



## BRIEFING

### Progress against fiscal objectives and budget 24 expectations for Enablement Services

<b>Date:</b>	2 February 2024	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2324-1850

Action sought		
	Action sought	Deadline
Hon Melissa Lee <b>Minister for Economic Development</b>  Hon David Seymour <b>Associate Minister of Finance</b>	<b>Note</b> that Enablement Services is on track to meet or exceed its 7.5% fiscal savings target and expects to deliver further savings as MBIE continues to resize and reprioritise its work.	2 February 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Richard Griffiths	Deputy Secretary Corporate Services, Finance and Enablement	Privacy of natural persons	✓

The following departments/agencies have been consulted
n/a

- 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 Withdrawn |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

## Progress against fiscal objectives and budget 24 expectations for Enablement Services

<b>Date:</b>	1 February 2024	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2324-1850

### Purpose

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This briefing updates you on progress against the fiscal sustainability programme for MBIE 'Enablement Services' since November 2023, when MBIE identified initial prioritisation options.

### Update on Progress

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#### Overview

1. The letter from the Minister of Finance on 22 December 2023 set a fiscal objective of delivering 7.5% in savings across MBIE. This briefing sets out options to meet this savings target for Enablement Services (e.g. information technology, data and insights, legal services, HR, finance, communications, and strategy). We have used the MBIE October baseline update (OBU) as the eligible base.
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#### *A three-phase approach*

3. In the last briefing to you on 27 November, MBIE identified three phases of savings realisation. Our current focus is on delivery of Phase 1 savings. The three phases are:
  - **Phase 1:** Initial realisation of savings through, for example, reduced use of contractors; reviewing MBIE's investment pipeline and property leases; no new projects being initiated; and slowing recruitment while reprioritisation across portfolios is finalised. Voluntary redundancy is included in this phase.
  - **Phase 2:** Scale, consolidate and benchmark core services, to support reprioritisation across MBIE. MBIE will continue to prioritise investments that replace critical infrastructure, mitigate risk, or support implementation of new systems that drive efficiency and support simplification. We have initiated work to identify benchmarking measures for future reporting as well as helping to embed a culture of continuous improvement.

- **Phase 3:** As reprioritisation decisions are implemented across MBIE, core services will be further scaled and consolidated appropriately. Benchmarking will continue to be used to ensure the right sizing of MBIE.

### ***Addressing Workforce Growth***

4. MBIE's workforce has grown from 3,400 FTE in 2017 to just over 6,400 FTE in 2023. There are three main factors that influence the size of MBIE's workforce and its rate of growth:
  - The scale and breadth of the Government work programmes MBIE is directed to deliver.
  - The level of demand for services that are paid for through fees and levies.
  - The need to respond during times of crises.
5. Growth related to any of these factors affects the functions tasked with delivery and also results in an increased demand from Enablement Services including human resources, finance, data insights, information technology and communications.

### **MBIE Enablement Services Departmental Funding**

6. The following table sets out the departmental funding and the estimated savings target for the Enablement Services as per the methodology outlined in the budget letter from MoF. [REDACTED]

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### ***Fiscal Cost Savings Core Services***

7. This briefing is focused on the delivery of savings related to corporate enablement activities delivered across MBIE as requested by the Minister of Finance. The total preliminary savings in each of the respective financial years has met the savings target of 7.5%. Confidential advice to

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8. **Property savings:** Reductions in the MBIE property footprint are dependent on the wider MBIE business requirements and decisions around the Ministry's regional office footprint. Implementing flexible working environments (to facilitate a mix of working from home and office work) will be required to allow for any future growth. Savings also include reduced expenditure on office fitouts in line with the reducing footprint, as well as reductions in operational spend such as facilities and security costs.
9. **ICT savings:** A major part of MBIE's ICT is focused on supporting the delivery of services and maintaining systems used by people and businesses across New Zealand. In recent years MBIE has centralised ICT operations and investments to improve prioritisation and efficiencies and reduce longer-term costs. Confidential advice to Government  
Transitioning from legacy systems to cloud based solutions to mitigate risk and minimise technical debt. At times external specialists are required to support this work. MBIE is working to achieve an employee-to-contractor ratio of 70:30 across all project/specialist resources in this area. This ratio allows ICT to flex (up and down) to meet project demand and to cover specialist short-term requirements for key capability. To achieve this ratio, MBIE is reprioritising work to ensure we deliver value for money as well as building internal capability to deliver enduring change and maintain security. It is anticipated that MBIE reducing reliance on contractors in ICT delivery will deliver savings in the order of \$4.5 million per year ongoing from 2024/25.
10. **FTE reduction savings:** MBIE has been undertaking a deliberately phased process to achieve reductions in FTE in line with general fiscal considerations, direction from the Government in its 100-day plan, and expenditure levels set out by the Public Service Commissioner, most recently in October 2023. A reduction in FTE will be achieved through the closure of aged vacancies, the response to Government decision to cease functions and programmes, and a limited voluntary redundancy process. MBIE expects to realise fiscal and FTE savings from these specific activities by the end of 2023/24 financial year. It is also anticipated there will be continued reduction in contractors across MBIE. The impact of these changes on FTE requirements across Enablement Services is being considered Confidential advice to Government
11. **Discretionary and other savings:** MBIE is currently targeting a reduction in discretionary spend by a minimum of 15%. Examples of where savings have been identified include changing the approach to recruitment, travel, advertising, hosting and attending conferences, and staff training.

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### **Next steps**

14. MBIE will continue with phased implementation of savings in core services with further savings expected, as MBIE reprioritises work to meet the Government's fiscal objectives and budget expectations. We are also continuing to develop our approach to benchmarking and tracking progress for future update briefings.
15. MBIE is progressing a programme of strategic investment in digital technologies, to increase automation and realise efficiencies in operational systems including Tenancy Services and Immigration. Options for reducing contractor and consultancy costs continue to be a focus.

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17. The formal submission for the fiscal savings options is due to be lodged in CFISnet (Crown Financial Information System) on 16 February. Engagement with the Associate Minister of Finance and MBIE Portfolio Ministers is expected to continue to confirm final submissions up to the submission date.

## Recommended action

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

- a. **Note** that Enablement Services is on track to meet or exceed its 7.5% savings target and expects to deliver further savings as MBIE continues to resize and reprioritise its work.

*Noted*



Richard Griffiths  
**Deputy Secretary Corporate  
Services, Finance and  
Enablement**  
MBIE

02 / 02 / 2024

Hon Melissa Lee  
**Minister for Economic  
Development**

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Hon David Seymour  
**Associate Minister of Finance**

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