

# 1. Portfolio overview: Small Business and Manufacturing

## KEY ISSUES

There are two appropriations within the portfolio: the Small Business Enabling Services MCA (\$37.844m in FY 24/25) and the Manufacturing Sector Development appropriation (\$2.080m in FY 24/25).

The Manufacturing appropriation has no funding post FY 2024/25. Manufacturing-related initiatives for 2025/26 and beyond will require reprioritisation from the Small Business MCA.

Refer table on slide 2 for a list of the services funded by these appropriations.

## TARGETS AND PRIORITIES

### Government targets

n/a

### Strategic priorities

The portfolio's strategic priorities are to:

- Foster talent
- Simpler access to information
- Boost innovation and uptake of technology
- Improve access to capital
- Reduce compliance

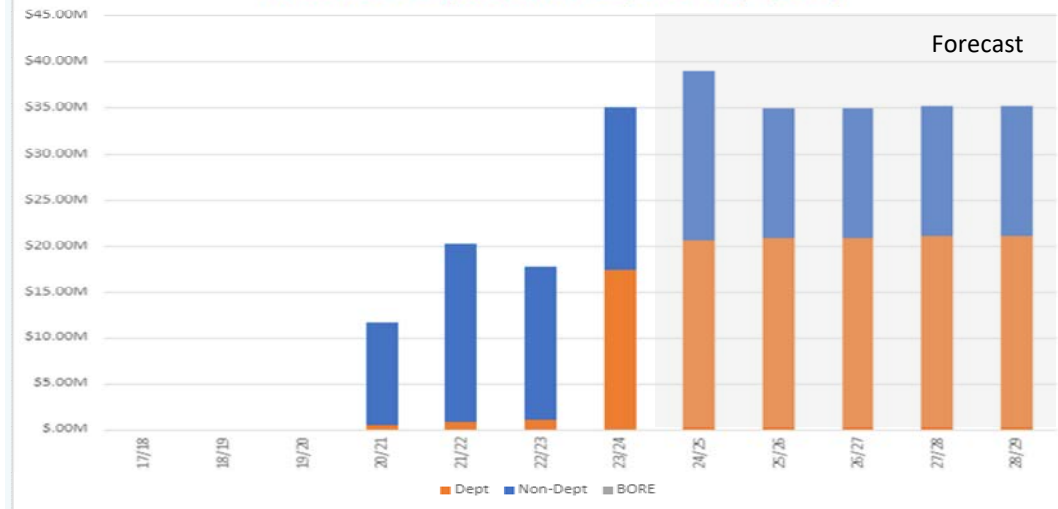
### Portfolio priorities

Priority initiatives in the portfolio are to:

- Re-orient business training funding to focus on high growth/export potential businesses.
- Provide access to information via smart landing pages for businesses and manufacturers.
- Roll out 'smart factory' assessments and support their implementation.
- Improve government agencies' payment times.
- Reduce compliance by increasing uptake and usage of the NZ Business Number and Business Connect.

## EXPENDITURE BY TYPE

Departmental, non-departmental, and Benefit or Related Expenditure (BoRE) (\$m)



### Recent changes in expenditure

The increase in FY 23/24 is due to the fiscally neutral transfer of ED and CCA portfolio appropriations into the Small Businesses MCA set up in OBU 2023. The transfer reflected that, in practice, the Minister for Small Businesses was responsible for the services funded through those appropriations.

In Budget 2024 the Small Business MCA delivered over 10% in savings. The increase in FY 24/25 is due to a fiscally neutral funding transfer from the ED portfolio to the Manufacturing appropriation set up in Budget 2024.

### Expected changes in expenditure

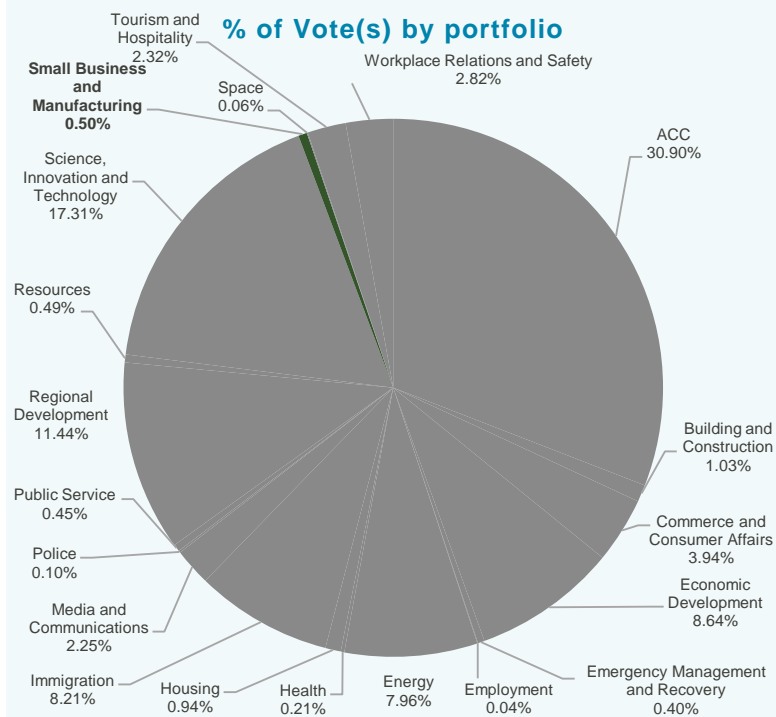
Expenditure in this portfolio is largely shaped by ministerial prioritisation. We expect that the next four years will see reduced expenditure on departmental administration, and more on private-sector led service delivery.

### Monitoring and funding of Crown companies or entities

Not applicable

## SPEND BY PORTFOLIO

% of Vote(s) by portfolio

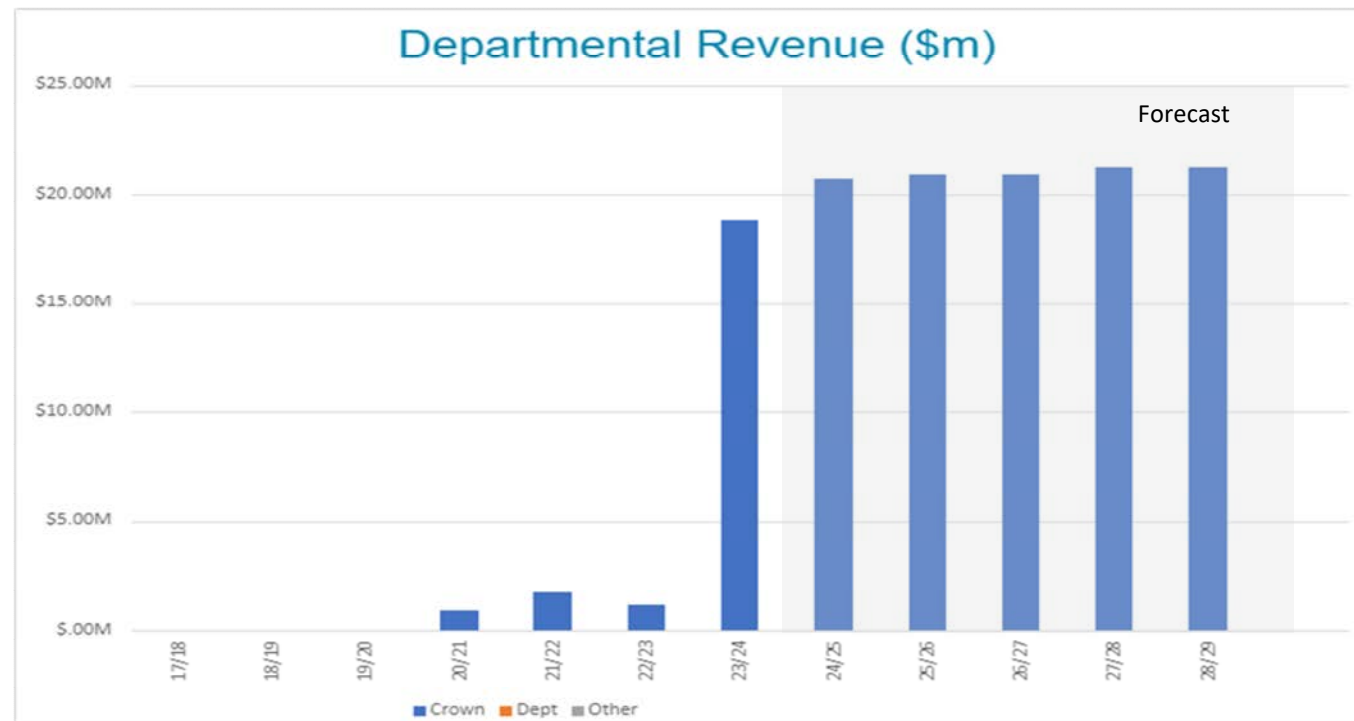


## 2. Portfolio overview: Current specific fiscal risks, workforce, and third-party revenue

### SPECIFIC FISCAL RISKS

Title / Description	Amount and Probability	Mitigations
n/a	n/a	n/a

### Revenue (Crown) for the Small Business and Manufacturing portfolio



**All departmental revenue is Crown funding.** The baselines prior to 24/25 do not include the ED and CCA appropriations now included in the Small Business MCA. If these were included for 22/23 total departmental would be approx. \$31m and for 21/22 approx. \$34 m.

### WORKFORCE

#### Drivers and implications of change(s) in FTE

The FTE required to deliver the work of this portfolio is largely informed by Ministerial priorities. As changes are made to products and services, departmental FTE will also change.

Accordingly, MBIE will make organisational changes to reflect changing Government priorities and to ensure we can manage within baseline. Reductions in the FTE assigned to this portfolio are likely to result.

This process is yet to commence however, and the specific size of FTE reductions is not yet known.

### SERVICES DELIVERED THROUGH THE PORTFOLIO

Service	Budget 2024/25 (\$m)
Business Connect (a tool to digitise forms from across govt onto a single platform)	8.544
Business.govt.nz (online information and tools for NZ businesses)	4.687
Better for Business (research on businesses' experience of dealing with govt agencies)	2.054
Digital Boost (digitalisation support for SMEs)	4.237
eInvoicing (enabling direct exchange of information between finance systems)	2.584
Regional Business Partner programme (support and subsidised training for SMEs)	15.738
Manufacturing support (technology assessments, industry-led initiatives)	2.080
<b>TOTAL</b>	<b>39.924</b>

### 3. Managing within baselines: Current and future drivers

#### DRIVERS OF COST PRESSURES AND INITIATIVES FOR MANAGING WITHIN BASELINES

	Operating impact \$m increase, (decrease)					
	2017/18	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Total baseline*</b>	<b>0.00</b>	<b>39.93</b>	<b>34.90</b>	<b>34.89</b>	<b>35.17</b>	<b>35.17</b>
<b>Operating baseline</b>	<b>0.00</b>	<b>39.93</b>	<b>34.90</b>	<b>34.89</b>	<b>35.17</b>	<b>35.17</b>
Total volume pressures	-	-	-	-	-	-
Total price pressures	-	-	-	-	-	-
Total wage pressures	-	0.29	0.51	0.72	0.93	1.15
Total other MBIE wide pressures	-	0.05	0.15	0.16	0.18	0.21
<b>Total cost pressures</b>	<b>-</b>	<b>0.34</b>	<b>0.66</b>	<b>0.88</b>	<b>1.11</b>	<b>1.36</b>
<b>Total reprioritisation/ savings</b>	<b>-</b>	<b>(0.34)</b>	<b>(0.66)</b>	<b>(0.88)</b>	<b>(1.11)</b>	<b>(1.36)</b>
<b>Net impact on baseline</b>	<b>-</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

\*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:

#### Remuneration increase (Wage pressure)

This cost pressure relates to forecast remuneration increases for MBIE staff. Costs are estimates only as Bargaining is still underway.

#### Other MBIE-wide cost pressures (Price pressures)

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.

#### Plan for managing within baselines (Table 4.1)

- How are you planning on managing savings and cost pressures in the next four years to live within set baselines (including considering revenue raising options)?

Area	Impact					Description
	24/25	25/26	26/27	27/28	28/29	
Wage pressures	0.31	0.56	0.81	1.07	1.34	MBIE is working through what measures need to be put in place to balance those cost pressures we have been directed to absorb. This is being done as part of our preparation for Budget 2025.
Other MBIE-wide pressures	0.05	0.15	0.16	0.18	0.21	

#### FUTURE DRIVERS

**Climate change:** increasing greenhouse emissions caused by human activity is directly linked to rising 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' populations, including New Zealand's, are aging, putting pressure on the labour market and government 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 interdependent 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?
n/a	n/a	n/a

## 4. Portfolio Managing within baselines: Workforce and capability

### Strategy for workforce costs, including remuneration

*[Please provide a description of your plan to manage workforce costs]*

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)

*[What capability does your department need to deliver on government priorities and your needs over the medium term? How will you get there? What are the risk and issues and how are you managing them?]*

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.