



## BRIEFING

### Budget options for the New Zealand Screen Production Rebate – International

<b>Date:</b>	17 January 2024	<b>Priority:</b>	High
<b>Security classification:</b>	Budget - Sensitive	<b>Tracking number:</b>	2324–1538

Action sought		
	Action sought	Deadline
Hon Melissa Lee <b>Minister for Economic Development</b>	<p><b>Note</b> an invitation has been received for the NZSPR – International for Budget 24</p> <p><b>Agree</b> your preferred approach to seeking additional required funding for the NZSPR – International, either to:</p> <ul style="list-style-type: none"> <li>a. reset the MYA to start 1 July 2024 through to fiscal year 28/29, <b>or</b></li> <li>b. top up the MYA through Budget 24, <b>or</b></li> <li>c. top up the MYA through Budget 25</li> </ul>	N/A

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Gina Williamson	Manager, Industry Policy	Privacy of natural persons	✓
Confidential advice to government	Senior Policy Advisor		

The following departments/agencies have been consulted
Ministry for Culture and Heritage The Treasury

**Minister's office to complete:**

Approved

Declined

Noted

Needs change

Seen

Overtaken by

See Minister's Notes

Withdrawn

**Comments**



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### Purpose

To seek your decision on Budget 24 bid options for the continued funding of the New Zealand Screen Production Rebate (NZSPR) – International.

### Recommended action

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

- a **Note** that the NZSPR – International is funded via a Multi-Year Appropriation (MYA) and that the current MYA runs through to 30 June 2026.

*Noted*

- b **Note** the funds in the current MYA are expected to be exhausted during the fiscal 2025/26.

*Noted*

- c **Note** you have been invited to submit a new spending bid for the NZSPR – International for Budget 24.

*Noted*

- d **Agree** your preferred approach to seeking additional required funding for the NZSPR – International, either:

- i. Option A (Recommended): Reset the NZSPR – International MYA period to start at 1 July 2024 to align with funding for the NZSPR – New Zealand. (Indicative bid: \$585 million over five years)

*Agree/Disagree*

- ii. Option B: Top up the current MYA through Budget 24 to fund the NZSPR – International through to the end of fiscal year 2025/26. (Indicative bid – \$110 million)

*Agree/Disagree*

- iii. Option C: Top up the current MYA through Budget 25 to fund the NZSPR – International through to the end of fiscal year 2025/26. (Indicative bid – \$110 million)

*Agree/Disagree*

- e **Note** that if you agree to option B or C, the MYA will need to be reset through Budget 26.

*Noted*

- f **Agree** to retain existing measurement and evaluation funding in any budget bid.

*Agree/Disagree*

- g **Agree** to include the cost of administration of the NZSPR – International within the MYA and include this in any budget bid.

*Agree/Disagree*

- h **Note** that the approach of funding the NZSPR – International through MYAs results in a ‘fiscal cliff’ and that MBIE will work with The Treasury to identify options for alternative funding approaches to better reflect the NZSPR in the fiscal accounts.

*Noted*



Gina Williamson  
**Manager, Industry Policy**  
Labour Science and Enterprise, MBIE

17 / 01 / 2024

Hon Melissa Lee  
**Minister for Economic Development**

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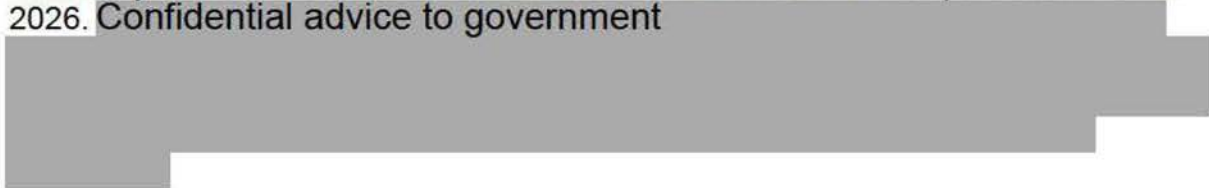
## Background

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1. We have previously provided you and the Minister for Arts, Culture and Heritage with information on New Zealand's screen industry and the New Zealand Screen Production Rebate (NZSPR) for domestic and international productions [2324–1308 refers]. This included background information on funding for the rebates.
2. The NZSPR – New Zealand and NZSPR – International are funded through separate Multi-Year Appropriations (MYAs). The NZSPR – New Zealand MYA is forecast to be exhausted during fiscal year 2024/25, and the NZSPR – International MYA during fiscal year 2025/26. You are responsible for the NZSPR – International and have been invited to address the funding shortfall for this rebate by submitting a new initiative bid through Budget 24.
3. This briefing provides you with further information about the current funding situation for the NZSPR – International, what additional funds are needed to meet anticipated demand for the rebate, and options for a Budget bid.

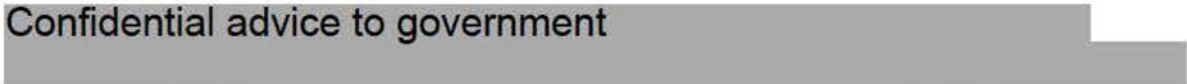
## Approach to funding the NZSPR

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4. Using MYAs for the NZSPR allows for flexibility in managing funding across financial years, particularly given the complexities involved in accurately forecasting the anticipated level of production activity, expenditure patterns, and the phasing of rebate payments.
5. The five-year NZSPR – International MYA was set in 2021 and expires on 30 June 2026. Confidential advice to government  

6. Through the Budget 22 process, Cabinet agreed to establish a \$477 million tagged contingency within Vote Business, Science and Innovation for the NZSPR – International to provide for a forecast shortfall in funding in the MYA. This was expanded in Budget 23 to also allow the NZSPR – New Zealand to access the tagged contingency.
7. The previous Government agreed in September 2023 to draw down the full contingency to fund existing and forecast NZSPR obligations for both international and domestic productions.
8. As at 31 December 2023, there is \$389.2 million remaining in the NZSPR – International MYA.

## Funding needed for the NZSPR - International

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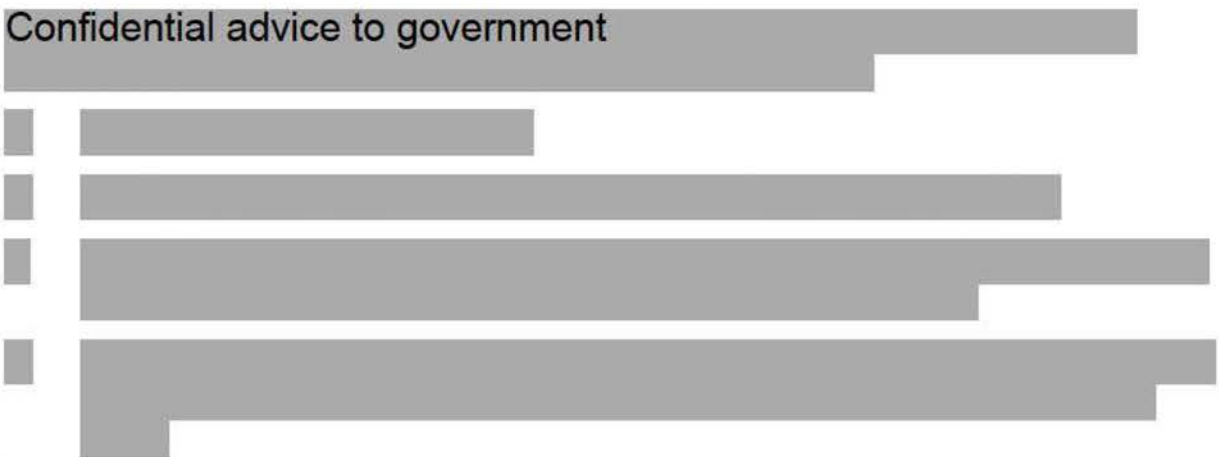
9. Forecasting demand for the NZSPR is difficult. Forecasts are inherently uncertain due to the on-demand and uncapped nature of the scheme and the direct impacts of global developments on demand for New Zealand as a production location.
10. Confidential advice to government  


# Confidential advice to government

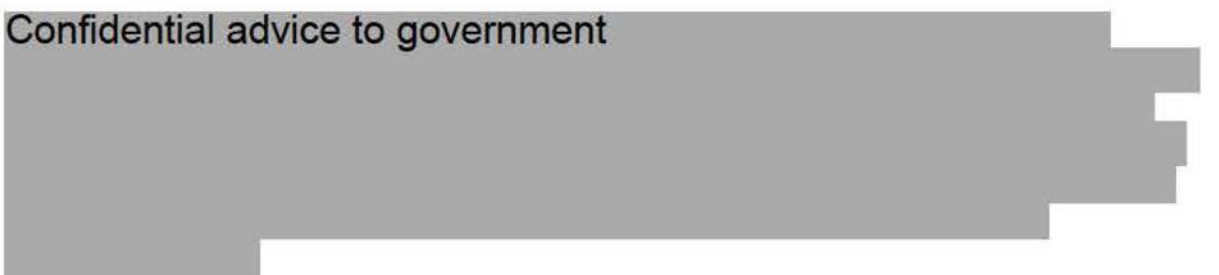


These figures indicate that based on current forecasts there is sufficient funding in the MYA to cover the anticipated call on the NZSPR – International in 2024/25. However, a shortfall is expected during 2025/26 and a top-up to the MYA will be required to meet forecast obligations.

## 11. Confidential advice to government



## 12. Confidential advice to government



## Options for further funding through upcoming Budgets

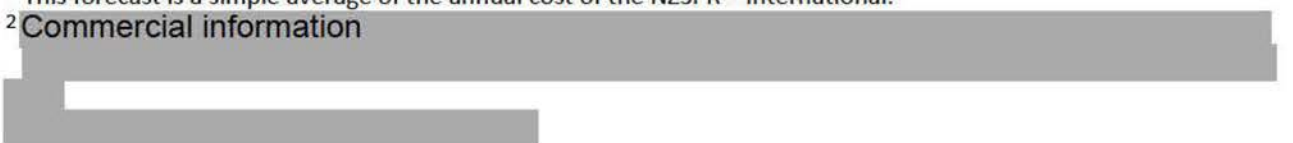
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- 13. You have been invited to submit a bid into Budget 24 to seek additional funding for the NZSPR – International.

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<sup>1</sup> This forecast is a simple average of the annual cost of the NZSPR – International.

<sup>2</sup> Commercial information





14. There are three options for seeking this additional funding through upcoming Budgets. [REDACTED]
15. Confidential advice to government [REDACTED]
16. The table below shows forecast annual spend and provides an overview of the three options.

	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Forecast annual spend	\$158m	\$158m	\$158m	\$253m <sup>4</sup>	\$158m	\$158m	\$158m
Option A: 'reset' and fully fund the MYA	\$585m (plus \$300m transferred from the existing MYA)						
Option B: top up MYA in B24	\$0m	\$100m	Five-year MYA 2026/27 – 2030/31 Confidential advice to government				
Option C: defer bid to top up MYA to B25		\$100m	Five-year MYA 2026/27 – 2030/31 Confidential advice to government				

**Option A (Recommended): Reset and fully fund the NZSPR – International MYA period to start at 1 July 2024**

17. Option A involves a Budget 24 bid for multi-year funding with the NZSPR – International MYA period reset to start at 1 July 2024 through to fiscal year 2028/29.
18. Although NZSPR funding is not required until 2025/26, resetting the international MYA would:
- set funding for the MYA through the Budget forecast period as of Budget 24, and
  - align the two rebates to the same term.
19. We understand MCH are considering a bid through Budget 24 to reset the NZSPR – New Zealand MYA period to start at 1 July 2024.
20. Treasury is in favour of aligning the appropriations because it would enable an aligned perspective and analysis of funding for the NZSPR.
21. Confidential advice to government [REDACTED] The indicative budget bid would therefore be \$585 million, accounting for a transfer to the new MYA of the \$300 million that is anticipated to remain in the current appropriation at the end of June 2024.

<sup>4</sup> Includes provision for the 5% Uplift rebate for the Avatar sequels.





### **Option B: Top up the current MYA through Budget 24**

22. Option B involves seeking additional funding through Budget 24 sufficient to address cost pressures over the remaining period of the current MYA. Considering the factors described in paragraph 11, the indicative size of this bid is \$110 million.
23. Although this option addresses immediate cost pressures, it does not provide for financial commitments for known activity beyond 2025/26. With this option, a substantive bid for a new MYA would then be required in Budget 26 Confidential advice to government

### **Option 3: Top up the current MYA through Budget 25**

24. This option delays seeking additional funding until Budget 25 to address the anticipated shortfall in fiscal year 2025/26. The indicative size of this bid is the same as in option 2 above (\$110 million).
25. As in option 2 also, a substantive Budget bid for a new multi-year appropriation will be required in Budget 26.
26. A Budget 25 bid could allow for a more accurate estimate of required funding, with more up-to-date information on registered productions, and global demand. Confidential advice to government

### **Assessment of options**

27. Officials recommend Option A. This recommendation is informed by discussions with The Treasury and MCH. Option A would align funding horizons for the two rebates and enable future budget decisions to be informed by a consistent picture across the rebates.
28. Sufficiently funding a reset MYA to cover five years of forecast demand would be a significant Budget bid and a scaled option could also be provided. However, full funding would reduce the risk of drawing on the between budget contingency to ensure financial obligations can be met through this Budget horizon.
29. If you prefer not to seek the level of funding required for Option A, we suggest Option B of topping up the current MYA through Budget 24 to provide certainty of funding through to the end of the current MYA period. Confidential advice to government

### **Other items to include in a Budget bid**

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30. An annual allocation of \$500,000 is currently included in the NZSPR – International MYA to provide for monitoring and evaluation of the rebate. This funds an important programme of work to create and publish essential data to measure and monitor trends in the screen sector, and to undertake analysis and evaluation of the impact of the international rebate.
31. Administration of the NZSPR – International is currently funded from a separate appropriation, which provides funding to the New Zealand Film Commission to promote New Zealand as a screen production destination and to attract high value

productions to New Zealand. This diverts a portion of this funding from attraction and promotion activities into administration costs (around \$300,000 of a \$1.3 million appropriation). We anticipate an increase in administration costs based on increased interest in the NZSPR – International following changes to the Uplift component in 2023. We recommend that the cost of administering the NZSPR – International be funded from the NZSPR - International MYA, rather than the attraction and promotion funding. We understand it is more standard for administration of a scheme such as the NZSPR to be funded from within the same appropriation.

32. We recommend that in any budget bid submitted, the measurement and evaluation funding is retained as part of the bid, and the cost of administration of the NZSPR – International is also included in the bid. These two components would amount to approximately \$1 million per year.

## **Next steps**

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33. Officials will be available to discuss your preferences at the Officials' meeting of 23 January 2024.
34. We require a decision from you so that we can prepare necessary Budget bid documents. These are due to be submitted to The Treasury by 16 February 2024.