



## BRIEFING

### Small business enabling services: recommended approach to savings

<b>Date:</b>	8 December 2023	<b>Priority:</b>	High
<b>Security classification:</b>	Sensitive	<b>Tracking number:</b>	2324-1255

Action sought		
	Action sought	Deadline
Hon Andrew Bayly <b>Minister for Small Business and Manufacturing</b>	<b>Agree</b> to the recommended savings mix from the <i>Small Business Enabling Services</i> Multi Category Appropriation	12 December 2023

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Kate Challis	Manager, Small Business Policy	Privacy of natural persons	✓
Privacy of natural persons	Principal Policy Advisor	Privacy of natural persons	

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Withdrawn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



# BRIEFING

## Small Business Enabling Services: Recommended approach to savings

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### Purpose

To recommend an approach to saving 6.5% (\$2.5 million) from the *Small Business Enabling Services* Multi Category Appropriation (MCA).

### Recommended action

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

- a **Agree** to the following approach to saving 6.5% (\$2.5 million) from the *Small Business Enabling Services* Multi Category Appropriation:

Initiative	Proposed annual saving (approx.)	Activities stopped or scaled
Regional Business Partner	1.600	Reduce training and support for RBP Business Growth Advisors and MBIE administrative support. Reduce funding for the Management Capability Development Fund by \$0.8 million.
<i>Departmental</i>	0.800	
<i>Non-departmental</i>	0.800	
business.govt.nz	0.400	Scale back on ICT reinvestment for maintenance in bus.govt.nz platform. Scale back customer research and content creation for the website and tools.
Better for Business	.300	Stop support for the <i>Better Rules, Better Outcomes</i> framework and some stakeholder engagement activity.
Business Connect	.200	Scale back ICT development costs.
<b>TOTAL</b>	<b>2.500</b>	

Yes / No

Kate Challis  
**Manager, Small Business Policy**  
Small Business, Commerce & Consumer, MBIE

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Hon Andrew Bayly  
**Minister for Small Business and Manufacturing**

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## Background

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1. In response to the briefing paper *Fiscal sustainability choices for the Small Business and Manufacturing portfolio* [2324-10899] which outlined savings options, you directed MBIE to provide advice on a recommended approach to savings that prioritises the highest value services. This paper responds to your direction.

## A saving of \$2.5 million is required from a baseline of \$38.483 million

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2. The Government has instructed departments to cut expenditure by 6.5%. We have used FY 2025/26 as the reference point for calculating the savings target, as from this point there is no time limited funding in the *Small Business Enabling Services* Multi Category Appropriation (MCA). The required saving from the MCA is therefore \$2.50 million.<sup>1</sup>
3. The *Small Business Enabling Services* Multi Category Appropriation (MCA) includes services with baseline and time-limited funding. They are as follows.

### Services with baseline funding

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

### Services with time limited funding

- *Digital Boost* provides resources, support and training for small businesses to increase their digital capability and technology use
  - *First Steps* is an online wellbeing programme for business owners, managers and employees.
4. 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. **Annex One** shows changes in the MCA over time.

## We recommend prioritising funding on enabling faster and more efficient business transactions, and reducing regulatory pain points

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5. We recommend the savings mix set out below. It keeps the funding for eInvoicing unchanged, and makes low end savings from Better for Business and Business Connect. Higher end savings are drawn from the RBP programme and business.govt.nz. This focuses the MCA's funding mix on streamlining business transactions, lifting digitalisation, and identifying and reducing compliance burdens.

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<sup>1</sup> The 2025/26 baseline is \$38.483 million, so the exact saving required is \$2,501,395.

**Table One: recommended approach to savings (\$000)**

Initiative	Proposed annual saving (approx.)	Activities stopped or scaled
Regional Business Partner	1.600	Reduce training and support for RBP Business Growth Advisors and MBIE administrative support.
<i>Departmental</i>	0.800	Reduce funding for the Management Capability Development Fund by \$0.8 million.
<i>Non-departmental</i>	0.800	
business.govt.nz	0.400	Scale back on ICT reinvestment for maintenance in bus.govt.nz platform. Scale back customer research and content creation for the website and tools.
Better for Business	.300	Stop support for the <i>Better Rules, Better Outcomes</i> framework and some stakeholder engagement activity.
Business Connect	.200	Scale back ICT development costs.
<b>TOTAL</b>	<b>2.500</b>	

6. The briefing *Enabling faster and more efficient business transactions* [2324-1020] provides advice on opportunities to make better use of Business Connect and eInvoicing.
- **Business Connect** 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.
  - **eInvoicing** has high economic potential. In the interests of organisational efficiency, we propose to combine promotional and administration activity for the NZBN and eInvoicing, given that the two tools are complementary and inter-reliant. This backroom efficiency will enable significant savings from the eInvoicing budget.
  - We have also provided you with initial advice on identifying and reducing business compliance burdens in the briefing *Addressing regulatory compliance burdens faced by small businesses* [2324-1153]. **Better for Business** is the main tool you have available to contribute to the Government’s agenda in this area.
7. The 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. Our ability to scale up services and respond to new demands would be constrained, and over time, we would need to drop some existing tools on business.govt.nz. Also, minimising technical upgrades to the business.govt.nz platform could impact its performance over time.

**The recommended approach requires scaling the RBP’s Management Capability Development Fund (MCDF)**

8. The RBP programme aims to lift management capability among small businesses. To this end, one of its components is the MCDF, which is used to subsidise management capability training. The MCDF is non-departmental spend that is provided directly to training providers.
9. The recommended approach will see the MCDF scaled from \$5.8 to \$5.0 million. We think that this will have little impact on the RBP’s programme’s overall level of service. If your preference is to maintain the MCDF at its current level, however, we can provide an option that makes savings from departmental expenditure only.

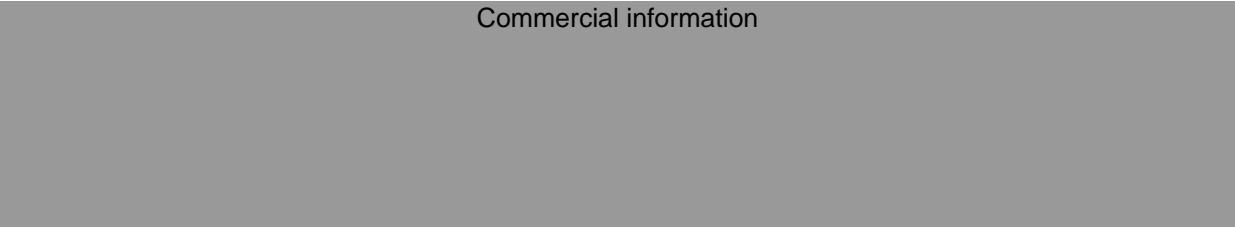
**We can investigate ways to free up more funding for reprioritisation**

10. Digital Boost’s funding concludes in December 2024. We understand you are interested in maintaining support for digitalisation, given its importance for small businesses and wider

economic productivity. Digital Boost is used to deliver some of the outputs that were funded under the Advanced Manufacturing ITP, including developing workers' digital skills.

11.

Commercial information



12. We have turned our minds to how additional funding for reprioritisation could be freed up within the MCA, and will seek an initial discussion with you at the Tuesday 12 December officials meeting.

## Next steps

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13. If you agree, we will provide the recommended savings option to the team that is collating savings across MBIE. These will then be fed into the Government's wider fiscal plan. If required, we will seek your direction on any issues that arise.

## Annexes

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

Annex Two: Overview of the recommended savings approach

## Annex 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
<b>Regional Business Partner</b>	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
<b>business.govt.nz</b>	Dep	4.023	5.699	4.869	4.169	5.337	5.366	5.857	5.870	5.870
<b>Better for Business</b>	Dep	-	-	2.420	2.420	2.436	2.439	2.439	2.439	2.439
<b>Business Connect</b>	Dep	-	9.000	9.000	9.592	9.046	9.055	9.055	9.055	9.055
<b>eInvoicing</b>	Dep	-	3.259	3.108	3.308	3.038	3.038	3.038	3.038	3.038
<b>Digital Boost</b>	Non Dep	-	12.600	22.816	16.527	7.460	3.760	-	-	-
	Dep	-	900	1000	995	1.000	500	-	-	-
<b>First Steps</b>	Non Dep	-	-	7.280	2.000	1.000	-	-	-	-
	Dep	-	-	720	150	150	-	-	-	-
<b>TOTAL</b>		<b>48.204</b>	<b>113.465</b>	<b>120.590</b>	<b>56.968</b>	<b>47.559</b>	<b>42.252</b>	<b>38.483</b>	<b>38.496</b>	<b>38.496</b>

## Annex Two: Overview of the recommended savings approach

Small Business Service		Deptl or Non-Deptl	2023/24	2024/25	2025/26	Recommended savings	Impact
<b>Regional Business Partner</b>	Provides tailored support through the RBPs' Business Growth Advisors, and subsidised management capability training through the MCDF	Non Dep	14.796	14.796	14.796	-0.800	Reduce funding for the Management Capability Development Fund by \$0.8 million.
	Administration costs	Dep	3.296	3.298	3.298	-0.800	Reduce training and support for RBP Business Growth Advisors, and MBIE administrative support.
<b>business.govt.nz</b>	Provides businesses with content, tools and expert guidance	Dep	5.337	5.366	5.857	-0.400	Scale back on ICT reinvestment for maintenance in bus.govt.nz platform. Scale back customer research and content creation for the website and tools.
<b>Better for Business</b>	Provides insights on businesses' experience interacting with government	Dep	2.436	2.439	2.439	-0.300	Stop support for the <i>Better Rules, Better Outcomes</i> framework and some stakeholder engagement activity.
<b>Business Connect</b>	Gives central and local government agencies an option to deliver services online at no additional cost	Dep	9.046	9.055	9.055	-0.200	Scale back ICT development costs.
<b>eInvoicing</b>	Enables the direct exchange of invoices between supplier and purchaser finance systems.	Dep	3.038	3.038	3.038	0	n/a
<b>Digital Boost</b>	Provides resources, support and training for small businesses to increase their digital capability and technology use.	Non Dep	7.460	3.760	-	n/a	n/a
		Dep	1.000	500	-	n/a	n/a
<b>First Steps</b>	An online wellbeing programme for business owners, managers and employees.	Non Dep	1.000	-	-	n/a	n/a
		Dep	150	-	-	n/a	n/a
<b>TOTAL</b>			<b>47.559</b>	<b>42.252</b>	<b>38.483</b>	<b>-2.500</b>	