



## BRIEFING

### Final draft MBIE Performance Plan for approval

<b>Date:</b>	1 November 2024	<b>Priority:</b>	High
<b>Security classification</b>	Budget - Sensitive	<b>Tracking number:</b>	BRIEFING-REQ-0005582

Action sought		
	Action sought	Deadline
Hon Melissa Lee <b>Minister for Economic Development</b>	<b>Approve</b> the final draft MBIE Performance Plan.	4 November 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Nic Blakeley	Acting Chief Executive	Privacy of natural persons	✓
Melanie Taylor	Head of Kōkiritia		

The following departments/agencies have been consulted

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

**Comments**



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### Purpose

To provide you with the final draft MBIE Performance Plan for approval and outline the changes since the draft submission was uploaded on 17 October 2024.

### Recommended action

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

- a **Note** that The Treasury has provided feedback on the last draft MBIE Plan, and an assessment to the Minister of Finance on whether agency plans are 'on track' or 'off track' based on whether they are able to meet future costs within baselines (this makes MBIE's Plan 'off track' in their assessment, as it will for several other agencies).

*Noted*

Confidential advice to Government

**Note** that MBIE has made changes to the Plan in response to elements of The Treasury feedback, and also updated fiscal information, long term drivers, and workforce costs since the last version you reviewed.

*Noted*

- b **Note** that the Minister of Finance may contact lead Ministers in instances where plans have been assessed as being 'off track', and we have provided suggested points for that potential conversation in this briefing.

*Noted*

- c **Approve** the final draft MBIE Performance Plan for submission to the Treasury on 7 November 2024.

*Approve*

d **Agree** for MBIE to share the final draft MBIE Performance Plan with other MBIE Ministers.

*Agree*



Melanie Taylor  
**Head of Kōkiritia**  
Ministry of Business, Innovation and  
Employment

1 / 11 / 2024

Hon Melissa Lee  
**Minister for Economic Development**

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## Background

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1. Following submission of the draft MBIE Performance Plan (the Plan) to the Treasury on 17 October 2024, officials have been refining and finalising the information in the Plan. Since that submission, the Treasury has also provided agencies with preliminary October Baseline Update (OBU) financial information which is now required to be used for all Performance Plans.
2. The Treasury has also provided some feedback on the draft Plan, and we understand central agencies have provided an initial assessment to the Minister of Finance based on:
  - a. whether agencies are seeking new funding to meet cost pressures, and/or
  - b. whether these funding decisions are still subject to agreement (i.e. there is a chance the funding will not be approved).

All categories of MBIE's cost pressures are subject to ministerial decisions about either new funding or funding from a different portfolio, changes to revenue, and/or reprioritisation decisions within portfolios (for example on service levels).

3. The majority of MBIE cost pressures (either portfolio pressures or MBIE-wide) can be managed through reprioritisation within or across portfolios, seeking decisions around alternative funding sources, or MBIE absorbing (e.g. wage pressures as a result of collective bargaining). The further four cost pressures identified in the Plan have either no alternative funding source within the portfolio or are at such a scale that cross-portfolio decisions to manage them are required (e.g. NZSPR).

## Treasury feedback

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4. Treasury feedback on MBIE's Performance Plan was based on the draft agency plan without the detail contained in portfolio plans, which we will submit with the final draft MBIE plan on 7 November. We were not asked to provide these for the 17 October check in, so held them back to do a reconciliation across all plans before submitting.
5. Treasury noted in their assessment:
  - a. That the MBIE Plan relies on new funding, counter to the expectation in the Cabinet guidance that Performance Plans be prepared on the expectation of no new funding, and
  - b. That Ministers would want to see detailed options for managing trade-offs within baselines, including any shortfalls from Budget 2024.

Confidential advice to Government




7. We understand a number of other agencies are in the same situation.

8. The Budget 2024 points Treasury raise relate to:
- a. Immigration savings that were double counted in Budget 2024, and for which an additional \$5m needs to be found by MBIE as part of the Budget 2025 process. We have included this amount in the reprioritisation category of cost savings now, which leaves a choice for Ministers around how to fund this shortfall.
  - b. The Wellington Consolidation (property) Project, where The Treasury considers MBIE should show the amount as a Specific Fiscal Risk, but MBIE's view is that the liability for extra costs sits with the agencies that hold the appropriations for their areas. Until MBIE has completed further due diligence on the Wellington Consolidation Project savings, we do not believe MBIE should be including a WCP liability in its Performance Plan as a fiscal risk. We have responded as such to The Treasury and will continue to work with them on this.

### **Other changes to the MBIE Performance Plan since the draft submission**

9. Since the last version of the MBIE Performance Plan we provided you, we have made some minor updates throughout the document as well as the following more significant updates:
- a. **All financial information has changed to OBU data.** Previous versions of the Performance Plan used Budget 2024 data so there are some discrepancies across appropriations because of the shift to OBU data. This has not impacted the core cost pressures or MBIE's proposals for managing the cost pressures.
  - b. **One cost pressure has reduced in size:** MBIE's largest cost pressure, the New Zealand Screen Production Rebate – International, has reduced in size from \$656.976million to \$596.976 million over five years due to a change in the forecast. External factors (e.g. COVID 19 and end of writers' strike) led to an initial increase in productions. This is now expected to flatten and result in lower future demand to make movies in New Zealand (and access the rebate).

Confidential advice to Government



10. The Treasury has signalled its intention is to advise Minister of Finance to contact Lead Ministers where agencies have not balanced their cost pressures to zero. That means that the Minister of Finance may contact you to discuss this. Paragraphs 14 and 15 provide further information for you should she call you.

## Cost pressure implications

Confidential advice to Government

12. The **screen production rebate** (\$597m over 5 years) is unfunded under current policy settings. Due to the magnitude of this cost pressure, it would either require new funding, a significant change to the policy, or a change in the accounting treatment.
13. To meet the following three cost pressures, reducing services in other portfolios (or policy change) would be required. Ministerial decisions are needed on these:
  - b. **Bowen house shortfall** (\$9.5m over 5 years) - the additional lease costs, capital change and depreciation are cost pressures for MBIE. This is an opex funding gap before it is tenanted.

Confidential advice to Government

14. The Minister of Finance may call you to discuss the MBIE Performance plan and 'off-track' assessment (if an agency is not able to manage cost-pressures within baselines).
15. Should this occur, you may wish to use the following points:
  - a. I am aware of and committed to strong fiscal discipline in my portfolios and for MBIE as a whole as the Ownership Minister.
  - b. The screen production rebate is very large. Meeting it from within baselines as it is currently accounted for would require deep cuts to MBIE's services and changing the parameters of the policy would have impacts on NZ's ability to attract productions. Given the impact of the screen sector, I would want to consult with my colleagues on any potential changes, should these need to be made to help balance MBIE's cost pressures.
  - c. Managing many of MBIE's other cost pressures would need agreement across a number of portfolio Ministers. To enable this coordination it may be helpful for you (Minister of Finance) to state an expectation that agency Ministers collectively work together to agree cross-portfolio trade-offs and to discuss potential policy change and/or service declines to meet cost pressures.

## MBIE's approach to long term drivers and workforce costs

16. Since submission of the draft Plan on 17 October 2024, we received further guidance from the Treasury on two key areas: long term drivers, and workforce costs. Our approach to these areas is outlined further below:

17. **Long term drivers:** MBIE has identified four key long-term drivers (over the next 20 years) including infrastructure (property, ICT/Technology); demographic change; climate/pandemics and other events; and inflation and labour cost.
18. **Workforce costs:** MBIE has refined the narrative on how our workforce has changed over time and the assumptions underlying growth in wage costs aligns with the Treasury guidance.

## Next steps

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19. We are available to discuss the MBIE Performance Plan at your officials' meeting on 5 November 2024.
20. If you approve, we will continue to refine the MBIE Performance Plan in the lead up to submitting it to the Treasury on 7 November 2024. This may involve some changes to the content of the Plan, of which will you keep your office informed. The separate MBIE Portfolio Plans will also be submitted alongside the MBIE Plan, and these have all been signed off by respective Portfolio Ministers.
21. Following final submission, it may be helpful for a subset of Ministers to meet to discuss potential trade-offs to manage the cost pressures identified in the MBIE Performance Plan, whether convened by the Minister of Finance as suggested above, or by you. MBIE's view is that we wait to see the content of the Budget letter before we set the parameters of that meeting.

## Annexes

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Annex One: Final MBIE Performance Plan

## **Annex One: Final MBIE Performance Plan**

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*Attached as separate document.*