



BRIEFING

Draft Regional Development portfolio performance plan (part of MBIE's Performance Plan)

Date:	25 September 2024	Priority:	Medium
Security classification:	Budget - Sensitive	Tracking number:	BRIEFING-REQ-0004149

Action sought		
	Action sought	Deadline
Hon Shane Jones Minister for Regional Development	Provide feedback and approve the Regional Development portfolio performance plan, as part of MBIE's Performance Plan	11 October 2024
Hon Melissa Lee Minister for Economic Development	Copy for your information	N/A

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Robert Pigou	Deputy Chief Executive and Head of Kānoa – Regional Economic Development & Investment Unit (Kānoa – RD)	Privacy of natural persons	✓
Isabel Poulson	General Manager – Strategy, Planning and Performance, Regional Economic Development & Investment Unit (Kānoa – RD)		
Privacy of natural persons	Head of Finance Strategy & Investment, Kānoa – RD		

The following departments/agencies have been consulted
NA

Minister's office to complete:

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 Withdrawn |

Comments



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Purpose

Cabinet recently agreed that all departments produce Performance Plans to ensure there are credible plans in place to work within existing baselines and enable decisions for Budget 2025. Given the breadth of MBIE's work, we are also producing individual portfolio plans to supplement an overarching MBIE plan. We are seeking your feedback and approval of the attached draft regional development portfolio performance plan.

Recommended action

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

- a **Note** Cabinet requires departments to prepare a Performance Plan showing how we manage within baselines.

Noted

- b **Note** given the breadth of MBIE's work, the Performance Plan will also include specific portfolio plans, approved by the relevant portfolio Minister.

Noted

- c **Provide** feedback on the draft Regional Development portfolio performance plan (Annex 1) and, subject to any changes required, **approve** the portfolio performance plan for submission to the Treasury.

Approved / Not approved

Robert Pigou
Deputy Chief Executive & Head of Kānoa –
Regional Economic Development &
Investment Unit, MBIE
26 / 09 / 2024

Hon Shane Jones
Minister for Regional Development

___ / ___ / 2024

Performance Plans are a new Cabinet requirement

1. The Minister of Finance wrote to you on 1 August 2024 about a new requirement for all departments to submit a Performance Plan. This was agreed by Cabinet on 29 July 2024 [CAB-24-MIN-0273 refers]. Performance Plans will be owned and signed out by the responsible Minister. Minister Lee is the responsible Minister for the MBIE Performance Plan.
2. Given the breadth of MBIE's work, we are also preparing additional shorter portfolio plans to highlight the opportunities and trade-offs at a portfolio level. Portfolio Ministers are required to approve these individual portfolio plans.
3. The Minister of Finance has expressed that for Budget 2025 a very high bar will be applied for new spending to manage within tight Budget allowances. Existing spending will need to be reprioritised to support any new commitments and additional savings will need to be found, beyond those identified in Budget 2024.
4. Performance Plans seek to:
 - a. Provide assurance to Ministers that each department has a plan in place to deliver within set baselines, subject to Ministerial comfort with associated trade-offs; and
 - b. Surface fiscal sustainability, performance and delivery risks to Ministers, identify levers available to address these and confirm the ongoing approach to managing them.
5. Ministers and the Cabinet Expenditure and Regulatory Review Committee (EXP) are the primary audience for the Performance Plans. They are designed to enable Ministers to discuss cross-government trade-off considerations and to inform Budget decisions.

Commitment to investing in and improving New Zealand's regional infrastructure

6. The Portfolio Performance plans are in draft form, and there are further work and assurance processes underway.
7. The Regional Development portfolio is focused on the delivery of the Regional Infrastructure Fund (RIF) The portfolio has received \$1.2 billion to establish the RIF, including tagged contingencies of \$900 million capital funding and \$300 million operational funding.
8. The fund delivers on the Government's promise to address the regional infrastructure deficit. It will help boost the New Zealand economy, increase regional prosperity, and create jobs.
9. The RIF will invest in projects that build resilience and enabling infrastructure. Resilience infrastructure improves a region's ability to absorb, adapt and/or respond to stresses and shocks, and enabling infrastructure ensures regions are well-connected and productive.
10. Confidential advice to Government
11. The draft performance plan for the portfolio provides an overview of portfolio across the priorities, spend and fiscal risks. The plan also outlines how the portfolio will manage within baselines.

Next steps

12. The Treasury has given agencies the following deadlines to meet:
 - a. 17 October – Draft Performance Plans (including portfolio plans) uploaded to Treasury
 - b. 7 November – Performance Plans uploaded to Treasury for central agencies review
 - c. December 2024 – Central agencies review completed
 - d. Early 2025 – Performance Plans go to EXP
 - e. June 2025 – Final Performance Plans complete
13. We require any feedback and your approval to submit the portfolio plan by 11 October to meet the Treasury's deadlines.

Annexes

Annex 1: Draft Regional Development portfolio plan

Annex 1: Draft Regional Development Portfolio Plan

1. Portfolio overview: Regional Development

KEY ISSUES

The Regional Development portfolio received in Budget 24, \$1.2 billion for the establishment of the Regional Infrastructure Fund (RIF), This fund is committed to investment in and improving New Zealand’s regional infrastructure.

The RIF is primarily a capital fund and funding support will be provided through a mix of loan and equity investments. Grants will be available only in very limited cases.

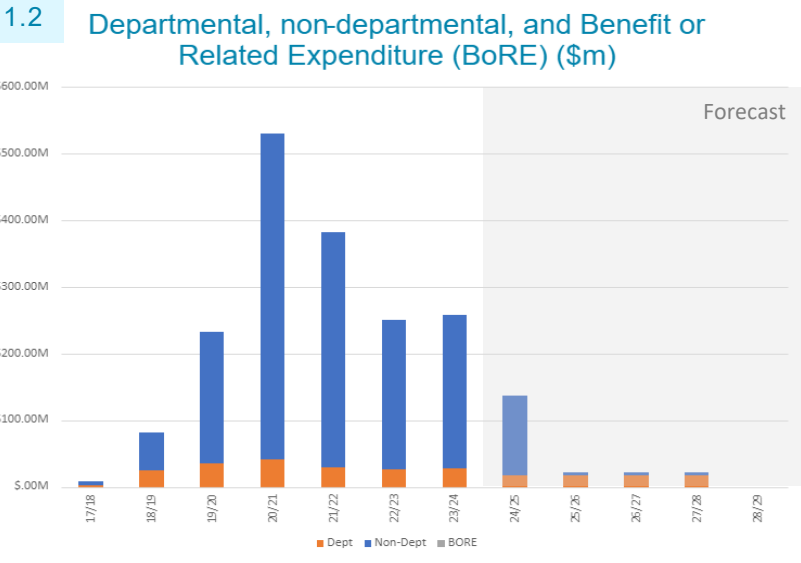
TARGETS AND PRIORITIES

Government targets

Strategic priorities

The Government has identified fiscal sustainability as an important principle for the term of government. Regional Development is contributing to fiscal sustainability through economic, social, cultural and environmental prosperity. It’s important to note it can take time for the impact of Regional Development interventions to be fully realised.

EXPENDITURE BY TYPE



Recent changes in expenditure

The historic changes in expenditure levels for the Regional Development portfolio have resulted from movements in the funds being administered, and the maturity stage for each of these funds (eg implementation, delivery or closure).

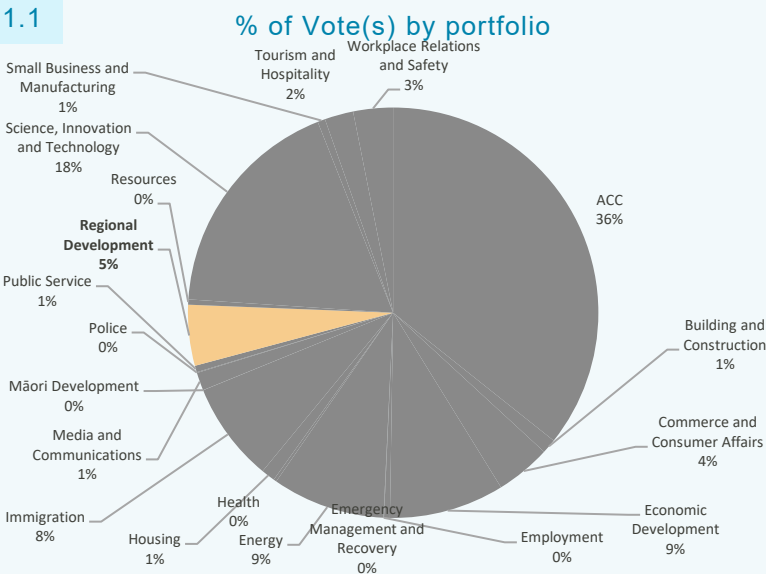
Expected changes in expenditure

The Regional Development portfolio has received \$1.2 billion to establish a regional infrastructure fund. Projects will be assessed and approved over a three-year period, though contracts will span a longer term. The fund will be administered by MBIE and will primarily be on capital providing a mix of loan and equity investments with limited grant funding.

Monitoring and funding of Crown companies or entities

Crown Regional Holdings Limited

SPEND BY PORTFOLIO



Portfolio priorities

Confidential advice to Government

2. Portfolio overview: Current specific fiscal risks, workforce, and third-party revenue

SPECIFIC FISCAL RISKS

Title / Description	Amount and Probability	Mitigations
Project cost pressure	Unknown	Ensure there is: robust support for project costings; appropriate contingency funding; correct level of project management & oversight.

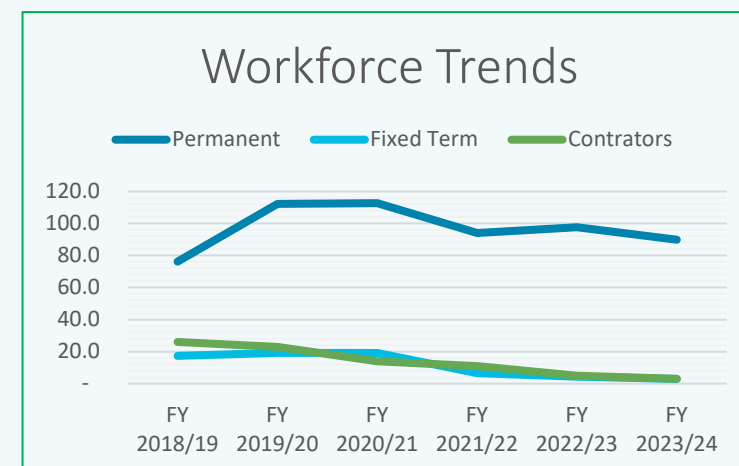
WORKFORCE

2.2

Drivers and implications of change(s) in FTE

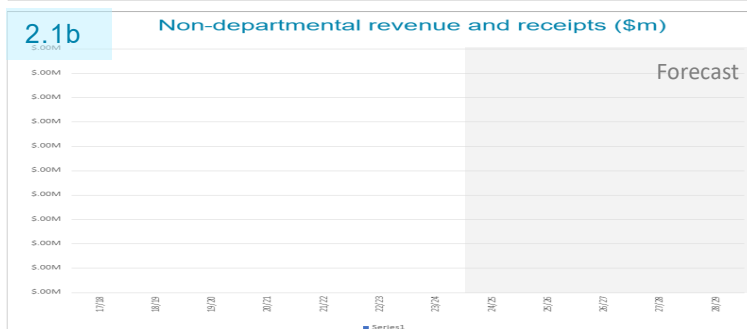
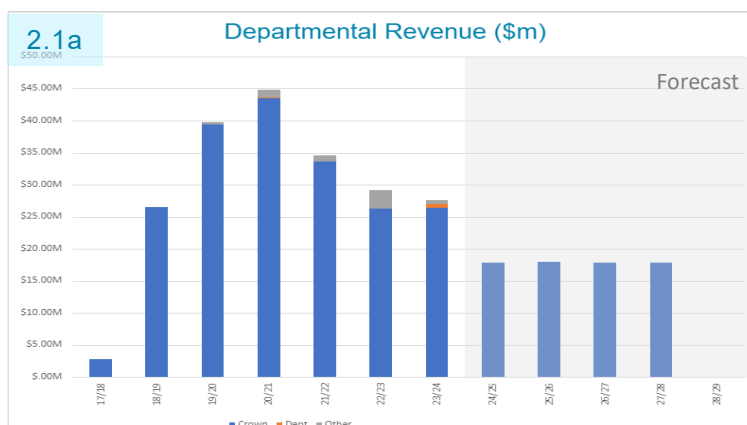
The workforce engaged within the Regional Development Portfolio has historically been matched to the level of activity that is required to administer current funds.

The workforce levels peaked in the 2019/20 financial year when the activity to administer the funds was highest. Since then, the levels have been reducing to match the activity levels being experienced and the maturity of MBIE processes to administer the projects.



DEPARTMENTS WITH THIRD PARTY REVENUE (INCLUDING TAX, FEES, LEVIES, EXCISE, DUTIES AND CHARGES)

Revenue sources



Scenarios that could impact third-party revenue

Scenarios	Incidence in last 10 years	Likely in next 10 years?
<p>[Specific Fiscal Risks (list any current risks related to third party revenue as outlined in latest EFU)]</p> <div> <p>Not applicable to Regional Development. No future third-party revenue is anticipated.</p> </div>		
<p>[Other potential shocks (e.g. those that might not have reached materiality/probability threshold for a SFR)]</p> <div> <p>Not applicable to Regional Development. No future third-party revenue is anticipated.</p> </div>		

Activities funded by third-party revenue and when were they last reviewed

Activity name	% User funded	Date last reviewed	Date next reviewed	Material under or over recovery	Key performance measure and 2023/24 performance
<p>Not applicable to Regional Development. No future third-party revenue is anticipated.</p>					

3. Portfolio Managing within baselines: Current and future drivers

DRIVERS OF COST PRESSURES AND INITIATIVES FOR MANAGING WITHIN BASELINES

4.1	Operating impact \$m increase, (decrease)					
	2017/18	2024/25	2025/26	2026/27	2027/28	2028/29
Total baseline*	8.60	136.90	21.93	21.89	21.89	-
Operating baseline	8.60	136.90	21.93	21.89	21.89	-
<i>Total volume pressures</i>	-	-	-	-	-	-
<i>Total price pressures</i>	-	-	-	-	-	-
<i>Total wage pressures</i>	-	0.36	0.65	0.94	1.25	1.55
<i>Total other pressures</i>	-	0.05	0.18	0.19	0.21	0.24
Total cost pressures	-	0.86	0.83	1.03	1.46	1.79
Total reprioritisation/ savings	-	-	(9)	(11)	(11)	(11)
Net impact on baseline	-	-	0	0	0	0

*includes all operating (departmental, non-departmental, Benefits or Related Expenses and revenue dependent appropriations). Benefits or Related Expenses and revenue dependent appropriations are removed in the operating baseline.

Summary of cost pressures:

Regional Development received baseline funding in the 2024/25 year as well as funding to support the implementation of the Regional Infrastructure Fund (RIF). This new funding addresses the short-term cost pressures faced by the Regional Development portfolio. Future pressures, including wage pressures are expected to be managed by adjusting staffing levels to match the changing nature of the projects and contracts being managed.

Plan for managing within baselines (Table 4.1)

Area	Impact					Description
	24/25	25/26	26/27	27/28	28/29	
Wage pressures	0.36	0.65	0.94	1.25	1.55	This cost pressure relates to forecast remuneration increases for MBIE staff. Costs are estimates only as Bargaining is still underway. Staff costs within the Regional Development portfolio will be closely monitored against the activity levels the portfolio is required to manage
Other pressures	0.05	0.18	0.19	0.21	0.24	These cost pressures relate to enablement delivery services such as increase in property lease costs, as well as rising costs related to maintaining IT and digital infrastructure

FUTURE DRIVERS

Climate change: increasing global GHG emissions caused by human activity is directly linked to rising global temperatures and more extreme and frequent weather events

Technology change: the development and adoption of new technologies, such as artificial intelligence, robotics and blockchain, could bring new opportunities and challenges for workers and businesses.

Demographic change: many countries, including New Zealand, are aging, putting pressure on labour markets and governments' finances, and increasing reliance on immigration. New Zealand's ethnic diversity is expected to increase, with an increasing share of the population being from Asian, Māori and Pacific ethnic groups.

Geopolitical change: the international rules-based trading system is being undermined by increasing protectionism and rising geo-political tensions, with some countries adopting protective measures to provide economic security and to support their transition to a low emissions economy.

These challenges and trends are inter-dependent and cannot be looked at in isolation – there is an opportunity to take concerted action that achieves multiple outcomes.

Choices to mitigate/manage long term pressures

Policy that causes demand or demand driver	Options to manage this?	Lead time required to make changes?
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**Not applicable to Regional Development.
No long term pressures identified.**

4. Portfolio Managing within baselines: Workforce and capability

Strategy for workforce costs, including remuneration

Bargaining is underway and we are unable to provide full details of MBIE's remuneration strategy while that is ongoing. The focus of MBIE's approach is to ensure workforce costs balance affordability alongside ongoing sustainability and enable us to deliver MBIE's work programme.

Capability – non-workforce (e.g. organisational systems, processes, governance, technology and data)

MBIE has both a significant enterprise ICT infrastructure and technology platforms that underpin specific economic systems and engagement with businesses and the public – from key application processes (eg visas), registries (eg licenced builders), to contact centre help lines (eg tenancy).

MBIE is investing in modern, cloud-based, scalable, multi-use platforms to reduce system complexity. Two specific areas requiring ongoing investment and effort are the transition of visa processing off legacy systems (Immigration) and the upcoming need to replace legacy assets that support the corporate registries (eg: the companies office). In the next 12-24 months moving off all on-premise data centres into the public cloud is also a key shift.

Simplification and the considered use of AI will contribute to greater efficiency and effectiveness across the business. Cyber threats are a growing issue. In response we have already delivered a number of modern security tools as part of a zero-trust architecture. We continue to implement these across MBIE.

MBIE collects and manages a wide range of data. We have invested in and are implementing a cloud data platform designed to make data more accessible, but also safe. This work is prioritised within our new Data Strategy which brings together new technology and data capabilities, and a new way of working to deliver the value of analysis and insights that shape policy and operational decisions at speed. MBIE has extensive governance and risk management systems in place, managing both strategic, policy and operational matters.

6. Managing with baselines: Investment and monitoring

MONITORING STATEMENT (IF APPLICABLE)

Summary of Monitoring Performed

Crown Regional Holdings Limited (CRHL) is a Schedule 4A Crown Entity established to hold investments in regional economic development in New Zealand. As at 30 June 2024 CRHL held investments totalling \$1.015 million from eight investment funds.

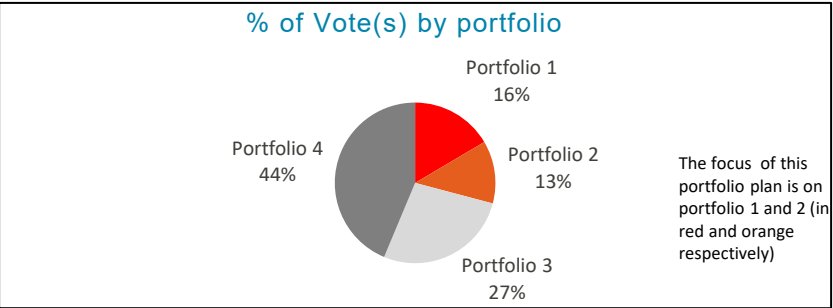
Activity	Crown Regional Holdings Limited (CRHL)
Monitoring & Frequency	Standard
Appointments & Governance	As required
Performance advice to relevant Minister/s	Quarterly, unless stated Plus Weekly Report items.
Engagement with Chair / Board	Kānoa - RD does the engagement
Engagement with CE / ELT	Kānoa - RD does the engagement
Regular attendance at board meetings	Kānoa - RD attends the board meetings

Individual portfolio plans

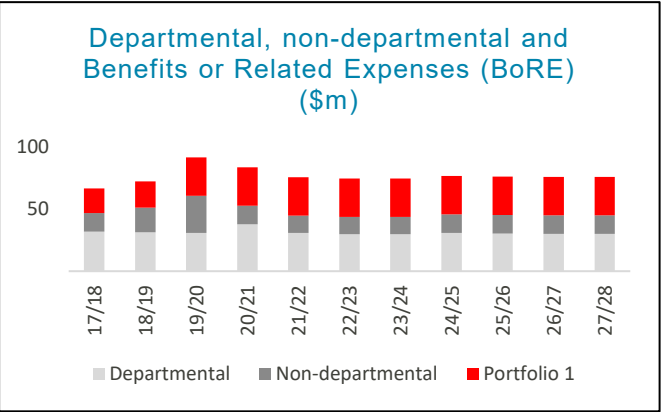
[GUIDANCE FOR AGENCIES WITH MULTIPLE PORTFOLIOS]

- Where departments have four or more Ministerial portfolios, they must still produce an overall department Performance Plan but **may** append separate portfolio information required to support the aggregate information supplied. As such, portfolio Performance Plans are optional.
- This slide provides guidance for how departments prepare portfolio Performance Plans.
- A full Performance Plan is not required for each portfolio (or group of portfolios if grouping portfolios is the best way of presenting information) and departments wishing to present portfolio information only need to complete the slides after this page. Departments are not to alter the template – except as otherwise contemplated on this page.
- Departments should copy the slides after this page for each portfolio/set of portfolios they wish to provide separate information on. Departments are not required to include information by portfolio on key impact areas, or investment and monitoring.
- Please ensure that for each new portfolio (or group of portfolios) the ‘Portfolio Overview’ slide title has the name of the portfolio/group of portfolios.

- On the ‘Portfolio Overview slide’ for chart 1.1 - please use the same chart as that used in 1.1 of the Departmental Portfolio Plan and grey out the portfolios that are not relevant and highlight the portfolios that are being discussed. Please insert a text box to be clear about the portfolio/s that are being discussed. For example:



- On the ‘Portfolio Overview’ slide for chart 1.2 please use the same chart as for the Departmental Portfolio plan but highlight the component of the bar graph that relates to the portfolio/s under discussion. For example:



- On the ‘Portfolio Overview’ slide – in relation to priorities and targets – please re-use information provided as part of the Departmental Portfolio Plan but just delete the ones that are not relevant to the Portfolio under discussion.
- On the ‘Managing within Baselines – Current and future drivers’ slide please note that each department is to produce only one Excel template titled ‘Cost pressures - Supplementary Information’ and upload it to CFISnet. Departments are asked not to replicate the Excel template for the Portfolio Plans.