



BRIEFING

Fiscal sustainability choices for the Small Business and Manufacturing portfolio

Date:	27 November 2023	Priority:	High
Security classification:	Sensitive	Tracking number:	2324-0899

Action sought		
	Action sought	Deadline
Hon Andrew Bayly Minister for Small Business and Manufacturing	Discuss with officials	4 December 2023

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Paul Stocks	Deputy Secretary - Building, Resources and Markets	Privacy of natural persons	✓
Suzanne Stew	Deputy Secretary - Te Whakatairanga Service Delivery	Privacy of natural persons	

The following departments/agencies have been consulted

- 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 Withdrawn |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



BRIEFING

Fiscal sustainability choices for the Small Business and Manufacturing portfolio

Date:	27 November 2023	Priority:	High
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Purpose

This paper sets out savings and reprioritisation choices in the Small Business and Manufacturing portfolio, in support of the Government's fiscal objectives. We focused on the *Small Business Enabling Services* Multi Category Appropriation (MCA), as there are currently no manufacturing-related appropriations for which you hold ministerial responsibility. We also refer to further savings opportunities in other appropriations that are relevant to the portfolio where responsibility for decisions are currently with other Ministers.

Executive summary

Savings and reprioritisation choices under the *Small Business Enabling Services* MCA

You are responsible for the services funded under the MCA. These services have been put in place over successive governments to provide information, build capability, and support faster and easier transactions for small businesses.

The services with ongoing baseline funding are:

- *business.govt.nz*: providing businesses with content, tools and expert guidance
- the *Regional Business Partner* (RBP): programme providing tailored support and access to subsidised capability building training
- *Better for Business*: providing insights on businesses' experience of interacting with government
- *Business Connect*: a platform giving central and local government agencies an option to deliver services online at no additional cost
- *eInvoicing*: enabling the direct exchange of invoices between supplier and purchaser finance systems.

The MCA also funds two time-limited services, for which funding concludes next year:

- *Digital Boost*: providing resources, support and training for small businesses to increase their digital capability and technology use
- *First Steps*: an online wellbeing programme for business owners, managers and employees.

The MCA's total funding for 2025/26 onwards (ie only including services with baseline funding) is **\$38.483** million. We acknowledge the necessity of fiscal discipline, including savings on public sector administration. While awaiting your direction, we have identified low, mid and high-end scaling choices for each of the services with baseline funding. You can choose the saving and funding mix depending on your focus for small business services. In this paper we have set out two possible approaches as examples for discussion.

We would also like to discuss your interest in re-prioritising savings towards:

- Implementing the Business Payment Practices Act 2023, which requires funding to build a register and for operational costs. We estimate that the register will require around \$0.7 to \$0.8 million in capital. Annual operational costs range from \$0.15 million upwards.
- Funding for First Steps ends in June 2024. You may wish to continue to retain some elements of this programme.
- Funding for Digital Boost ends in December 2024. Confidential advice to Government
Confidential advice to Government

Further savings opportunities that are relevant to the portfolio

There are further savings opportunities that are relevant to the portfolio where responsibility for decisions are currently with other Ministers:

- The Industry Transformation Plan (ITP) programme, including the Advanced Manufacturing ITP (which the Minister for Economic Development is responsible for).
- The Retail Crime (fog cannon) Subsidy Scheme (this scheme is administered by MBIE, but the Minister of Police is responsible for the appropriation).

You may wish to discuss savings in these areas with the relevant Ministers. There are also additional savings options identified in the MBIE ownership fiscal briefing (2324-0917 refers) and these savings will be apportioned to portfolios across MBIE.

Next steps

We can provide any further advice on the role for government for each of the services in the MCA. Once we receive direction on your preferences, we will brief you on how fast savings can be realised, any transition costs, and how we will seek to mitigate any impacts on service delivery.

Recommended action

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

- a **Discuss** the contents of this briefing with officials at your initial meeting with MBIE

Yes / No

- b **Agree** to attend a meeting for MBIE portfolio Ministers to discuss how best to achieve your respective portfolio priorities as well as the Government's overall fiscal objectives.

Agree / Disagree



Paul Stocks
Deputy Secretary, Building, Resources and Markets

27 / 11 / 2023
..... / /

Hon Andrew Bayly
Minister for Small Business and Manufacturing

..... / /

Strategic choices to prioritise funding

1. This paper focuses on the saving and funding mix choices under the *Small Business Enabling Services* MCA, for which you are responsible for. The MCA funds services that provide information, build capability, and support faster and easier transactions for small businesses.
2. Several of the services currently funded under the MCA were borne out of the Better Public Services programme (launched in 2012). One of its targets was that businesses gain value from easy and seamless dealings with government. While the targets were removed in 2018, the insight work that was used to understand businesses' experiences of dealing with government agencies continues to inform how MBIE designs and implements small business services.
3. While awaiting your direction, we have identified low, mid and high-end scaling options for each service. You can choose the saving and funding mix depending on your focus for small business services.
4. For example, if you wished to achieve savings, and focus on enabling faster and more efficient business transactions and helping reduce regulatory pain points, you could draw a mix of low-end savings from Business Connect, mid-end savings from Better for Business and eInvoicing, and high-end savings from the RBP and business.govt.nz (as per the blue shading in the table below). This funding mix (A) would return savings of **\$3.745** million per annum from 2025/26, which is **9.7%** of the 2025/26 baseline.
5. If, instead, you want to focus on supporting small businesses to build digital and financial capability, you could draw mid-end savings from the RBP, eInvoicing and business.govt.nz, and high-end savings from Better for Business and Business Connect (as per the green shading in table below). This funding mix (B) would return savings of **\$3.025** million in 2025/26, which is **7.9%** of that year's baseline.
6. These two approaches are examples of how you could prioritise services in light of your objectives. You could also choose to scale services across the board, or apply varying levels of scaling to each service in accordance with your assessment of its value.

Service		2025/26	Low end scaling	Mid end scaling	High end scaling
business.govt.nz	Dep	5.857	.320	.500	.820
Regional Business Partner	Non Dep	14.796			1.000
	Dep	3.298	.240	.600	.800
Better for Business	Dep	2.439	.200	.275	.425
Business Connect	Dep	9.055	.350	.700	1.000
eInvoicing	Dep	3.038	.300	.500	2.500
Total per annum in 25/26		38.483	1.410	2.575	6.545
% 25/26 baseline			3.7%	6.7%	17.0%

Fiscal background

The *Small Business Enabling Services* MCA funds time-limited and ongoing services

7. The MCA includes services with baseline and time-limited funding. These services are all administered by MBIE. The funding for these services drops from \$47.559 to \$38.483 million

between 2023/24 and 2025/26, as time-limited funding for First Steps and Digital Boost concludes.

Table One: Funding for small business services within the MCA from 2019/20

		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 and outyear
business.govt.nz	Dep	4.023	5.699	4.869	4.169	5.337	5.366	5.857	5.870	5.870
Regional Business Partner	Non Dep	44.181	78.707	65.442	13.872	14.796	14.796	14.796	14.796	14.796
	Dep	-	3.300	3.935	3.935	3.296	3.298	3.298	3.298	3.298
Better for Business	Dep	-	-	2.420	2.420	2.436	2.439	2.439	2.439	2.439
Business Connect	Dep	-	9.000	9.000	9.592	9.046	9.055	9.055	9.055	9.055
eInvoicing	Dep	-	3.259	3.108	3.308	3.038	3.038	3.038	3.038	3.038
Digital Boost	Non Dep	-	12.600	22.816	16.527	7.460	3.760	-	-	-
	Dep	-	900	1000	995	1.000	500	-	-	-
First Steps	Non Dep	-	-	7.280	2.000	1.000	-	-	-	-
	Dep	-	-	720	150	150	-	-	-	-
TOTAL		48.204	113.465	120.590	56.968	47.559	42.252	38.483	38.496	38.496

8. As noted in the *Briefing for Incoming Ministers* the MCA was established this year to combine several disparate appropriations to enable a more efficient administration of the services. For 2023/24 the combined funding for these services is \$24.3 million in departmental funding and \$23.2 million in non-departmental funding as set out in the table above.
9. However, as the MCA commenced from 1 October 2023, three months of funding to 30 September are technically still under the old appropriations and only nine months of funding from October 2023 to June 2024 in the new MCA. For this nine month period the funding under the MCA is \$18.9 million in departmental funding and \$19.9 million in the non departmental funding.

Key areas of change

10. Key areas of change over the last five years have been:
 - increased baseline finding of \$14.5 million to implement Business Connect, eInvoicing, and other Better for Business initiatives
 - establishment of the Digital Boost programme, in response to a need identified during the COVID-19 pandemic
 - a surge in funding for the Regional Business Partner programme during COVID-19
 - cost pressure funding in Budget 2023 for the RBPs and business.govt.nz.

Potential baseline savings and funding mix choices under the MCA

Potential baseline savings across each initiative

11. While awaiting for your direction on priorities for the portfolio, we have identified low, mid and high-end scaling options for each service with baseline funding, and assessed the extent to which the level of scaling would:
- impact small businesses' ability to use the service
 - create a risk of 'stranded assets' (ie render ICT or other assets redundant as they would not be utilised to the extent originally envisaged)
 - impact our ability to scale up the service to respond to your policy priorities.

business.govt.nz

12. Business.govt.nz is an online hub for small business and was launched in 2007. It provides content, tools and expert guidance for businesses starting up, taking on staff, wanting to increase productivity and grow profits. Content ranges from guidance on daily business operations to specific information responding to crises (such as COVID-19 and Cyclone Gabrielle). The platform hosts 26 interactive tools, 53 downloadable visual guides and workbooks, and more than 200 pages of content.
13. Usage of business.govt.nz has increased from 2.5 million user sessions per year in 2015 to nearly 11.7 million unique page views in 2022. This growth has been generated by online search results, advertising to target audiences, social media, and direct communications through a newsletter.
14. Business.govt.nz's funding in 2023/24 is **\$5.337** million (rising to **\$5.870** million in 2026/27 and outyears).

Table Two: Scaling choices for business.govt.nz

Scaling option	Low-end	Mid-end	High-end
Annual saving	\$320,000	\$500,000	\$820,000
How savings would be achieved	Scale ICT platform maintenance and continuous improvement.	Further scale ICT maintenance.	Scale ICT maintenance, customer research, and design and content creation for the website and tools.
Impact small businesses' ability to use the service	No significant impact.	Some impact as would limit ability to keep information and tools provided are up to date.	Focus on basic maintenance and delivery only.
Create a risk of stranded assets	No significant impact.	No significant impact.	No significant impact.
Impact our ability to scale up services	Capacity would remain to scale up / pivot content as required.	Capacity to scale up / pivot content would be limited.	Capacity to scale up / pivot content would be further constrained.

Regional Business Partner (RBP) programme

15. The RBP programme was established in 2010, and is jointly administered by MBIE and Callaghan Innovation. Contracted RBPs across New Zealand (usually business chambers and economic development agencies) employ Business Growth Advisors, who work with small business owners to identify priorities for development and develop action plans.

16. Part of the action plan may involve management capability upskilling. To this end, RBP Business Growth Advisors administer the Management Capability Development Fund (MCDF), which subsidises training for small business owners. The RBPs support about 5,000 businesses annually. 78% of business owners who responded to an RBP survey in 2022/23 said they would recommend the service to other business owners.
17. The RBP programme’s non-departmental funding in 2023/24 is **\$14.796** million (of which \$5.8 million is set aside for training subsidies through the MCDF). The departmental administration budget is **\$3.296** million. MBIE is working to increase the RBP programme’s reach and value for money. We will brief you on this work shortly.

Table Three: Scaling choices for RBP programme

Scaling option	Low-end	Mid-end	High-end
Annual saving	\$240,000	\$600,000	\$1,800,000
How savings would be achieved	Reduce travel and training for Business Growth Advisors and MBIE’s administrative support.	Further reduce travel and training for Business Growth Advisors, and MBIE’s administrative support.	Significantly reduce training and support for Business Growth Advisors and MBIE’s administrative support. Reduce MCDF funding by \$1,000,000.
Impact small businesses’ ability to use the service	No significant impact.	No significant impact.	Reducing the MCDF will reduce small businesses’ access to subsidised training.
Create a risk of stranded assets	No significant impact.	No significant impact.	No significant impact.
Impact our ability to scale up services	No significant impact.	Ability to support future role expansion or additional responsibilities (eg during a crisis) would be constrained.	Ability to support any role expansion or additional responsibilities would be further constrained.

Better for Business

18. Better for Business (B4B) was established in 2012. It provides insights on business experiences interacting with government. Insights from its regular surveys are used to identify opportunities to improve regulatory design and service delivery. The annual Customer Experience Index consistently gauges the business experience with 11 government agencies, including MBIE.
19. B4B can pivot research in response to emerging issues, such as the impact of COVID-19 and severe weather events. B4B also supports use of the *Better Rules, Better Outcomes* regulatory design methodology across government agencies. It aims to ensure that regulatory systems are customer-centric and that real world stakeholder perspectives are built into the design.
20. The B4B baseline is **\$2.436** million in 2023/24.

Table Four: Scaling choices for B4B

Scaling option	Low-end	Mid-end	High-end
Annual saving	\$200,000	\$275,000	\$425,000
How savings would be achieved	Scale back support for cross-agency use of <i>Better Rules</i> and stakeholder engagement.	Stop support for cross-agency use of <i>Better Rules</i> and some stakeholder engagement.	Stop support for cross-agency use of <i>Better Rules</i> and stakeholder engagement. Produce core insights only.
Impact small businesses' ability to use the service	Few significant impacts.	Few significant impacts.	Few significant impacts.
Create a risk of stranded assets	Few significant impacts.	Investment to date in <i>Better Rules</i> would be redundant.	Investment to date in <i>Better Rules</i> would be redundant.
Impact our ability to scale up services	Capacity to scale up Research and insights functions could be constraint.	Any additional research function or tasking would require stopping other activities.	Research and insights functions would be constrained.

Business Connect

21. Business Connect was first piloted in 2016, and after further development received permanent funding in 2020. It gives core and local government agencies an option to deliver services online at no cost.
22. Over the last year Business Connect has created a new tool (FormBuilder.govt) to reduce time to digitalise a service (such as an application) from weeks, down to hours. An example of this is the extension of trading hours service for the Rugby World Cup. This produced a cross agency service (Ministry of Justice, Police and every local council around the country) which was delivered at no cost to government agencies and local councils (through the centrally funding provided to Business Connect) and launched within a month of the legislation passing. If this service had been established as a standalone project, the delivery timeline would have been 9-12 months with the costs upwards of \$500,000.
23. In the last three months 46 different government services have been developed, and are now ready to be deployed on the Business Connect platform following approval from the relevant agencies, showing the speed and scale that can be delivered. All services digitised on Business Connect are security tested, built with privacy by design, fully accessible and do not require procurement, removing significant cost for each service.
24. Business Connect's baseline is **\$9.046** million in 2023/24, rising to \$9.055 million in 2024/25.

Table Five: Scaling choices for Business Connect

Scaling option	Low-end	Mid-end	High-end
Annual saving	\$350,000	\$700,000	\$1,000,000
How savings would be achieved	Scale back ICT development costs.	Further scale back ICT development costs and cease promotion and implementation support.	Scale back ICT development costs, cease promotion and implementation support, and slow delivery.
Impact small businesses' ability to use the service	Few significant impacts.	Could result in lower uptake by agencies, with reduced benefits to businesses.	Could result in lower and slower uptake by agencies, with businesses not benefitting from the service.
Create a risk of stranded assets	The ICT product will be unaffected.	The ICT product will receive fewer updates and upgrades but will still function as intended.	The ICT will function, but low uptake by agencies could render the investment to date redundant.
Impact our ability to scale up services	Few significant impacts.	Support to agencies that take up the service would be reduced.	Support for agencies that take up the service would be limited.

eInvoicing

25. eInvoicing is the direct exchange of invoices between supplier and purchaser finance systems. This service was established in 2017. New Zealand is rolling out eInvoicing in alignment with Australia and in consultation with a number of other countries across Asia and Europe.
26. eInvoicing removes the requirement for manual invoice processing, saving significant time and money. By increasing the speed of invoice payments, it can improve cashflow for individual businesses and across the economy. eInvoicing also helps businesses (especially small businesses) participate in digital trading and protects them from invoice fraud. Invoice fraud is increasing year on year (it is currently circa \$250 million annually across Australia and New Zealand). eInvoicing stops this fraud by having invoices directly exchanged system to system – unlike PDF invoices which can be intercepted through email.
27. New Zealand is one of 42 countries involved in the implementation of eInvoicing and MBIE co-chairs this initiative for Australia and New Zealand with the Australian Tax Office. A Trans-Tasman Australia New Zealand eInvoicing Board helps ensure that we collaborated on areas of mutual benefit – these are Ministerial appointments. New Zealand and Australia have jointly established Peppol Authorities to maintain common standards and provide technical support. This includes managing software updates and responding to queries.
28. eInvoicing's annual baseline funding is **\$3.038** million.

Table Six: Scaling choices for e-invoicing

Scaling option	Low-end	Mid-end	High-end
Annual saving	\$300,000	\$300,000 - 2024/25, \$500,000 - 2025/26 \$600,000 - outyears	\$2,500,000
How savings would be achieved	Scale marketing and adoption support.	Further reduce marketing and adoption support.	Stop all marketing and adoption support. Employ only the minimum staff required to uphold international commitments.
Impact small businesses' ability to use the service	Reducing marketing and adoption support will slow take up, meaning that less businesses would use eInvoicing.	Further reducing marketing and adoption support would further slow take up.	Much lower take up could mean the "network effect" will not eventuate and NZ could fall further behind internationally.
Create a risk of stranded assets	The base technology will remain available for businesses to use.	The base technology will remain available for firms to use.	While the base technology will remain available for firms to use, the benefits of the investment may be reduced.
Impact our ability to scale up services	Reduced support for businesses that are considering adopting eInvoicing.	Further reductions in support for businesses that are considering adopting eInvoicing.	No MBIE support for businesses wanting to adopt eInvoicing.

29. Stopping all marketing and adoption support would have less impact on take-up if eInvoicing was mandated for transactions with government agencies. Australia is considering this step currently. We propose to provide you with more advice on this shortly.

Deciding funding and savings mixes based on your priorities

30. To illustrate how you could apply different savings and funding mixes, we have set out below two examples, each of which would reflect a different priority for the portfolio.

31. We understand that the Government's objectives are to foster a dynamic and competitive economy, and create a predictable, consistent and easy to navigate regulatory environment. Our *Briefing for the Incoming Minister* notes that, in alignment with these objectives, some potential areas of focus for the portfolio and services for small businesses could include:

- enabling faster and more efficient business transactions - in particular with government
- identifying areas of compliance burden for small businesses and contributing to design solutions
- supporting small businesses to lift digital capability and technology use
- supporting small businesses to address issues around cashflow and access to finance.

32. To illustrate how you could apply different savings and funding mixes, we have set out below two examples, each of which would reflect a different priority for the portfolio.

Funding and savings mix A – Focus on making it easier to transact, in particular with government

33. If you want to achieve savings and focus on enabling faster, and more efficient business transactions - in particular with government - and identifying areas of compliance burden for business and contributing to design solutions, you could draw low-end savings from Business

Connect, mid-end savings from Better for Business and eInvoicing, and high-end savings from the RBP and business.govt.nz. This would return savings of **\$3.745** million per annum in 25/26, which is **9.7%** of the 2025/26 baseline.

Table Seven: Potential savings under funding and savings mix A

Initiative	Potential annual saving (approx.)	Activities stopped or scaled
Regional Business Partner	\$1,800,000	Significantly reduce training, and support for RBP Business Growth Advisors and MBIE administrative support. Reduce funding for the Management Capability Development Fund by \$1 million.
Departmental	\$800,000	
Non-departmental	\$1,000,000	
business.govt.nz	\$820,000	Scale back on ICT reinvestment for maintenance in bus.govt.nz platform. And scale back the funding for customer research and design and content creation for the website and tools.
Better for Business	\$275,000	Stop support for the <i>Better Rules, Better Outcomes</i> framework and some stakeholder engagement activity.
Business Connect	\$350,000	Scale back 10% of ICT platform development costs.
eInvoicing \$300,000 in 23/24 \$500,000 in 24/25 \$600,000 in outyears	\$500,000	Reduce eInvoicing marketing and adoption support.
TOTAL	\$3,745,000	

34. This approach aligns well with the Government’s focus on making it easier to do business, and in particular streamlining business transactions with government. In a recent MBIE Insights survey, 44% of small business respondents indicated that dealing with government agencies is time consuming. Small business owners are time poor and any efficiencies in this area will have productivity benefits.
35. Business Connect, the cross-agency digital services platform, could be more widely used across central and local government to addresses the challenge of ‘tell government once’ by minimising the information businesses need to provide when making applications (eg for licences or permits) and accessing services. The Government intends to introduce a system where farmers (and potentially other small businesses) need to provide information to public agencies only once. Business Connect is a ready-made platform to facilitate that outcome.
36. There are also opportunities to leverage Better for Business to identify areas of compliance burden for small businesses and contribute to design solutions. We will provide you with advice on this shortly.
37. The more significant reductions in funding for the RBP programme and business.govt.nz would have a moderate impact on small businesses as these services are widely used. There would be some impact on our ability to scale up services and respond to new demands. Over time, we would need to drop some existing tools on business.govt.nz.

Table Eight: Funding and savings mix A - impact summary

Criterion	Impact	Comment
Impact small businesses’ ability to use the services	Moderate	business.govt.nz in particular is very commonly accessed.
Create a risk of stranded assets	Low	Some existing business.govt.nz tools may be dropped.
Impact our ability to scale up services	Moderate	Scaling up the RBP and using bus.govt.nz for future emergencies would be more challenging.

Funding and savings mix B – Focus on building capability

38. To achieve productivity gains, small businesses must overcome size-specific challenges. Helping them find the information they need and supporting them with management, digital and financial capability is a key focus for the RBP programme and business.govt.nz.
39. If you want to focus on supporting small businesses to build their management, digital and financial capability, we would recommend drawing mid-point savings from the RBP, business.govt.nz and e-invoicing, and high-end savings from Better for Business and Business Connect.
40. This would return savings of **\$3.025** million per annum in 25/26, which is **7.9%** of the 2025/26 baseline.

Table Nine: Potential savings under funding and savings mix B

Initiative	Potential annual saving (approx.)	Activities stopped or scaled
Regional Business Partner (<i>departmental</i>)	\$600,000	Reduce training and training for RBP Business Growth Advisors, and MBIE's administrative support.
business.govt.nz	\$500,000	Scale back on ICT reinvestment for maintenance in bus.govt.nz platform.
Better for Business	\$425,000	Stop support for the <i>Better Rules, Better Outcomes</i> framework and stakeholder engagement activity. Produce core insights products only (CXI and Business Health & Digital Monitor).
Business Connect	\$1,000,000	Scale back ICT development costs, cease implementation support, and slow delivery.
eInvoicing \$300,000 in 23/24 \$500,000 in 24/25 \$600,000 in outyears	\$500,000	Reduce marketing and adoption support.
TOTAL	\$3,025,000	

41. The trade-off is that investment in Business Connect and Better for Business will need to be scaled. This would constrain the extent to which you could drive work to make it easier to transact with government and provide support the Government's regulatory reform programme.

Table Ten: Funding and savings mix B - impact summary

Criterion	Impact	Comment
Impact small businesses' ability to use the services	Moderate	The tools most impacted largely operate "behind the scenes", but nonetheless are still heavily utilised by small businesses (albeit indirectly in some cases).
Create a risk of stranded assets	High	The Government has made significant investments in these tools, which would be hard to justify in the absence of a strategy to ensure suitable levels of uptake.
Impact our ability to scale up services	Moderate	Our ability to scale up would be significantly constrained.

Scale funding for Business Mentors

42. As an additional saving option under the MCA, you could also scale or cease the government contribution to Business Mentors New Zealand (BMNZ). It is a not-for-profit organisation, whose associated mentors, many of whom are retired business owners, consultants or accountants, offer their mentoring services for free.

43. The government invests in BMNZ through an annual grant. Some businesses access BMNZ through a referral from a RBP's Business Growth Advisor, while other businesses register themselves directly. Around 2,000 businesses are referred to mentors each year.
44. The government contributes \$755,000 annually to the to the delivery of mentoring services from BMNZ, via the RBP non-departmental budget. It would be possible to remove or reduce this grant. We would suggest, however, consulting with BMNZ before any decision is made.

Unfunded and time-limited services

45. We would like to discuss your interest in re-prioritising any savings that are returned to the Crown towards existing unfunded or time-limited services.

The Business Payment Practices (BPP) Act

46. The BPP Act is being implemented by MBIE but was unfunded. MBIE is therefore required build and operate the register from within existing baselines.
47. Around **Commercial Information** will be needed to build the register. Annual operational costs for depreciation will be in the order of \$0.15 million. The operational budget will also need to cover any extra resource required to support implementation, and any contingencies. To fund this, either new Budget funding or reprioritisation from within the MCA will be required.
48. It is open to the Government to consider whether this legislation should be retained or repealed. Because it was unfunded, repealing the BPP Act will not create a new saving for the Government. It would, however, enable all expenditure within the MCA to reflect your priorities.
49. [**Commercial in confidence:** We are in late-stage negotiations with an ICT vendor to build the register. An early decision on whether the Government intends to retain this legislation, followed by a quick parliamentary process (if the decision is to repeal this Act) will minimise any wasted expenditure.]

Digital Boost

50. Digital Boost was established in 2020, when the COVID-19 pandemic highlighted a need to support small businesses to use digital tools and e-commerce. It provides resources, support and training for small businesses to increase their digital capability. Digital training is delivered through an online training platform (Digital Boost Educate) and an interactive diagnostic tool for a business's online presence and e-commerce capability.
51. The platform now has over 64,000 registered users, from 39,000 businesses. Independent evaluations indicate that 80% of users were satisfied with their learning experience, 56% would recommend the platform to others, 29% reported increased resilience within the first three months of training, with 20% reporting increased revenue in that same time period.
52. Digital Boost's 2023/24 funding is \$8.460 million for 2023/24, and \$4.260 million for the six months from July – Dec 2024. The funding then concludes. If you are interested in carrying forward a standalone programme to encourage small business digitalisation, you could look to reprioritise some savings from within the MCA.

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Confidential advice to government

First Steps

54. First Steps is an online wellbeing programme for business owners, managers and employees. It was established in 2021, in response to the wellbeing needs of Auckland businesses during the COVID-19 lockdowns. The service was rolled out nationally in August 2022. First Steps' funding is \$1.150 million in 2023/24. The funding concludes at the end of June 2024. First Steps' funding for one-to-one therapy and counselling has already concluded. You could look to reinstate some or all of this, or just carry forward the website content.

Potential saving opportunities from other appropriations relevant to the portfolio

55. There may be further savings opportunities outside of the MCA that are relevant to the portfolio. You may wish to discuss these with responsible Ministers.

Advanced Manufacturing Industry Transformation Plan (ITP)

56. The Advanced Manufacturing Industry Transformation Plan (ITP) was previously led from the Economic Development portfolio.
57. The Minister for Economic Development, Hon Melissa Lee, has received a briefing on closing the ITP programme, with \$22.26m of funding over 2023/24 and 2024/25 available for immediate savings from the Advanced Manufacturing ITP.
58. **[Commercial in confidence:** Should Ministers wish us to do so, MBIE can enter negotiations with contracted parties such as Callaghan Innovation or Advanced Manufacturing Aotearoa Inc. to explore what additional funding may be able to be recovered through early termination. Note that most MBIE funding agreements include a termination on notice clause.]
59. There is currently no other manufacturing-related funding for which you hold ministerial responsibility.

Retail Crime Subsidy Scheme (fog cannon subsidies)

60. MBIE stood up the Retail Crime Subsidy Scheme for the then Minister of Police in 2023. It helps small retailers prevent harm arising from ram-raids and aggravated robberies by subsidising the purchase of a fog cannon. It is currently funded until the end of June 2024, with \$14.400 million allocated for subsidies, and \$1.105 million for departmental administration.
61. It would be possible to close the scheme early, enabling a proportion of this to be returned as savings. For example, closing the scheme to new applications in December 2024 would save around \$4.500 million.
62. We understand that Police intends to brief you and the Minister of Police on options shortly.

Next steps

An all-of-MBIE approach to reprioritisation

63. MBIE operates functions that operate across portfolios, as well as working to realise synergies between them. We therefore recommend considering the portfolios as a suite. This enables:
 - consideration of MBIE's enablement and stewardship functions as a whole

- opportunities to align and consolidate related functions between portfolios, including Crown Entities
- consideration of trade-offs and resourcing priorities across portfolios (eg policy resource).

64. We therefore recommend that MBIE Ministers meet to consider their portfolios jointly. This discussion could be informed by the MBIE ownership fiscal briefing [2324-0917]. In addition to portfolio-specific savings, it proposes a 10% reduction in funding for policy advice, a 15% reduction in discretionary spend (such as travel, conferences, training, and recruitment), and savings in core services (HR, IT, and other corporate functions). These savings will be apportioned to portfolios once MBIE Ministers have provided direction.

Progressing options

65. We can provide you with further advice on any matter in this briefing, including further advice on the role for government for each of the services in the MCA. When you indicate a preferred approach to making savings, we will brief you on how fast savings can be realised, any costs associated, and how we will seek to mitigate any impacts on service delivery.

Annexes

Annex One: Fiscal sustainability choices for the Small Business and Manufacturing portfolio – Summary A3



Small Business Enabling Services MCA

You are responsible for the *Small Business Enabling Services* Multi Category Appropriation (MCA). The MCA funds services that provide information, build capability, and support faster and easier transactions for small businesses. Funding for the services under the MCA drops from \$47.559 to \$38.483 million between 2023/24 and 2025/26, as time-limited funding for First Steps and Digital Boost concludes.

Other relevant appropriations

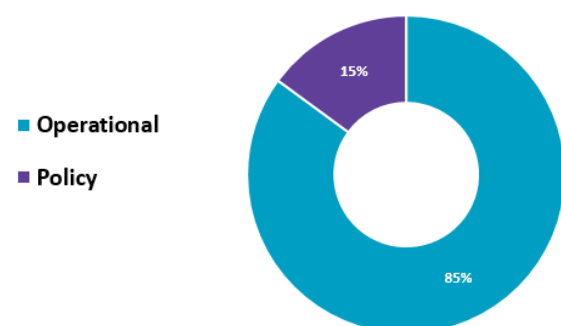
The Minister for Economic Development is responsible for the funding for the Industry Transformation Plan (ITP) programme, which includes funding for the development and implementation of the Advanced Manufacturing ITP.

The Minister of Police is responsible for the funding for the Retail Crime (fog cannon) Subsidy Scheme, which is administered by MBIE.

People Resources in MBIE

The Small Business portfolio is supported by MBIE with 67 FTE (57 operational staff, and 10 in Small Business policy, which is funded from the separate MBIE Policy MCA). This count does not include MBIE shared services staff in finance, HR, legal, corporate, property etc.

This is approximately 1% of total MBIE workforce of 6,412 people, broken down as follows:



Portfolio FTE by Function

Function	Portfolio FTE	Portfolio %
Operational	57.0	85%
Policy	10.0	15%
Total staff	67.0	100%

Note that this figure does not include 3.5 FTE general policy staff that were working on the Advanced Manufacturing ITP.

Fiscal Sustainability under the Small Business Enabling Services MCA

The following table provides low, mid and high levels of scaling choices across the services with ongoing funding in the *Small Business Enabling Services* Multi-class Appropriation.

Service		2025/26	Low end scaling	Mid end scaling	High end scaling
business.govt.nz provides businesses with content, tools and expert guidance	Dep	5.857	.320	.500	.820
Regional Business Partner programme provides tailored support and access to subsidised capability building training	Non Dep	14.796			1.000
	Dep	3.298	.240	.600	.800
Better for Business provides insights on businesses' experience of interacting with government	Dep	2.439	.200	.275	.425
Business Connect is a platform which gives central and local government agencies an option to deliver services online at no cost	Dep	9.055	.350	.700	1.000
eInvoicing enables the direct exchange of invoices between supplier and purchaser finance systems	Dep	3.038	.300	.500	2.500
Total per annum in 25/26		38.483	1.410	2.575	6.545
% 25/26 baseline			3.7%	6.7%	17.0%

The Fiscal Briefing has further details on the implications of these choices.

*Rising to (600,000) in out-years.

Comment

You can choose a savings and funding mix in the Small Business Enabling Services MCA that reflects your priorities for small business services.

For example, if you wished to achieve savings, and focus on enabling faster and more efficient business transactions and helping reduce regulatory pain points, you could draw a mix of low-end savings from Business Connect, mid-end savings from Better for Business and eInvoicing, and high-end savings from the RBP and business.govt.nz (as per the **blue shading** in the table above). This funding mix (A) would return savings of **\$3.745 million per annum from 2025/26, which is 9.7% of the 2025/26 baseline**.

If, instead, you want to focus on supporting small businesses to build digital and financial capability, you could draw mid-end savings from the RBP, eInvoicing and business.govt.nz, and high-end savings from Better for Business and Business Connect (as per the **green shading** in table above). This funding mix (B) would return savings of **\$3.025 million in 2025/26, which is 7.9% of that year's baseline**.

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