



BRIEFING

Budget 2024 – Update for MBIE portfolio Ministers

Date:	28 March 2024	Priority:	High
Security classification	Budget - Sensitive	Tracking number:	2324-2778

Action sought		
	Action sought	Deadline
Hon Andrew Bayly Commerce and Consumer Affairs Small Business and Manufacturing	Note the additional information provided to the Treasury on Budget 24	3 April 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Andrew Hume	General Manager, Small Business, Commerce and Consumer		Privacy of natural persons ✓
Privacy of natural persons	Policy Director		
	Principal Advisor, Market Performance		

The following departments/agencies have been consulted
The Treasury.

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



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Purpose

To update you on matters arising from the 18 March 2024 Budget Bilateral meeting between the Minister of Finance and Associate Minister of Finance, including:

- the outcome of bilateral discussions in relation to certain MBIE initiatives relating to your Commerce and Consumer Affairs and Small Business and Manufacturing portfolios
- the information MBIE gave to Treasury in response to Ministerial queries.

Recommended action

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

- a **Note** that the Minister of Finance, Hon Nicola Willis, and the Associate Minister of Finance, Hon David Seymour, met on Monday 18 March 2024 to discuss MBIE Budget 2024 initiatives.

Noted

- b **Note** that MBIE provided the advice contained in this briefing to Treasury to support its briefing to the Minister of Finance that will codify decisions from bilateral meetings for Budget 2024.

Noted

- c **Note** that the final decisions on the Budget 2024 package to be presented to Cabinet for approval will be made by Budget Ministers (Prime Minister, Minister of Finance, and Associate Ministers of Finance).

Noted

- d **Note** that, at the bilateral meeting on Monday 18 March 2024, Ministers made decisions and/or requested further advice on the following Baseline Savings Exercise initiatives:

Initiative	Portfolio
Small Business Enabling Services: savings proposals	Small Business and Manufacturing
Financial Markets Authority – operational funding savings	Commerce and Consumer Affairs
Te Ara Ahunga Ora Retirement Commission – discretionary savings and scaling programmes	
Commerce Commission – discretionary savings, return of financial reserves	
Confidential advice to Government	
Consumer Advocacy Council	

Noted



Andrew Hume
**General Manager – Small Business,
 Commerce and Consumer
 MBIE**

28 March 2024



Hon Andrew Bayly
**Commerce and Consumer Affairs
 Small Business and Manufacturing**

9.4.24

Budget Bilateral Meeting 18 March 2024

1. On Monday 18 March 2024, the Minister of Finance and the Associate Minister of Finance held a Budget 2024 bilateral meeting to discuss MBIE's Initial Baseline Exercise and other Budget initiatives.
2. MBIE has worked with Treasury to confirm how the bilateral meeting fits into the Budget 2024 process, including how to record decisions taken by Ministers and how to update MBIE Portfolio Ministers:
 - a. Treasury will provide a briefing to the Minister of Finance to codify decisions from bilateral meetings for Budget 2024
 - b. Final decisions on the Budget 2024 package to be presented to Cabinet for approval will be made by Budget Ministers (Prime Minister, Minister of Finance, and Associate Ministers of Finance).
3. We provided a copy of our draft responses to Treasury to your office on Monday 25 March 2024.
4. This briefing updates you on Ministerial decisions made at the bilateral meeting and the impact on your portfolios, as well as oversight of advice provided by MBIE to Treasury in response to questions raised by Ministers. We have noted any areas of possible difference in the advice between MBIE and Treasury in the table below.

Decisions and Questions about MBIE's Initial Baseline Exercise

Confidential advice to Government



15658: Financial Markets Authority – operational funding savings		Commerce and Consumer Affairs
Budget Bilateral Outcomes	<ul style="list-style-type: none"> Ministers requested further savings. Ministers directed MBIE to advise on more savings from the FMA, focusing on contractor and consultant spend. 	
Advice and Next Steps	<p>MBIE explored increasing the FMA's savings from 7.5% up to 10%, 12.5%, or 15% of its Crown funding. Following engagement with the FMA, MBIE recommends increasing the savings to 10%, an increase of \$0.44m to \$1.74m per year.</p> <p><i>Impacts of the savings</i></p> <p style="text-align: center;">Confidential advice to Government</p> <p>MBIE notes that the FMA is approximately 83% levy funded, and any significant changes in Crown funding may impact the balance of Crown-levy funding, and may require consultation with levy payers.</p> <p><i>Further savings carry undesirable risks to frontline and core regulatory functions.</i></p> <p>Increasing savings beyond 10% poses risks to key FMA activities such as:</p> <p style="text-align: center;">Confidential advice to Government</p> <p>MBIE considers these risks are undesirable, especially as the FMA is in the early stage of supervising a new financial advice regime with significant change for the industry, while moving to an engagement-led approach for its work.</p>	
15667: Te Ara Ahunga Ora Retirement Commission – discretionary savings and scaling programmes		Commerce and Consumer Affairs
Budget Bilateral Outcomes	<ul style="list-style-type: none"> Ministers agreed to ask for Retirement Commission savings above the Treasury scaled option while avoiding impact on financial literacy products (eg Sorted). <p style="text-align: center;">Confidential advice to Government</p> <ul style="list-style-type: none"> 	

<p>Advice and Next Steps</p>	<p>Savings of \$0.4m per year can be delivered with minimal impact on the Retirement Commission's financial literacy programmes in 2024/25 Confidential advice to Government Confidential advice to Government</p> <p>MBIE considers the proposed \$0.4m per year in savings are appropriate in the short term. Confidential advice to Government Confidential advice to Government</p>
<p>15709: Commerce Commission – discretionary savings, return of financial reserves Commerce and Consumer Affairs</p>	
<p>Budget Bilateral Outcomes</p>	<ul style="list-style-type: none"> • Further savings wanted. • Confidential advice to Government
<p>Advice and Next Steps</p>	<p>The Commission identified the changes it would make in order to achieve further savings of \$4.9m per year in outyears. The table below indicates the changes. Confidential advice to Government</p> <p>MBIE recommends a scaled version of \$3.437m per year rather than \$4.9m, noting that the proposal Confidential advice to Government We suggest excluding:</p> <ol style="list-style-type: none"> 1. the core Competition and Consumer (Fair Trading) functions to avoid impacting frontline regulatory work, and 2. the Grocery function to ensure the Commission can support coalition priorities to promote competition in the grocery industry. <p><i>Impacts of MBIE's proposed savings</i></p> <p>MBIE's proposed savings mean that the Commission will maintain its core regulatory functions in Competition and Fair Trading and ability to support Government priorities. Confidential advice to Government</p>

How the savings will be delivered

The Commission proposes to deliver the proposed savings through reduced use of contractors, although some are still required for specialised expertise such as engineering

Confidential advice to Government

The Treasury is considering MBIE's advice on scaling, and will provide its advice to Budget Ministers in due course.

Confidential advice to Government

Confidential advice to Government

15874: Consumer Advocacy Council		Commerce and Consumer Affairs
Budget Bilateral Outcomes	<ul style="list-style-type: none">Ministers agreed to cease funding and close the Consumer Advocacy Council.	
Advice and Next Steps	<p>MBIE noted that this is a variation to the initiative as submitted.</p> <p>This variation will deliver savings of \$1.6m per year but has one-off FTE impacts, the costs of which (such as redundancy payments) should be met from the appropriation.</p>	

Next steps

6. MBIE will continue to update you on Budget 2024 processes as required.