the MEF. At present, most of the MEF is likely to be committed by mid-2024.
3. At Budget 2023, the MEF baseline appropriation of \$10m per annum was increased by \$3.33m per annum to improve the buying power of the fund.
4. A fiscal savings exercise is currently being undertaken across Government, and cuts to the MEF have been agreed which will further limit the MEF's buying power and New Zealand Major Events (NZME) ability to fill the pipeline to 2027.
5. We have identified three interventions to help offset the impact of the fiscal savings reductions.

Major Event Fund Balance

6. Following transfers to and from the 2022-2027 MEF Multi Year Appropriation (MYA), a balance of \$68 million was available as MEF funding. To date, \$45.95 million has been committed and applications in progress are seeking \$11.1 million.
7. Free and frank opinions [redacted] Accordingly, figures in the MEF tables in this paper differ slightly from what has been provided to you in previous briefings.
8. A fiscal savings offering of \$1.94 million per annum (for four years; total of \$7.76 million / 11.5% of the MYA) has been agreed, and once implemented will leave an uncommitted balance \$5.14 million through to June 2027 (assuming current applications are approved at requested levels).

Table 1: Current MEF status

\$ millions	Total Funding
Base MEF available	68.01
Less Committed Funds	(45.95)
Uncommitted funds	22.06
LESS returns for Fiscal Savings	(5.82)
MEF Balance	16.24

Less Pending requests total	(11.10)
Total MEF Available	5.14

Major Event Fund interventions to address fiscal pressures

There are three interventions requiring a Ministerial decision which would increase the MEF funding balance

Intervention 1 (I1): Close the Creative and Cultural Incubator Programme

9. A Creative and Cultural Incubator (Incubator) was established in 2019 to rectify an imbalance across sports versus arts and cultural events in the MEF portfolio, by providing seed funding to help homegrown events grow to become internationally significant. It has an annual distribution envelope of \$1 million, and investments are capped at a maximum of \$300,000 for each event (\$100,000 per annum over a maximum of three years).
10. The Incubator has required high levels of administrative resource to provide development support to event organisers and has generated a very low success rate (events growing to a scale to be considered for MEF support). To date, sixteen events have been supported through the Incubator, funding 20 iterations of event delivery. Two events (Te Matatini and Pasifika Festival) have grown in scale. Te Matatini secured other government funding and no longer requires investment.

Commercial Information

11. A list of all Incubator programme investments is attached at **Annex One**.

Table Two: Incubator programme investment summary

Creative & Cultural Events Incubator \$ million	MYA 2017-2022	2022/23	2023/24	2024/25	2025/26	2026/27	MYA 2022-2027
Actual spend	0.78	0.52	0.58	-	-	-	1.10
Contracted / committed renewals	-	0.43	0.18	0.77	0.30	0.30	1.98
Total Incubator commitments	0.78	0.95	0.76	0.77	0.30	0.30	3.08

12. Whilst a full review of the success of the Incubator programme has not been undertaken (it was planned for quarter two, prior to the fiscal savings exercise being initiated), a preliminary review has been conducted and officials consider that:

- The programme has not achieved the objective of seeding homegrown arts and cultural events to become internationally significant.

- Many of the events supported have benefited from Incubator funding to assist with the strategic, governance and operational planning and event delivery; but only two of sixteen have reached any significant scale.
 - Funding avenues through Creative New Zealand and Manatū Taonga Ministry for Culture and Heritage (MCH) exist to support the growth and development of arts and cultural sector, including events and productions. Similarly, funding mechanisms exist within local government entities that support the growth and development of regional scale events (which the Incubator targeted) to improve localised return on investment. As such, if the Incubator is closed, other support avenues exist for these types/scale of events.
 - There are only a finite number of events that are likely to meet Incubator criteria and five years of programme delivery and proactive outreach to the sector has now surfaced most (if not all) of these.
 - Support for homegrown events can be provided by the MEF in other ways that better align to the strategic objectives of New Zealand Major Events and overarching government major event objectives.
13. We propose closing the Incubator for further applications, whilst honouring existing commitments for funding. Many contracted events supported by Incubator are in the final event planning stages, and cancelling existing commitments at this stage would have a significant impact on the viability of delivery.
14. There are three ways Incubator funding commitments could be closed out:
- **Option I1.1:** Honour all existing contracts (including renewal rights (contingent on event's meeting contractual requirements)). This option would return \$1.9 million to the MEF MYA balance for redistribution in other Major Event investments.
 - **Option I1.2:** Honour all existing Incubator events for one more event and cancel renewal rights. This option would return \$2.79 million to the MEF MYA balance for redistribution in other Major Event investments.
 - **Option I1.3:** Honour all current commitments for events staged in 2024 and the first year for events approved in the November 2023 round. This option would return \$3.16 million to the MEF MYA balance to redistribute in major event investments. Note a full cancellation can be triggered under contractual provisions which allow for a change in government policy. However, it is likely to be negatively received, particularly as some events may have undertaken planning assuming that funding would be provided.
15. You can commission officials to undertake a full review of the Incubator and provide a separate briefing on options or agree to any of the options provided above.
16. Officials recommend approval of Option I1.1, as this will provide existing events with surety so they can continue to deliver their event programmes as planned for the remainder of the Incubator commitment, whilst returning residual ringfenced Incubator funding to the MEF.

17. In recommending this option and closing the Incubator, we note that an alternate framework to support creative and cultural events is being considered in consultation with MCH. We will provide you with information and advice on this in due course.

Intervention 2 (I2): FIFA Women’s World Cup 2023 Appropriation – Return of underspend following MEF transfers to offset FIFA cost pressures

18. A separate appropriation under Vote Sport and Recreation was created to manage Crown investment into the FIFA Women’s World Cup 2023 (FIFAWWC) to support venue upgrades, tournament hosting fees, Crown costs, and leverage and legacy projects. This multi-year appropriation ends 30 June 2024.
19. The FIFAWWC appropriation comprised of:
- An initial appropriation of \$25 million
 - A transfer from the MEF appropriation of \$15 million to offset cost pressures
 - A reprioritisation of funding from Bid Tourism of \$10 million to offset cost pressures
 - Sport NZ funding of \$5 million (tagged for gender-neutral venue upgrades)
 - Lotteries Grant Board funding of \$5.3 million (tagged for community led projects)
20. A reconciliation of actual expenditure against budget for FIFAWWC Crown costs is in process and currently shows an underspend of circa \$3.5 million. The actual figure will be confirmed following the finalisation of the reconciliation prior to Budget 2024 processes. MBIE’s independent reviewer has been advised of an under-spend.
21. Historically, where MEF monies have been transferred to bolster mega event appropriations to offset cost pressures, underspends have been returned to the MEF to be reinvested into other Major Events properties; most recently with \$2.7 million returned from the 36th America’s Cup to the MEF following a MEF transfer of \$7 million to offset America’s Cup cost pressures.
22. Given government’s current fiscal position, the Minister of Finance may not agree to the underspend being transferred back to the MEF. However, you could discuss this option with the Minister for Sport and Recreation (as Minister with oversight of the FIFA appropriation) to inform a decision on whether to task officials to request that the underspend is returned to the MEF 2023-2027 MYA via a technical transfer within Budget 2024 processes. An entry is currently sitting in Budget Technical changes for Budget 2024 to enable a request for the underspend to be made. However, this can be removed if you do not agree to this intervention.

Intervention 3 (I3): Technical Transfer to Free and frank opinions

23. Free and frank opinions

24. Free and frank opinions

Free and frank opinions

25. There are two options you could consider Free and frank opinions
- Option I3.1: Retain a portion of the Free and frank opinions (\$0.34 million for four years, \$1.36 million in total); Free and frank opinions.
 - Option I3.2: Retain the status quo with a \$1.94 million per annum reduction applied and Free and frank opinions (status quo).
26. We recommend you approve Option I3.1, as the wider Vote Economic Development fiscal savings exercise was finalised based on a contribution of \$1.94 million (for four years) from the MEF. This option would see the MEF reduced Free and frank opinions.

Impacts and options if no intervention is agreed

27. If an intervention is not approved under scenarios I1-I3 to increase the MEF funding balance, and current applications are approved at requested levels, \$5.14 million will remain in the fund through to June 2027. This will impact our ability to achieve objectives under the MEF for the remainder of the current MYA term through to 2027.
28. There is a strong pipeline of events through to 2025, however confirmed event content is light in 2026 and 2027. Due to long lead in times to proactively prospect and secure events and the remaining MYA balance, the securing of new event content would need to be largely reactive through to the end of the MYA in 2027. Realistically, \$5 million could secure one large event during the 2026/27 period, or three smaller events over the same period. You can direct officials to refine the active prospecting opportunities to meet the current fund balance.
29. We have considered the impacts of cancelling contracted and committed MEF investments (which total \$45.95 million). **Annex Two** shows contracted and committed events on the MEF pipeline. While technically this is a possibility, we do not recommend this is pursued as it will have significant detrimental impacts for:
- MEF portfolio events (including high profile events with large international followings like SailGP, Crankworx Rotorua and IRONMAN 70.3 World Championships). Most would become unviable and would need to cancel.
 - New Zealand's major event hosting reputation, a reputation which has taken many years to build and is currently strong.
 - New Zealand and New Zealanders with an associated loss of economic, social and cultural benefits generated by these events.
30. We also considered rescinding MEF applications in process. There are three applications in process, collectively seeking \$11.1 million (for Commercial Information)

Rescinding applications in process has a lesser impact compared with contracted and committed events as they have not yet been secured for New Zealand. However, we have been engaging with applicants in good faith and they have presented applications on this basis. Should current applications be rescinded, New Zealand will lose the opportunity to host these events and the associated economic, social and cultural benefits. As such, we do not recommend this option is pursued.

Fund balance scenarios

31. Intervention impacts to the MEF balance are presented in the table below.

Table Three: Intervention Scenarios

\$ million	Status quo	Incubator closure (honouring contracts and renewals)	FIFA underspend return	Technical transfer Free and frank opinions	Recommended option - intervention combination
Total MEF Available	5.14				
Intervention options	-	1.92	3.5	1.36	6.78
MEF Available Funding if intervention applied	5.14	7.06	8.64	6.5	11.92

32. We recommend that you agree the combination of interventions above. This will increase the MEF uncommitted funding balance to \$11.92 million for the remainder of the MYA.

Risks

Incubator closure

33. Closing the Incubator could be perceived negatively (e.g., government de-prioritising creative and cultural events). This can be mitigated by ensuring messaging conveys that MBIE is looking at alternate ways to support creative and cultural events more effectively.
34. If you choose Incubator closure options I1.2 or I1.3, given these would cancel funding commitments (albeit some are conditional on contractual requirements and general

expectations being met), there is a risk that funding recipients will take their concerns about the closure to the media. If you choose either of these options, we will provide your office with reactive questions and answers to support any media enquiries received.

Pipeline implications

35. Long lead in time to events and competitive international bidding processes that govern event hosting allocations for many event properties means work to secure events must be actioned years in advance of an event's delivery. As such, if work to secure events is disrupted, it can create irreversible gaps on the long-term pipeline and generate event hosting reputation impacts.
36. If an intervention option is not agreed, major event bid and prospecting work for the remainder of the MYA term through to 2027 will be scaled to reflect the remaining funding envelope. This could lead to event content in 2026 and 2027 years remaining light.

Recommendations

37. You could elect to approve one, a combination, none or all the inventions proposed. We recommend you approve intervention options I1.1; and I3.1. This would close the Incubator; transfer FIFA underspends back to the MEF ^{Free and frank opinions} [REDACTED]. It would generate a cumulative increase of \$6.78 million to the MEF, increasing the uncommitted fund balance to \$11.92 million through to 2027.
38. Approving this combination of interventions will have the least impact to Incubator recipients planning their events and to the MEF's long term pipeline, enabling event content to continue to be secured for 2026 and beyond. It will enable MEF objectives to be delivered on across the remainder 2022-2027 MYA.

Next steps

39. Officials will meet with you on 25 March 2024 to discuss this paper. You may wish to discuss intervention options with the Major Events Ministers Group before making any decisions.
40. If you agree to Intervention 2 (individually or as part of a combination of interventions), as the FIFAWWC appropriation sits within the Vote Sport and Recreation, we recommend you seek agreement from the Minister for Sport and Recreation, as Minister with oversight of the appropriation. Following this, officials can initiate the transfer of funds to the MEF via an in-principle expense transfer through the Budget 2024 technical process.
41. Any further interventions you approve to address fiscal pressures on the MEF will then be actioned through technical transfers within Budget 2024.

Annexes

Annex One: Incubator programme since inception

Annex Two: Major Events Fund pipeline 2023-2027 (attached)

ANNEX ONE: INCUBATOR PROGRAMME SINCE INCEPTION

Event Name	Event Location	Delivery Years	2017/22	2022/23	2023/24	2024/25	2025/26	2026/27
			MYA	Actual Spend			Committed	
Te Tairāwhiti Arts Festival	Gisborne	2020	100,000			Negotiations		
Kia Mau Festival	Wellington	2021/23/25	100,000	90,000	10,000			
Māoriland Film Festival	Otaki	2021-2023	200,000	100,000				
Aronui Indigenous Arts Festival	Rotorua	2021-2023	200,000		100,000			
Pasifika Festival	Auckland	2022/23/25	100,000	100,000				
Tungia Tahaia	Porirua	2022/24/26	100,000		86,000			
Tirama Mai	Christchurch	2022-2024	50,000	50,000	100,000			
Matariki Mackenzie	Takapo	2022-2024	100,000	80,000	100,000			
Feast Matariki	South Island	2022-2024	75,000	50,000	100,000			
Life Unscripted with Doc Edge	AKL / WLG	2024-2026		50,000	40,000			
Golden Shears	Masterton	2024-2026		25,000	50,000			
Kupu Festival	Rotorua	2023-2025		100,000	100,000			
Te Matatini	Auckland	2023		100,000				
Commercial Information								
Total annual spend/commitment			1,025,000	745,000	636,000	773,000	573,000	300,000

Annex Two: Major Events Fund pipeline 2023-2027 (attached)



Major events pipeline 2023-2027

KEY:

Prospecting	Incubator	Wider benefits
Mega Event	Mega Event	SIP aligned

* Potential investment unknown

Date: As at Mar 2024



