



## BRIEFING

### 2024 March Baseline Update Submission: Vote Business Science and Innovation – Media and Communications Portfolio

<b>Date:</b>	21 February 2024	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2324-1874

Action sought		
	Action sought	Deadline
Hon Melissa Lee <b>Minister for Media and Communications</b>	<b>Approve</b> changes to the appropriations for which you are responsible in Vote Business, Science and Innovation – Media and Communications portfolio for inclusion in the 2024 MBU submission.  <b>Sign</b> and send <b>one soft copy</b> of the 2024 MBU submission to the Minister of Finance’s office by 1.00pm, 28 February 2024.	1.00pm, 28 February 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
James Hartley	General Manager - Digital Communications and Transformation	04 460 1396	Privacy of natural persons
Privacy of natural persons	Head of Finance Partnering, Building, Resources and Markets	-	✓

The following departments/agencies have been consulted
Treasury

- 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 Withdrawn |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

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#### Purpose

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The March Baseline Update (MBU) process provides an opportunity for appropriation Ministers to make changes to their appropriations to reflect or implement relevant Cabinet or joint Ministers decisions approved since the 2023 October Baseline Update (OBU), and to make other technical adjustments (that do not put any new policy in place, do not entail any new funding, or do not require an approval by Cabinet).

This briefing seeks your:

- approval of recommended appropriation baseline changes, as part of the 2024 MBU process, and
- agreement to submit approved baseline changes to the Minister of Finance by 1.00pm 28 February 2024.

#### Recommended action

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

a **Note that:**

- The MBU process provides an opportunity to reflect Cabinet or joint Ministers' decisions approved since 2023 OBU and propose other adjustments in line with Cabinet Office Circular CO (18) 2.
- This briefing is accompanied by the 2024 MBU submission to the Minister of Finance (Annex C) and 'Table 2', which is exported from Treasury's Crown Financial and Information System (CFISnet) and provides the authority for financial changes by Vote;
- Table 2 cannot be split by portfolio and therefore proposed financial changes have been provided in Annex A showing only the appropriations you are responsible for.

- Other appropriation Ministers in Vote Business, Science and Innovation will forward their approved MBU changes to the Minister of Finance by 1.00pm on 28 February 2024.

*Noted*

b **Individually approve** the proposed financial changes to appropriations as set out in Annex A of this briefing

*Approved / Not approved*

c **Individually approve** the proposed non-financial changes to appropriations as set out in Annex B of this briefing

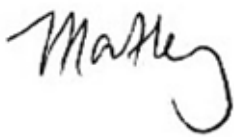
*Approved / Not approved*

d **Agree** to sign and return this briefing to MBIE by 28 February 2024

*Agree / Disagree*

e **Agree** to sign and forward **one soft copy** of the 2024 MBU submission as set out in Annex C to the Minister of Finance by 1.00pm 28 February 2024

*Agree / Disagree*



James Hartley  
**General Manager - Digital Communications  
and Transformation, MBIE**

Hon Melissa Lee  
**Minister for Media and Communications**

21 / 02 / 2024

\_\_\_ / \_\_\_ / 2024

## Background

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1. The Government's spending intentions are established as part of the Budget process each year and tabled in the House on Budget Day. During the year there are opportunities to update the agreed spending intentions through baseline updates in October and March.
2. MBU provides an opportunity for Ministers to make changes to their appropriations to reflect or implement relevant Cabinet or joint Ministers' decisions approved since OBU 2023, and to make other adjustments which do not put any new policy in place, do not entail any new funding, or do not require approval by Cabinet.
3. Joint Ministers are requested to approve changes within the criteria set out in the Cabinet Office Circular CO (18) 2, *Proposals with Financial Implications and Financial Authorities*.
4. Below are the types of changes that can be made through MBU:
  - a. **Cabinet decisions or decisions by joint Ministers under delegation** approved after OBU, for example, new funding to implement a policy or service that was agreed by Cabinet, or joint Ministers who have been delegated authority by Cabinet.
  - b. **Expense transfers and in-principle expense transfers (IPETs)**, used to move funding from an appropriation in one financial year to the same appropriation in one or more of the next three financial years.
  - c. **Fiscally-neutral adjustments**, transfers of funding from one appropriation to a different appropriation in the same financial year or increases to appropriations fully offset by increases in third-party revenue (i.e. transfers with no impact on the operating balance or debt).
  - d. **Technical adjustments**, which include technical approvals to give effect to decisions already approved by Cabinet, and adjustments with no cash impact (such as changes to the indicative spending profile between financial years for a multi-year appropriation).
  - e. **Forecast adjustments**, which include changes to the amount incurred under a Permanent Legislative Authority or changes in revenue that are the result of an external factor.
  - f. **Retention of underspends**, which are transfers of departmental underspends, as a result of savings, to the next financial year.
  - g. **Front-loading of spending**, bringing forward of departmental spending from future financial years for specific activities that will reduce spending in outyears.
5. Previous Cabinet or joint Ministers' decisions are not required to be detailed in the Ministerial letter to the Minister of Finance for baseline updates. These decisions are still entered into CFISnet and form part of the Table 2 Vote changes. For your reference Cabinet and joint Ministers' decisions have been included in the annexes.

## Proposed MBU changes

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6. The financial impacts for the following proposed changes are shown in Annex A of this briefing. A full explanation is provided in Annex C for all changes (except for Cabinet or joint Ministers' decisions as these have already been approved).
  - a. One expense transfer for the allocation of 3.5GHz spectrum for rural connectivity
  - b. Two IPETs relating to:
    - i. Radio Spectrum Management Rights, and
    - ii. Radio Spectrum Restack.
  - c. Two fiscally neutral adjustments relating to:
    - i. Return of contingency CERT funding to GCSB, and
    - ii. Reversal of MBIE's contribution to Digital Executive Board.
  - d. Non-financial matters relating to changes in performance measures, scope statements, intention statements and reporting locations for the following appropriations:
    - i. Communications: Rural Connectivity,
    - ii. Digital Economy and Communications: Funding to address Māori Interests in radio spectrum, and
    - iii. Digital Economy and Communications: Addressing Māori Interests in radio spectrum.

## Next steps

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7. Subject to your approval of proposed MBU changes as set out in Annex A of this briefing, please:
  - a. sign and return this briefing to MBIE by 28 February 2024, and
  - b. provide **one soft copy** of the 2024 MBU submission for your portfolio(s) to the Minister of Finance by 1.00pm 28 February 2024 (Annex C).

## Annexes

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**Annex A:** 2024 MBU – Proposed financial changes for Vote Business, Science and Innovation – Media and Communications portfolio

**Annex B:** 2024 MBU – Proposed non-financial changes for Vote Business, Science and Innovation – Media and Communications portfolio

**Annex C: 2024 MBU Submission to the Minister of Finance for Vote Business, Science and Innovation – Media and Communications portfolio**

## Annex A: 2024 MBU – Proposed financial changes for Vote Business, Science and Innovation – Media and Communications portfolio

Adjustment Type	Title	Appropriation	Expense Type	Revenue Source	2023/24 \$000s	2024/25 \$000s	2025/26 \$000s	2026/27 \$000s	2027/28 \$000s	Minister's Response
Expense Transfer	Allocation of 3.5GHz spectrum for rural connectivity	Communications: Management and Enforcement of the Radiocommunications Act 1989	Departmental Output Expenses	Revenue - Crown	(1175)	507	528	140		Approved / Not Approved
In-Principle Expense and Capital Transfer	Radio Spectrum Management Rights	Communications - Radio Spectrum Management Rights – Capital	Non-Departmental Capital Expenditure	Non-Departmental – N/A	(60,000)	60,000	-	-	-	Approved / Not Approved
In-Principle Expense and Capital Transfer	Radio Spectrum Restack	Communications: Management and Enforcement of the Radiocommunications Act 1989	Departmental Output Expenses	Revenue - Crown	(6,978)	6,978	-	-	-	Approved / Not Approved
Fiscally Neutral Adjustment	Return of contingency CERT funding to GCSB	Communications: Cyber Security Services	Departmental Output Expenses	Revenue - Crown	(395)	-	-	-	-	Approved / Not Approved
		Communications: Pacific Cyber Security Initiatives (MYA Expense)	Departmental Output Expenses	Revenue – Department	(11)	-	-	-	-	Approved / Not Approved
		Intelligence and Security Department Expenses and Capital expenditure: Communications Security and Intelligence	Departmental Output Expenses	Revenue - Crown	406	-	-	-	-	Noted
Fiscally Neutral Adjustment	Reversal of MBIE's contribution to Digital Executive Board	Policy Advice and Related Services to Ministers MCA - Policy Advice and Related Services to Ministers - Digital Economy and Communications	Departmental Output Expenses	Revenue – Crown	220	220	220	220	220	Approved / Not Approved
		Digital Economy Communications - Government Digital Services MCA	Departmental Output Expenses	Revenue – Crown	(220)	(220)	(220)	(220)	(220)	Noted

**Annex B: 2024 MBU – Proposed non-financial changes for Vote Business, Science and Innovation – Media and Communications portfolio**

New information is underlined, and removed information is ~~stricken through~~.

Appropriation title	Details of change	2023/24 Estimates Standard	2023/24 Supplementary Estimates Standard	2024/25 Budget Standard	Reason for change / Comments	Minister's Response
Communications: Rural Connectivity	<b>Title 2023/24 + 2024/25</b>					
	<del>Communications: Rural connectivity</del>				Effective for 2023/24 and outyears. Title and scope of appropriation already approved via Joint Ministers briefing [refer #2223-3773].	Noted
	<u>Communications: Rural and Marae Connectivity</u>					
	<b>Scope 2023/24 + 2024/25</b>					
	<del>This appropriation is limited to expenses incurred on network infrastructure investment, customer premises equipment, and other telecommunications capabilities that improve the availability and performance of connectivity services for rural communities.</del>				Same as above.	Noted
<u>This appropriation is limited to expenses incurred on network infrastructure investment and customer premises equipment for rural New Zealanders, and additionally technology, support services and broadband subscription costs for marae.</u>						
Digital Economy and Communications: Funding to address Māori Interests in radio spectrum	<b>Title 2023/24 + 2024/25</b>					
	<u>Digital Economy and Communications: Funding to address Māori Interests in radio spectrum</u>				Effective for 2023/24 and outyears. New appropriation established in relation to Funding to address Māori Interests in radio spectrum. Title and scope already approved via joint Ministers briefing [refer # 2324-0208]	Noted
	<b>Scope 2023/24 + 2024/25</b>					
	<u>This appropriation is limited to supporting the Interim Māori Spectrum Commission and its successor Māori Spectrum Entity to serve Māori interests and opportunities in radio spectrum.</u>				Same as above.	Noted
	<b>Intention Statement 2023/24 + 2024/25</b>					
	<u>This appropriation is intended to achieve a strengthened Crown-Māori relationship through an enduring resolution of Māori interests in spectrum, and increased leadership, skills, capability and participation of Māori in spectrum-related sectors.</u>				Effective for 2023/24 and out years. Intention statement for new appropriation.	Approved/ Not Approved
	<b>Assessment of Performance</b>					
<u>Funds drawn down in accordance with the Funding Agreement (see Note 1).</u>	=	<u>Achieved</u>	<u>Achieved</u>	Effective for 2023/24 and outyears. Performance indicator for new appropriation	Approved/ Not Approved	
<b>Notes</b>						



**Annex B: 2024 MBU – Proposed non-financial changes for Vote Business, Science and Innovation – Media and Communications portfolio**

Appropriation title	Details of change	2023/24 Estimates Standard	2023/24 Supplementary Estimates Standard	2024/25 Budget Standard	Reason for change / Comments	Minister's Response
	<u>Note 1 - This is a new performance indicator in relation to Funding to address Māori Interests in radio spectrum for 2023/24 and outyears was selected to better reflect the relevancy and faithful representation of information.</u>					Approved/ Not Approved
	<b>Year end reporting Requirements 2023/24:</b>					
	<u>Performance information for this appropriation will be reported by the Minister for Media and Communications in the Vote Business, Science and Innovation Non-departmental Appropriation Report.</u>				Effective for 2023/24 and outyears.	Approved/ Not Approved
Digital Economy and Communications: Addressing Māori Interests in radio spectrum	<b>Title 2023/24</b>					
	<u>Digital Economy and Communications: Addressing Māori Interests in radio spectrum</u>				Effective for 2023/24 only. New appropriation established in relation to agreements between the Crown and Māori on Māori interests in radio spectrum. Title and scope already approved via joint Ministers briefing [refer #2324-0671].	Noted
	<b>Scope 2023/24</b>					
	<u>This appropriation is limited to expenses incurred in developing and implementing agreements between the Crown and Māori on Māori interests in radio spectrum.</u>				Same as above	Noted
	<b>Intention Statement 2023/24</b>					
	<u>This appropriation is intended to achieve a strengthened Crown-Māori relationship through an enduring resolution of Māori interests in spectrum, and increased leadership, skills, capability and participation of Māori in spectrum-related sectors. It does this through supporting the Interim Māori Spectrum Commission and its successor Māori Spectrum Entity.</u>				Effective for 2023/24 only. Intention statement for new appropriation.	Approved/ Not Approved
	<b>Assessment of Performance</b>					
	<u>Funds drawn down in accordance with the Funding Agreement by 30 June 2024 (see note 1)</u>	=	<u>Achieved</u>	=	Effective for 2023/24 only. Performance indicator for new appropriation.	Approved/ Not Approved
<b>2023/24 Notes:</b>						
<u>Note 1 – This is a new performance indicator in relation to Addressing Māori Interests in radio spectrum for 2023/24 only and was selected to better reflect the relevancy and faithful representation of information.</u>					Approved/ Not Approved	
<b>Year end reporting Requirements 2023/24:</b>						

**Annex B: 2024 MBU – Proposed non-financial changes for Vote Business, Science and Innovation – Media and Communications portfolio**

Appropriation title	Details of change	2023/24 Estimates Standard	2023/24 Supplementary Estimates Standard	2024/25 Budget Standard	Reason for change / Comments	Minister's Response
	<u>Performance information for this appropriation will be reported by the Minister for Media and Communications in the Vote Business, Science and Innovation Non-departmental Appropriation Report.</u>					Approved/ Not Approved

**Annex C: 2024 MBU Submission to the Minister of Finance  
for Vote Business, Science and Innovation – Media and  
Communications portfolio**

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28/02/2024

Hon Nicola Willis  
Minister of Finance  
Parliament Buildings  
WELLINGTON

## 2024 March Baseline Update

### Submission for Vote Business, Science and Innovation

#### Introduction

This submission covers those items affecting the baseline for Media and Communications appropriations in Vote Business, Science and Innovation for the March Baseline Update.

I confirm that none of the changes contained in this update require Cabinet decisions at this time.

The Table 2 referred to below is attached to this letter.

The proposed changes to baselines are as follows:

#### Changes Requiring Approval of Joint Ministers

##### Expense Transfers

An explanation of each proposed transfer is listed below, and the amounts are specified in Table 2.

Item	Total adjustment across forecast \$000	Explanation
Allocation of 3.5GHz spectrum for rural connectivity	1,175	In September 2022 Cabinet agreed to administratively allocate spectrum in the 3.5GHz band in exchange for accelerated rollout of 5G cellular connectivity to 25 small towns, and cash to deliver commercially unviable rural connectivity initiatives. Contracts between MBIE, Crown Infrastructure Partners (CIP), and the Rural Connectivity Group (RCG) were signed in late 2022 and early 2023. MBIE's contract with CIP provides for costs to be spread across the 2023-24 to 2026/27 years to align with the infrastructure roll-

Item	Total adjustment across forecast \$000	Explanation
		out obligations in the RCG contract. Accordingly, I now seek your approval to transfer funding into the financial years listed in table 2 as per MBIE's contract with CIP.

### In-Principle Expense or Capital Transfers

An explanation of each proposed transfer is listed below, and the amounts are specified in Table 2.

<i>Item</i>	<i>Total adjustment across forecast \$000</i>	<i>Explanation</i>
Radio Spectrum Management Rights	60,000	<p>In February 2019, Cabinet agreed that existing rights in the 1800 MHz and 2100 MHz frequency bands will be partially renewed, and that the management rights would be granted for a 20-year period (1 April 2021 to 31 March 2041) [CAB-19-MIN-0046.01 refers]. Cabinet also authorised the Minister of Finance and the Minister of Broadcasting Communications and Digital Media to act jointly to determine the final interest rate for instalment payments. In August 2020, delegation for the deferred payments, categorised as lending under the Public Finance Act 1989 (PFA) was obtained, and a technical capital expenditure appropriation of \$165.600 million established. One NZ (previously Vodafone NZ) took up the deferred payment option.</p> <p>I seek your approval for an in-principle capital transfer of up to \$60 million from the 2023/24 financial year to the 2024/25 financial year for the Media &amp; Communications: Radio Spectrum Management Rights - Capital appropriation, to cover the One NZ payments under the deferred payment arrangement.</p>
Radio Spectrum Restack	6,978	The 600MHz radio spectrum frequency band is currently underutilised and has propagation characteristics that make it critical to the

<i>Item</i>	<i>Total adjustment across forecast \$000</i>	<i>Explanation</i>
		<p>Government's delivery of improved connectivity for rural and peri-urban New Zealanders. However, making better use of this highly valuable spectrum is dependent on the outcome of negotiations with existing rights holders who have legal rights to use the spectrum. While substantive progress is being made, negotiations are proceeding slower than expected, and their speed is out of MBIE's control due to the nature of the legal rights held by existing rights holders.</p> <p>Replanning this valuable spectrum also has the potential to deliver up to \$50m of additional revenue to the Crown. Realising this revenue is contingent on MBIE having access to funds to address the costs that would be incurred by existing rights holders should they agree to swap their 600MHz spectrum for other spectrum held by the Crown i.e. up to \$50m of revenue would be foregone if this IPET is not approved.</p> <p>Accordingly, I seek your approval for an in-principle expense transfer of up to \$6.978 million from the 2023/24 financial year to the 2024/25 financial year for the Media &amp; Communications: Management and Enforcement of the Radiocommunications Act 1989 appropriation.</p>

### **Fiscally Neutral Adjustments**

An explanation of each proposed adjustment is listed below, and the amounts are specified in Table 2.

<i>Item</i>	<i>Total adjustment across forecast \$000</i>	<i>Explanation</i>
Return of contingency CERT funding to GCSB	406	On June 29 2023 the Cabinet Government Administration and Expenditure Review Committee agreed to transfer existing CERT NZ

<i>Item</i>	<i>Total adjustment across forecast \$000</i>	<i>Explanation</i>
		<p>functions to GCSB by 1 October 2023 [GOV-23-MIN-0022 refers] and agreed the transfer would involve fiscally neutral transfers from CERT to GCSB. The funding was transferred from MBIE to GCSB in OBU 2023 and it was agreed that MBIE would hold some contingency funding and return the balance of any unused funding to GCSB in MBU. This transfer returns the balance of the contingency funding from MBIE to GCSB.</p> <p>Accordingly, I seek your approval for a fiscally neutral adjustment for the relevant appropriations in Vote Business, Science and Innovation – Media and Communications portfolio, as set out in Table 2.</p>
Reversal of MBIE’s contribution to Digital Executive Board	220	<p>Cabinet has taken decisions to remove MBIE from the remit of the Digital Executive Board. This means that the fiscally neutral adjustment made at OBU 2022 for MBIE’s contribution to the Digital Executive Board’s secretariat costs is no longer required.</p> <p>Accordingly, I seek your approval for a fiscally neutral adjustment for the relevant appropriations in Vote Business, Science and Innovation - Media and Communications portfolio, as set out in Table 2.</p>

**Recommendations**

*This section is for Joint Ministers to agree, subject to CO (18) 2:*

I agree and recommend that you:

1. **agree** the changes to those baselines for the Media and Communications appropriations in Vote Business, Science and Innovation that require Joint Ministers’ approval, as set out in Table 2;

2. **agree** that the proposed changes to appropriations and departmental capital injections and withdrawals for 2023/24 covered by recommendation one above, be included in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
3. **agree** to the in-principle expense and/or capital transfers from 2023/24 to 2024/25 outlined in this letter;
4. **authorise** the Minister of Finance and the Minister for Media and Communications to jointly agree to the final amount(s) to be transferred for the in-principle expense and/or capital transfers outlined in this letter, following completion of the 2023/24 audited financial statements, with no impact on the operating balance and/or net core Crown debt across the forecast period.

Signed

Hon Melissa Lee  
**Minister for Media and Communications**



Annex A: List of tagged contingencies

Tagged Contingency Title: Funding to address to address Māori interests in radio spectrum – Tagged Operating Contingency										
Department: Ministry of Business, Innovation & Employment		Vote/Portfolio: Business, Science and Innovation – Media and Communications			Expiry Date: 30/06/2025			Establishment: GOV-21-MIN-0060, and extended to 30 June 2025 in MBU 2023.		
Phasing (\$million)	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Operating	0.000	10.750	0.000	0.000	0.000					
Capital	-	-	-	-	-	-	-	-	-	-
Purpose, and likely timing for drawdown:	<p>This funding is to support Tū Ātea (Māori Spectrum &amp; Telecommunications Services) invest in a business that would accelerate Māori participation in the telecommunications and technology sector, and underpin its financial sustainability.</p> <p>It was committed as part of an agreement around Māori interests in spectrum reached in February 2022.</p> <p>The \$10.750 million in the tagged contingency reflects a residual amount left over from \$25 million, with \$14.25 million paid out in December 2023 for Tū Ātea to acquire Broadtech Limited.</p> <p>Tū Ātea is currently consolidating its recent investment in Broadtech Limited, and we anticipate that a further business case will be submitted before the current expiry date of this tagged contingency.</p>									
Rationale to continue this tagged contingency:	<p>This funding was agreed in February 2022 between the Crown and the Māori Spectrum Working Group. Radio spectrum has historically been contentious and a number of Waitangi Tribunal and other legal claims have been undertaken by Māori in relation to it. The agreement reached in February 2022 was intended to shift the relationship towards the achievement of mutually agreed objectives.</p>									

Delivering on the commitments made in the agreement is critical to the delivery of upcoming radio spectrum allocations, and broader Crown-Māori relations.

If Tū Ātea is only able to partially complete the acquisitions it needs to underpin its financial sustainability, it will not be able to fully deliver on the objectives for it agreed by Māori and the Crown.