

Annual Report

2017/18



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI





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INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

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Presented to the House of
Representatives pursuant to section
44(1) of the *Public Finance Act 1989*.

ISBN 2357-1810 Print
ISSN 2357-1829 Online
www.mbie.govt.nz

New Zealand Government

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CHIEF EXECUTIVE'S FOREWORD

It gives me great pleasure to present the Ministry of Business, Innovation and Employment's (MBIE) 2017/18 Annual Report.

Ultimately, everything we do at MBIE is about improving the lives and living standards of New Zealanders and, looking back over the past year, I'm proud of our many successes.

From making it easier to do business and investing in smart ideas to promoting good quality, affordable housing and welcoming our newest Kiwis at the Mangere Refugee Resettlement Centre, we have made excellent progress towards our purpose – to Grow New Zealand for All.

We have also made the most of our scope and scale to deliver on significant government priorities with agility and pace, including establishing the Pike River Recovery Agency, the interim KiwiBuild Unit and a new Provincial Development Unit to lift productivity across the regions.

This report shows how we have delivered on the strategic outcomes set out in our 2015–2019 Statement of Intent.

As we continue to evolve as an organisation in a rapidly changing environment, we're also looking ahead to ensure we are putting our efforts into the right areas. Our new Statement of Intent for the 2018–2022 period is published separately with updated outcomes to reflect changes to our strategic direction.

We recognise that success – now and in the future – is built on partnership. We will continue to embrace opportunities to collaborate with other government agencies, recognising the spirit of service to the community we share as public servants. We also appreciate the support we receive from a wide range of organisations and individuals outside of government.

Finally, I want to acknowledge our talented and dedicated people; without your hard work and commitment to making a difference for all New Zealanders every day, none of our achievements would be possible. Thank you.



Carolyn Tremain
Chief Executive

TE KUPU WHAKATAKI A TE KAIHAUTŪ

Kei te tino harikoa au ki te whakatakoto atu i te pūrongo-ā-tau a Hīkina Whakatutuki mō te tau 2017/18.

Hei tōna mutunga atu, ko te whāinga ia o ngā mahi katoa a Hīkina Whakatutuki, he hāpai i te mauri ora o ngā iwi o Aotearoa. Ka titiro whakamuri au ki te tau kua hori, ka manawanui au ki ā mātau ekenga taumata maha nei.

Arā rā ngā mahi e mahi nei mātau, ko te whakamāmā tērā i ngā mahi whakahaere pakihi, ko te tuku pūtea ki ngā kaupapa auaha, ko te whakatairanga kaupapa whare e whai kounga ana, e taea hoki te utu, ko te whakatau i ngā kirirarau Kiwi hou ki Māngere, kei te tino pai tā mātau neke whakamua ki te whakatinana i tā mātau kaupapa – ko te Whakatipu i a Aotearoa mō te Katoa.

Kua whakamahi hoki mātau i tā mātau tirohanga whānui me tō mātau nui ki te whakatutuki i ngā aronga matua o te Kāwanatanga, arā ko te whakatū i te Kāhui Whakamana i te Rua Tekau mā Waru, ko te Rōpū KiwiBuild me tētahi Rōpū Hāpai Rohe Tuawhenua hei whakapiki i ngā mahi whai hua i ngā rohe.

Kei tēnei pūrongo ko ētahi tino tauira o ā mātau mahi hei whakatinana i ngā whāinga rautaki e rārangi mai ana ki tā mātau Tauākī Whāinga mō 2015–2019.

Kei te tipu haere mātau hei tari ki roto i tēnei horopaki e panoni tere ana, ā, kei te hiahia ki te whakatau tērā kei te aro mātau ki ngā kaupapa tika. Ka tāia kētia tā mātau Tauākī Whāinga hou mō 2018–2022 me ngā whāinga hou e whakaatu ana i ngā panonitanga ki roto i tā mātau aronga rautaki.

E mārama ana mātau he mea hanga te angitū – o nāiane, o anamata hoki – ki runga i te mahi tahi. Ka haere tonu ā mātau mahi ki te whai huarahi e mahi tahi ai mātau, puta noa i te rāngai, i runga i te wairua whakarato hāpori kei te mau i ngā kaimahi tūmatawhānau. Koia ka mihi ki te whānuitanga o ngā whakahaere me ngā tāngata takitahi kei te tautoko mai i a mātau, nō roto mai, nō waho mai hoki i te kāwanatanga.

Kei te pīrangi hoki au ki te whakamahi atu ki ā mātau kaimahi whai pūkenga, pukumahi hoki: me kore ā koutou mahi nui me ō koutou manawanui ki te hāpai i ngā iwi o Aotearoa, e kore e taea te aha. Tēnā koutou.



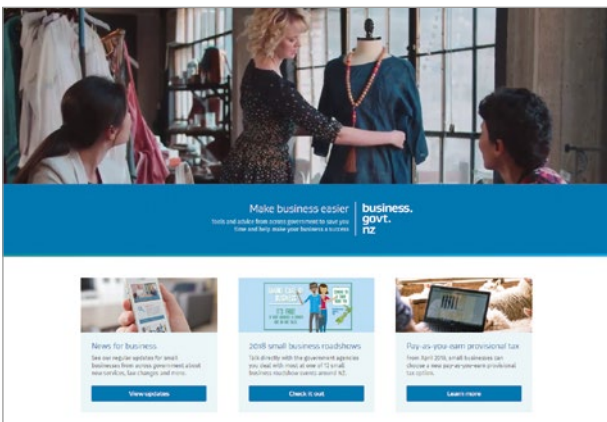
Carolyn Tremain
KAIHAUTŪ

OUR YEAR IN REVIEW – EXECUTIVE SUMMARY

MBIE's purpose is to Grow New Zealand for All. Our aim is to deliver higher incomes, greater job opportunities and good quality, affordable housing for all New Zealanders. To transform and build a stronger economy we are connecting the things that encourage growth – dynamic and innovative businesses that are supported by a highly skilled workforce and by science and technology, and innovators who will find ways to make the best use of our natural resources and bring new ideas and prosperity to our provincial regions.

In 2017/18 some of our most high-profile work has been in housing – to increase our productive investment, with more affordable houses built and to improve the standard of rental housing. We supported regional development projects through the Provincial Growth Fund and invested in science projects designed to benefit New Zealand's health, economy, environment and society. We also have a major role in making sure New Zealand has the right regulations in place and they are effectively applied so that businesses, employees and consumers can thrive in a fair market, and our systems operate easily and honestly. We have been active in protecting the rights, and health and safety of workers, and we have tackled abuses of our immigration system.

In the past year we worked for a **more dynamic business environment** by introducing smarter business practices – including the New Zealand Business Number and ONECheck – and helped firms realise the potential of their intellectual property. Our business.govt.nz website, the most popular online resource for Kiwi businesses, has expanded its resources.



Our regulatory role ensures tenants, workers and consumers are safe and get a fair deal, and we provide education on their rights. We successfully prosecuted those who didn't meet their obligations in the market place, including employers found to be exploiting workers, and the penalties imposed sent a clear message to do the right thing.

Highly skilled people and innovative firms can help drive economic growth by lifting the competitiveness of our firms and encouraging innovation across the economy. We're working to lift business expenditure on research and development while supporting the contribution made by science and innovation with funding targeted to priority areas for economic development. We know that skills shortages are a barrier to economic growth, and this year we introduced several initiatives to help firms find the employees they need. These included changes to immigration policy and improved recruitment tools.

Our built environment needs to support a well-functioning economy, but housing is a major issue for New Zealand, with fewer people able to afford to buy homes, more Kiwis relying on expensive and often damp and cold rentals, and infrastructure that is unable to keep up with growth in our urban areas. KiwiBuild is responding to housing demand with a target of building 100,000 affordable homes in 10 years. Through the KiwiBuild Unit, set up within MBIE, we are supporting a range of policies to improve the supply and affordability of homes. We are reforming tenancy laws and improving the standard of rentals through a mix of regulation and education. We have also played a key role in connecting communities and improving public safety with better broadband and mobile services.



To get greater value from our natural environment we are helping New Zealand move to a carbon-neutral economy, and ensuring economic growth is sustainable and enhances our natural environment. We have set targets for the renewable and efficient use of process heat, efficient low-emissions transport and the efficient use of electricity. Our government vehicle fleet will have more electric vehicles, and we are working to improve the price and range of electric vehicles available in New Zealand. We are supporting scientific research that has the potential to positively impact New Zealand. In the past year this funding has included a project to develop hybrid-electric aircraft that will lower carbon emissions, and research into the recovery of the marine ecosystem following the Kaikōura earthquake.

To make sure economic growth is shared by everyone, we want to develop **more productive and prosperous sectors, regions and people**. We manage the Provincial Growth Fund (PGF), which makes targeted investment in the regions to promote economic development opportunities, create sustainable jobs, boost social inclusion and participation, and build resilient communities. We are targeting areas of high need and high promise through the PGF and supporting Māori economic development through He kai kei aku ringa – the Crown–Māori Economic Development Strategy. This sets some ambitious goals for employment, regional economies, enterprise, rangatahi and education. We support initiatives to draw tourists to the regions through the 22 Great Rides of Ngā Haerenga, the New Zealand Cycle Trail, and through the Tourism Infrastructure fund to support local projects.

OUR YEAR AT A GLANCE

OUR ORGANISATION

4,871 people

4,358 onshore,

513 offshore

\$793m

MBIE's total appropriated expenditure for 2017/18

133 Acts

Number of Acts MBIE is responsible for

16 portfolios

Number of portfolios MBIE supports

12 Ministers

Number of Ministers and Associate Ministers MBIE serves

27 Crown entities and companies

We work in partnership with Crown entities and companies to deliver to New Zealanders

47 offices

Number of offices within New Zealand

3rd most attractive employer

In New Zealand

(2018 Randstad employer brand research)

HOW WE'RE WORKING FOR NEW ZEALANDERS

58,374 companies registered annually

3,339 personal insolvency applications received

2,000 searches a day on ONECheck

2,665,091 times small business used business.govt.nz in 2017/18

2,000 incident reports received by the Computer Emergency Response Team in its first year of operation

50,360 trademarks,

6,039 patents,

1,438 design, and

121 plant variety applications assessed by Intellectual Property Office of New Zealand (IPONZ) annually

#1 in the world

New Zealand is ranked number 1 for ease of doing business

HOUSING

\$546m

managed tenancy bonds

35,581

tenancy disputes resolved

738 households

supported following the Kaikōura earthquake and the Edgecumbe, Westport, Tasman and Rotorua floods

581

financial assistance packages for weathertight issues approved

25,000 building practitioners licensed

30,000 electrical workers registered

MIGRANTS AND REFUGEES

1,020 mandated refugees resettled in New Zealand communities

Eight human trafficking charges successfully brought by Immigration New Zealand

CONSUMER PROTECTION AND STANDARDS

2,750 standards published

3,487 motor vehicle traders registered

90,000 visitors per month to consumerprotection.govt.nz

PROTECTING WORKERS

690 labour investigations completed with 439 enforcement actions and more than \$585,000 in penalties imposed

16,241 employment mediation enquiries received and 4,495 mediations completed

216,755 employment agreements completed through business.govt.nz.

INCREASE REAL HOUSEHOLD INCOME 40% BY 2025

From a median household income of around \$1,300 to \$1,800 a week.

Supporting this target, we have three objectives

OBJECTIVES

MORE COMPETITIVE BUSINESSES

Double labour productivity growth
Increase exports/GDP ratio to 40%

JOB OPPORTUNITIES FOR ALL

Unemployment under 4%

AFFORDABLE HOUSING

Lower ratio of housing costs to income

To support the Government's priorities and our purpose we have identified five outcomes where MBIE has the greatest opportunity to influence growth, and these shape what we do and how we invest our resources.

MBIE OUTCOMES



More supportive and dynamic business environment



An increased number of highly skilled people and innovative firms



The built environment better supports a well-functioning economy



Greater value sustainably derived from the natural environment



More productive and prosperous sectors, regions and people

OUR PURPOSE

MBIE's purpose is to Grow New Zealand for All to improve the standard of living and lives of New Zealanders.

This year our focus has been on achieving higher incomes, greater job opportunities and good quality, affordable housing. These ambitions are echoed in our Māori identity – Hīkina Whakatutuki – which broadly means 'lifting to make successful'.

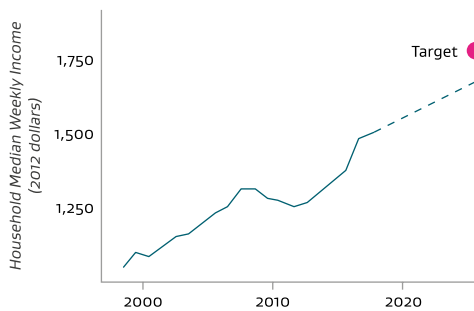
This Annual Report reviews our achievements and overall progress for the strategic outcomes for the 2015–2019 period as set out in our current Statement of Intent.

These are:

- › more supportive and dynamic business environment
- › an increased number of highly skilled people and innovative firms
- › the built environment better supports a well-functioning economy
- › greater value sustainably derived from the natural environment
- › more productive and prosperous sectors, regions and people.

The new Statement of Intent for 2018–2022, with updated outcomes, will be published as a separate document to this Annual Report and reflects changes to our strategic direction in line with the evolution of our form and functions and changing priorities.

OVERALL PROGRESS



PERFORMANCE INDICATOR Increase real household income by 40% from a median of around \$1,300 to \$1,800 a week by 2025.

TREND Desired Actual

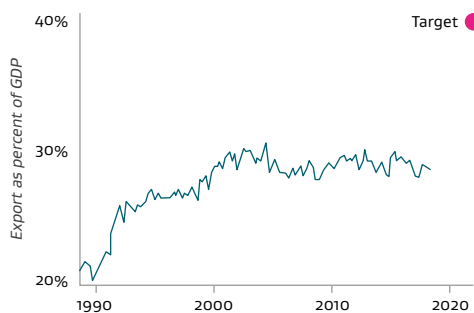
COMMENT Over the last five years up to 2018, real median household incomes have grown 22%, a compound annual growth rate of 4.1% each year.



PERFORMANCE INDICATOR Double labour productivity growth to around 2% per year by 2025.

TREND Desired Actual

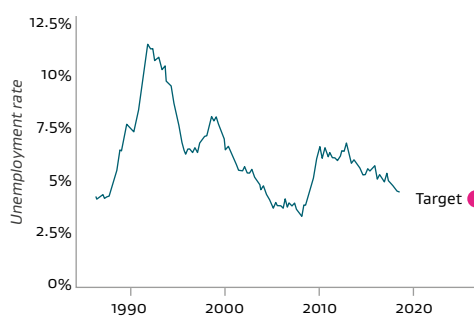
COMMENT Labour productivity growth was 0.9% in the year ended March 2017, down from 1.6% the previous year. It has averaged 1.1% over the latest (incomplete) growth cycle (2008–2017).



PERFORMANCE INDICATOR Increase value of exports of goods and services to 40% of GDP by 2025.

TREND Desired Actual

COMMENT The value of exports (goods and services) to GDP has averaged around 28% over the last five years to March 2018.



PERFORMANCE INDICATOR Job opportunities for all reflected in unemployment below 4% by 2025.

TREND Desired Actual

COMMENT The unemployment rate was 4.5% in the June 2018 quarter, gradually declining from its post-GFC peak of 6.7% in the September 2012 quarter.

Improved housing affordability

MBIE has developed an experimental Housing Affordability Measure. At this stage, data is only available to March 2017 and may not reflect recent changes to house prices or rents. We will continue to develop and improve the Housing Affordability Measure.

OUR ORGANISATION

MBIE values the diversity, talent and integrity of our people. By reflecting the communities we serve, we can deliver great results for all New Zealanders.

We want to make sure MBIE is a great place to work by empowering our people. To do this, we have developed a set of organisational priorities:

1. **Wellbeing, health and safety:** We want everyone to enjoy work and go home safely every day. To do this, we are making wellbeing, health and safety a key part of our organisational thinking. This year we developed the Ora wellness strategy and training. The strategy covers bullying and harassment, along with behavioural safety, mental health, fatigue, drugs and alcohol, stress and health monitoring.
2. **Inclusion and diversity:** We encourage a positive workplace culture where we welcome diversity. This makes people feel they belong and increases their sense of purpose. We are working on closing our gender and ethnic pay gaps and making sure we have fit-for-purpose facilities, technology and resources to allow us to be more accessible and flexible in how we work. We encourage staff-led networks and have the following operating:
 - › Ngāi Kahukura – Rainbow Network
 - › Women in Leadership
 - › Te Aumangea – Mental Health Network
 - › Te Aka Matua – Māori Staff Network
 - › Pasifika Staff Network
 - › Asia Literacy Network
3. **Spirit of service:** Making a difference for our families, our communities and our regions is a strong motivator for many MBIE people. We are privileged to help people and New Zealand flourish through the work that we do. We want to recognise and understand how our professionalism and our contributions help us grow New Zealand for all. The supporting work programme includes sharing ideas about how we approach our work and learn from other areas across our organisation. We are also looking at how we celebrate our achievements and successes.
4. **Growing great talent:** To meet our business goals it is crucial that we develop and support our greatest asset – our people. We attract diverse talent so that we can adapt to our changing environment and deliver effectively to the communities we serve. Developing people's skills is not only the right thing to do, it also creates an engaged work environment and improves performance. To support personal and professional development, MBIE offers:
 - › online learning and development resources through Learn@MBIE
 - › graduate programmes, including a focus on attracting Māori and Pasifika graduates
 - › support for staff and managers to map their career pathways. The public sector-wide Leadership Success Profile was integrated into our recruitment and performance and development processes from July 2017, with a further roll-out planned in 2018/19.

Our Senior Leadership Team



FROM LEFT TO RIGHT: Jo Hughes, Deputy Chief Executive Strategic Policy and Programmes; To'osavili Nigel Bickle, Head of Provincial Development Unit; Greg Patchell, Deputy Chief Executive Immigration New Zealand; Carolyn Tremain, Chief Executive; Chris Bunny, Deputy Chief Executive Building, Resources and Markets; Paul Stocks, Deputy Chief Executive Labour, Science and Enterprise; Stewart McRobie, Chief Financial Officer; Megan Main, Deputy Chief Executive, Corporate, Governance and Information; Sanjai Raj, Deputy Chief Executive Market Services (Acting).

OUR MINISTERS

We work with the following Ministers:

VOTE	MINISTER
Vote Business, Science and Innovation	Minister of Broadcasting, Communications and Digital Media
	Minister of Commerce and Consumer Affairs
	Minister for Economic Development
	Minister of Energy and Resources
	Minister for Infrastructure
	Minister for Regional Economic Development
	Minister of Research, Science and Innovation
	Minister for Small Business
	Minister of State Services
	Minister of Tourism
Vote Labour Market	Minister for ACC & Associate Minister for ACC
	Minister of Employment
	Minister of Immigration & Associate Minister of Immigration
	Minister for Workplace Relations and Safety
Vote Building and Housing	Minister for Building and Construction
	Minister of Housing and Urban Development & Associate Minister of Housing and Urban Development ¹

We also supported the Minister for Greater Christchurch Regeneration and the Minister of Finance (on regulatory reform)

¹ The Ministry of Housing and Urban Development starts operating on 1 October 2018 and takes over responsibility for supporting the Minister for Housing and Urban Development. Housing and urban policy functions, the KiwiBuild Unit and the Community Housing Regulatory Authority were moved from MBIE to the new Ministry.

WORKING ACROSS GOVERNMENT

Regulators collaborate for better results

The Government Regulatory Practice Initiative (G-REG) is a network of central and local government regulatory agencies that work together to improve leadership, culture, practice and workforce capability. MBIE is a key contributor to G-REG through the Secretariat, Steering Group and Chief Executive Oversight Group.

G-REG is a world-leading initiative for the regulatory sector, one that supports the future professional development of regulators and contributes to better public-sector management as well as good regulatory outcomes for all.

Since G-REG qualifications were started in 2016, there have been over 2,300 enrolments in Level 3 (Core Knowledge).

Growing New Zealand's resilience to cyber threats

CERT NZ, New Zealand's Computer Emergency Response Team, was launched in April 2017. CERT NZ advises everyday New Zealanders and organisations on how to avoid and manage cyber security threats. They are a central component of New Zealand's cyber security ecosystem, both as a first point of contact and key coordinating body.

In CERT NZ's first year of operation, over 1,700 incident reports were received from New Zealanders, who reported \$8 million in loss relating to these incidents. CERT NZ works with people who have been affected by cyber security incidents to help them recover. They also use the data from incident reports to build a view of the cyber threat landscape as it affects New Zealand, and to develop specific outreach programmes for impacted communities.

CERT NZ's work has been recognised by the information security industry, who awarded CERT NZ Project of the Year 2017 at the Information Security Association of New Zealand Awards, and the CERT NZ website was awarded the supreme title in the Interactive category at the Designers Institute of New Zealand 2017 BEST Design Awards.

Pike River Recovery Agency established

In November 2017, the government launched the Pike River Recovery Agency – Te Kāhui Whakamana Rua Tekau mā Iwa, a new government department to work with the Pike River families to plan for decisions on the manned re-entry of the Pike River Mine drift.

MBIE people met the challenging deadline to get the new agency operational by 31 January 2018. Groups within MBIE collaborated with internal and external partners, including the families of those who had died in the mine.

Supporting good procurement practice

New Zealand Government Procurement and Property helps government agencies deliver public services at better value for taxpayers. We achieve this through good policy, excellent procurement practices, effective property management and strategic advice.

MBIE sets the standard for good purchasing policy and property management across the state sector. We provide training and expert advice to agencies to support quality decision-making, and systems and tools to make procurement and property management easier.

The Procurement Functional Leadership Programme has delivered 27 all-of-government (AoG) contracts since its inception in 2012 and now has 1,281 agencies participating in one or more of these contracts, including 872 schools. To date, \$669 million has been saved through AoG contracts delivered so far. The total savings are expected to reach over \$1 billion.

MBIE OUTCOMES



OUTCOME:
**MORE SUPPORTIVE
AND DYNAMIC
BUSINESS ENVIRONMENT**



OUTCOME: MORE SUPPORTIVE AND DYNAMIC BUSINESS ENVIRONMENT

GOVERNMENT PRIORITY:

› Grow and share New Zealand's prosperity

We are working to provide the right conditions for businesses to create higher-value products, be more competitive and offer more choice and quality of products for consumers at better prices.

One way for businesses to become more productive is to adopt better management practices. We have made it easier to do business with a series of initiatives that contribute to our goal of building a more supportive and dynamic business environment. Examples include the New Zealand Business Number and business.govt.nz. We are also working smarter with new technologies to add value to businesses, and we are finding ways to support the integrity of business systems so that New Zealand is known as a place for honest business, where firms and investors can operate with confidence, and where there is effective protection for consumers.

Work on consumer credit reforms is another priority. There are still too many people facing problems when borrowing and lending – reports of interest rates as high as 800 per cent, people trapped in spirals of debt originating from a relatively small loan, or inflated prices for goods and credit being charged by some mobile shopping trucks. We have asked the public what they think, whether further legislation is needed and, based on feedback, further legislation is likely to be introduced in 2018.

MBIE is responsible for most of the direct regulation of the labour market. We take action against employers behaving unlawfully, which has resulted in some high-profile cases this year. It is important that regulations protect workers and good employers, who meet their obligations, while promoting a dynamic





labour market and the sort of innovation we need for economic growth. We are seeing some good results in workplace health and safety, but New Zealand's level of work-related harm is still too high. Work is progressing on the Health and Safety at Work Strategy, with the release of the final strategy later this year.

Transforming the way Kiwis do business

The New Zealand Business Number (NZBN) is a globally unique identifier available for free to all Kiwi businesses, which links to core business information – such as their trading name and email. Making this key information readily accessible will mean Kiwi businesses don't have to repeat the same details over and over when working with each other, or with government.

Most businesses already have been issued an NZBN, it's in use by major businesses, and government agencies that interact with businesses are currently building the NZBN into their systems. One of the benefits the NZBN will unlock is electronic invoicing (e-invoicing), the direct exchange of an invoice between a supplier's finance system and a buyer's finance system. Currently, processing an invoice is manual and error-prone. Incorrect or lost invoices contribute to about 40 per cent

of all invoices being overdue, which creates a cash flow problem (in particular for our small businesses).

In the future, we will see all New Zealand businesses being digitally enabled and directly transacting with one another in an efficient, automated and standardised way. This will improve productivity, reduce instances of fraud, improve data quality, and enrich interactions between businesses when dealing with each other, and with government. This is just one of a number of ways the NZBN will transform the way Kiwis do business.

Dream it, do it – and own your intellectual property

The new 'Dream it. Do it. Own it.' programme by the Intellectual Property Office of New Zealand (IPONZ) will help businesses unlock the value of their intellectual property (IP).

IPONZ is where New Zealand businesses and international businesses can register their IP rights in New Zealand. Registration protects their names, brands and inventions. The new programme helps small businesses, start-ups and individuals in business understand why IP is important, what type of IP protection they should be considering, and where to go to get more information.

The programme was launched with presentations around New Zealand as part of MBIE's Taking Care of Business roadshow, a digital campaign, new online resources and social media. Simple IP-type guides, case studies and descriptions of trademarks, copyright, designs and other relevant IP are available on the IPONZ website.

The new approach was designed with small and medium-sized enterprises involved in a process to identify issues and solutions, along with MBIE's design, marketing and business law teams, and business.govt.nz. Commercial case studies provide a window into IP in action.

In 2017 and 2018 IPONZ was ranked number one across the world's intellectual property offices for online capability. It has a 100 per cent online model, making it simpler and more cost-effective for businesses to use. In August 2017 IPONZ integrated the NZBN into its online case-management system, allowing clients to search for businesses using the NZBN Register and easily update client ID profile information.

Business.govt.nz has the answers

Every day around 10,000 Kiwi businesses use business.govt.nz tools and resources to understand how to make their business more compliant and productive. Customer-centred design, packaging and personalised advice catering to the diverse needs of our small

business community has led to exponential growth in the use of the website.

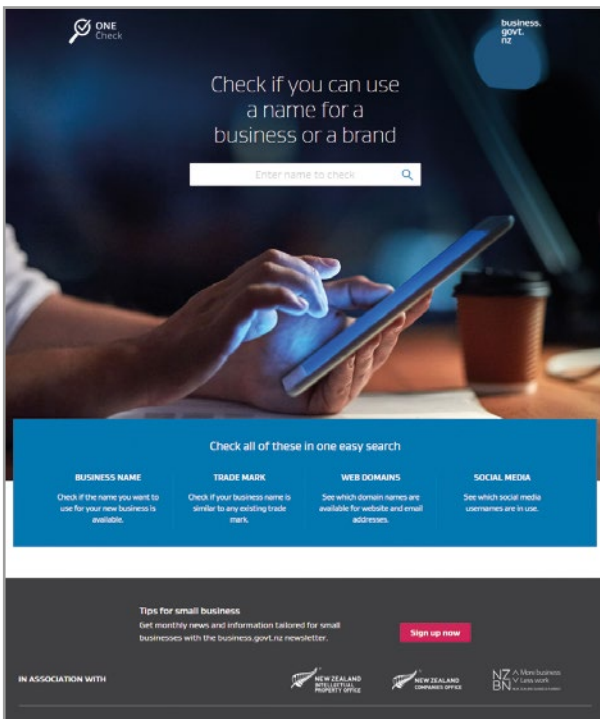
Business.govt.nz works closely with agencies, industry bodies, regional business support networks, councils, chambers of commerce and the global experts sitting on the New Zealand Business Performance Panel, a panel of leading experts set up in March 2018.

It is rapidly evolving into a service that offers transactions, allowing businesses to register with multiple agencies. Businesses will receive connected, customer-centred, tailored services whether they are visiting business.govt.nz, another agency or their local council.

Who controls the company?

It's important for businesses, consumers and investors to be able to operate with confidence. For this they need an environment of trust, transparency and accountability.

In June 2018 we released two discussion documents for public feedback. One document focuses on clarifying 'beneficial ownership' of companies – the people who effectively own the assets. Knowing who owns or controls companies and limited partnerships is crucial to detecting criminal activity. It is also important for businesses in assessing the risks of doing business. This document also seeks feedback on what else we might need to do to combat the misuse of New Zealand companies and limited partnerships. The second document asks whether the residential addresses of company directors should still be published on the companies register if a unique identification number for directors is introduced. A director identification number would improve the transparency and usability of the Companies Register. It would also provide an opportunity to consider how we can address directors' concerns about their residential addresses being publicly available.



ONECheck helps businesses build stronger brands

Choosing a business name is a big decision for new businesses, especially if they intend to build a brand around this name. The revamped ONECheck tool makes it easy for business owners to search company names, domain names and trademarks, and it now includes social media. The tool has been very popular since it was relaunched, averaging almost 2,000 searches a day. The NZBN register is one of the key elements enabling this more sophisticated search capability.



Laws strengthen consumer confidence

MBIE is responsible for 12 pieces of legislation in this year's Parliamentary programme involving consumer protection. Among them, the Commerce Amendment Bill will give the Commerce Commission the ability to undertake market studies into such things as the price consumers pay for fuel; the Financial Services Legislation Amendment Bill is designed to improve consumer access to good quality financial advice; and the Telecommunications (New Regulatory Framework) Amendment Bill will prepare the telecommunications industry for the next generation of technology and innovation.

This year Consumer Protection launched a range of resources for schools to help young people learn about their rights as consumers. Consumer Protection's 2016 National Consumer Survey found young people, including students, were less likely to know anything about their consumer rights and were more likely to experience issues than other age groups.

Standards and standardisation benefit everyone

Standards help to keep our homes, public buildings, playgrounds, electrical appliances, and health services safe. They can also be used to protect people and our environment and to increase productivity and drive innovation.

The pace of globalisation, coupled with the technology revolution, provides significant opportunities for standards and innovative standardisation solutions to be used more broadly, play a greater role in international trade, commerce, and regulation, and to contribute to New Zealand's economic prosperity.

Standards New Zealand has started a series of innovative pilots, trialling new ways to develop and provide access to standards while fostering stronger strategic relationships, working closely with key sectors.

Pay equity legislation set for this year

We are working on legislation to be introduced this year as part of the government's commitment to pay equity in the workplace. The reconvened Joint Working Group on Pay Equity involves MBIE, the State Services Commission and the Ministry for Women. The group's recommendations include clarifying and simplifying the process for initiating a pay equity claim.

We supported the government to develop and introduce the Employment Relations Bill in January to strengthen some key safeguards for workers around union delegate roles, collective bargaining and employment protection. We've also helped to introduce increases to paid parental leave to 26 weeks from 1 July 2020 and the minimum wage to \$16.50 an hour from 1 April 2018.

Regulatory role – migrant workers

We have introduced stand-down periods for employers who breach immigration and employment law. This came into effect on 1 April 2017. For the period 1 July 2017 to 30 June 2018, 253 employers were subject to stand-down periods ranging between six months and two years.

Guide supports recruitment of Filipino workers

Early in 2018 we updated the guide that helps employers understand what they need to do to recruit workers from the Philippines. The guide provides information about the Philippines Overseas Employment Administration process and the costs involved. It also explains the legal requirements of each country, and checks that employers are ready and able to hire a Filipino worker and can successfully provide them with the support that they need when they arrive in New Zealand. The guide was one of the initiatives arising from the bilateral arrangement between MBIE and the Philippines government. An arrangement on the principles and controls on the recruitment and protection of Filipino workers in New Zealand was signed in 2015.

CASE STUDY

Illegal worker network exposed

Our aim

To prevent individuals and networks from bringing in illegal workers and to stamp out people-smuggling across all industries.

Our role

We investigate potential criminal immigration activity. Operation Spectrum involved cooperation between our Immigration Compliance team, the Companies Office, the Immigration Advisers Authority and the Labour Inspectorate to investigate the use of illegal workers, identity fraud and people smuggling in the Auckland construction industry. We also worked with external agencies including the Royal Malaysian Police, Inland Revenue, New Zealand Police and the Australian Border Force. This integrated, multi-agency approach has proven effective, utilising the breadth of regulatory roles available across the agencies.






















The outcome







Fifty-four Malaysian nationals were deported as part of an operation to tackle illegal workers, identity fraud and people smuggling. It was discovered that the workers were paid in cash, and they paid no tax. Many would then remain here unlawfully after their visa had expired or would use the services of a Licensed Immigration Adviser to renew their visas. In addition to the 54 people deported, a further 36 chose to leave to avoid deportation, and 85 people were refused entry to New Zealand or prevented from boarding flights to New Zealand. The Immigration Adviser involved has had his licence suspended, and the matter is before the Immigration Complaints and Disciplinary Tribunal. Three parties were found guilty of charges under the *Immigration Act 2009*. Other charges under the Act are pending.

What this means for New Zealanders

Operation Spectrum struck at the heart of an illegal network that has been abusing the immigration system. This high-profile case, covered extensively by media, has demonstrated to individuals and organisations considering such illegal activity that we will work with our partners to bring criminals to justice and maintain the integrity of the immigration system.

What we're working towards

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	TREND	COMMENTARY
Well-regulated and competitive markets	Improve New Zealand's position in the World Economic Forum (WEF) Global Competitiveness Report	Desired  Actual 	New Zealand remained at 13th in 2017/18, the same as the previous year, and well up from its 25th position in 2011.
	Improve New Zealand's position in the WEF Global Competitiveness Index on Institutions: 1.09 Burden of government regulation	Desired  Actual 	New Zealand improved its position from 26th in 2016/17, to 21st in 2017/18, but this is down from a peak of 13th in 2013.
Increased business and consumer confidence in markets	Improve confidence of New Zealanders in financial markets	Desired  Actual 	New Zealanders' confidence in financial markets was 62% in 2018, a fall of 3 percentage points on the previous year. However, it was still well up on the 54% recorded five years earlier in 2013.
Businesses find it easier to access and develop markets	A 25% reduction in the cost of doing business with government relative to other businesses by 2017	Desired  Actual: no new data	No new data. The government announced in January 2018 that the Better Public Services programme would not continue in its previous form.
	More businesses that sought debt finance obtained it on acceptable terms	Desired  Actual 	The proportion of businesses receiving debt finance on acceptable terms declined from 94% in 2016, to 88% in 2017. This was still up from 86% five years earlier in 2012.
	More businesses that sought equity finance obtained it on acceptable terms	Desired  Actual 	The proportion of businesses receiving equity finance on acceptable terms declined from 89% in 2016, to 76% in 2017. This was still up from 73% five years earlier in 2012.
	Maintain New Zealand's position in the World Bank Ease of Doing Business survey	Desired  Actual 	New Zealand maintained its first place position in ease of doing business in 2018.
Well-regulated labour markets	At least a 25% reduction in workplace serious injuries by 2020	Desired  Actual 	Workplace serious injuries (non-fatal) fell 26.1% from an average (over 2008–2010) of 19.3 per 100,000 person years at risk, down to 14.3 (provisional figure) in 2016.
	A 10% reduction in workplace serious injuries by 2016	Desired  Actual 	The target was achieved. Workplace serious injuries (non-fatal) fell 26.1% from an average (over 2008–2010) of 19.3 per 100,000 person years at risk, down to 14.3 (provisional figure) in 2016.
	Improvement in New Zealand's ranking in the WEF Global Competitiveness Labour Market Efficiency Indicator	Desired  Actual 	New Zealand rose from 6th to 5th in 2017 for labour market efficiency in the World Economic Forum's Global Competitiveness Index, continuing to improve on its ranking in most years since it was 12th in 2010.
Improved government procurement practices	Improvement in government procurement capability and performance leads to value-based procurement savings	Desired  Actual 	Savings from All-of-Government contracts of \$146 million in 2017/18, down from \$152 million in 2016/17. (MBIE relies on information provided by suppliers to calculate savings. MBIE reviews information provided for reasonableness, but cannot confirm the accuracy of the data.)

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	TREND	COMMENTARY
Increased international trade and investment	An increase in the contribution to the economy from tourists	Desired  Actual 	Tourism generated a direct contribution to GDP of \$14.7 billion in the year ended March 2017, up from \$14.4 billion in 2016 and \$12.6 billion in 2015. This continues a long-term upward trend in tourism expenditure.
	An increase in the contribution to the economy from international students	Desired  Actual 	Tuition fees from international students rose to \$1.08 billion in 2016, up 5.2% from \$1.03 billion in 2015. This continues a longer term trend upwards in international tuition fees after a dip during the global financial crisis in 2007/08.
	An increase in the level of foreign direct investment	Desired  Actual 	The stock of foreign direct investment in New Zealand increased to \$119 billion in March 2018, up from \$113 billion in March 2017, and continuing the long-term trend upwards.



OUTCOME:
**AN INCREASED
NUMBER OF HIGHLY
SKILLED PEOPLE AND
INNOVATIVE FIRMS**

OUTCOME: AN INCREASED NUMBER OF HIGHLY SKILLED PEOPLE AND INNOVATIVE FIRMS

GOVERNMENT PRIORITIES:

- › **Grow and share New Zealand's prosperity**
- › **Ensure everyone who is able to, is earning, learning, caring or volunteering**

A workforce with the right knowledge and skills can help drive economic growth by lifting the competitiveness and profitability of our firms and encouraging innovation across the economy. We are shifting our economy to one that competes on knowledge and ingenuity and can deliver higher wages and good quality jobs.

Skills shortages are a barrier to growth in our economy. Where Kiwis are not available for jobs, we are attracting migrants to fill shortages in high-skilled and low-paid occupations. This year we worked on several initiatives to help firms recruit; these included changes to immigration policy and improved recruitment tools.

The nature of work and the structure of our labour market is changing. Technological advances could replace jobs and change the tasks and skills required of others. We need to be ready for long-term changes to the labour market. We can't predict the future, but we need to do our best to prepare for it.

Science and technology have the potential to produce and commercialise new ideas to enable companies to be more productive and to boost the number of knowledge-intensive and internationally connected firms in New Zealand.

We are working to lift business expenditure on research and development, improve the benefits to the wider economy from business development assistance, and harness the potential of the digital economy.

We are supporting the contribution made by science and innovation to the economy with funding targeted to priority areas for economic development.

Changes to migrant worker rules

Changes were made to the rules for temporary migrant workers under the Essential Skills policy, after consultation with employers in August 2017. This is to make sure New Zealanders are first in line for jobs and that lower-skilled migrants are clear about their prospects in New Zealand, while continuing to allow businesses access to temporary migrant labour, where genuine shortages exist.

The changes include the introduction of remuneration bands to assess the skill level of roles offered to Essential Skills visa applicants, the introduction of a maximum of three years for lower-skilled Essential Skills visa holders, and requiring the partners and children of lower-skilled Essential Skills visa holders to meet the requirements for a visa (they still have access to short-term visitor visas).

Short-term help for the construction labour market

New Zealand needs more skilled workers in the construction industry to meet increasing demand for new housing and infrastructure over the next five years. The government's Construction Skills Strategy is intended to develop a sustainable construction workforce that can meet New Zealand's current and future construction needs.

One of the MBIE-led initiatives in the strategy will make it easier for the construction industry to employ workers from overseas in the short term to supplement its workforce. Proposals announced this year, to be agreed by Cabinet in 2018/19, include a KiwiBuild Skills Shortage List, a streamlined pre-approval process for building firms, and specific requirements to accredit labour hire companies.

Pacific workers fill gaps in horticulture and viticulture industries

Demand is increasing for seasonal workers in the horticulture and viticulture industries. The Recognised Seasonal Employer (RSE) scheme tackles the labour shortage by recruiting workers from Pacific countries when there are no New Zealanders available to do the work. In 2017/18, 11,078 RSE workers arrived in New Zealand, just under the 11,100 cap.

Changes ahead for post-study work visas

We are looking at changes to post-study work rights and the eligibility of students' partners and their dependent children to work and study. This is to make sure we can match the skills and talents that people bring to



New Zealand with the skills that employers need to grow their businesses, while reducing opportunities for international students to be exploited.

We're delivering modern digital visa processing to attract the best people

We are moving to a product-based visa processing model, consolidating visa processing into fewer processing sites to deliver faster, more accurate and consistent decision-making. Customers are increasingly able to apply online as we invest in technology and simplify and streamline our business processes.

1,020 refugees settle into life in New Zealand

Under New Zealand's Refugee Quota Programme, 1,020 refugees were resettled in New Zealand in 2017/18. All refugees spend their first six weeks at Immigration New Zealand's Mangere Refugee Resettlement Centre in Auckland, where a comprehensive reception programme prepares them to live and work in the community. We develop a settlement plan with each refugee family that outlines the services available to support their successful settlement.

We're backing businesses to be the best

The government is committed to developing New Zealand as a place where high-value, knowledge-intensive businesses can be more successful through innovation, and research and development (R&D). Increased R&D will help businesses produce more profitable products and pay higher wages.

We have released a discussion document outlining proposals for an R&D Tax Incentive to encourage businesses of all kinds and sizes to innovate.

A further initiative aims to attract international firms to carry out R&D and develop their products in New Zealand. The Innovative Partnership programme was launched in March along with the news that American Kitty Hawk Corporation is developing a fully electric, self-piloting air taxi in Canterbury, after receiving support through the programme.

Scientists and innovators have a critical role

We recognise the critical role of science and innovation in developing new ideas and technologies that will allow firms to increase productivity. In 2017/18 we managed \$1.12 billion of the government's total \$1.61 billion funding for research, science and innovation. The government is increasing the available funding to meet a growing demand for science and innovation funds. For example, a 10 per cent increase for the Endeavour Fund will increase the number of quality proposals that can be supported.



Photo credit: Rocket Lab, <https://www.rocketlabusa.com/gallery/>

Space Agency opens the door to space industry

The New Zealand Space Agency is the government agency for space policy, regulation and business development. We set up the agency in April 2016 to support the development of a New Zealand-based space industry and to regulate the peaceful, safe, responsible and secure use of space from our country.

The development of a launch industry and space sector has flow-on benefits for New Zealand, including R&D into space technologies that can support growth in other sectors in the economy, including primary industries, information and communications technology (ICT), transport, and hazard management.

Rocket Lab, an American company with a wholly owned New Zealand subsidiary, has leased land from the local iwi at Māhia Peninsula to set up the world's first private orbital launch ranges. This is providing significant direct and indirect benefits to the local community through additional income to landowners, new job opportunities associated with Rocket Lab's activities, and improved infrastructure and tourism opportunities.

In January 2018, Rocket Lab reached orbit with the second test launch of its Electron rocket, deploying three commercial satellites. New Zealand is now one of eleven countries able to launch satellites into space from its own territory.

Endeavour Fund backs great ideas

The Endeavour Fund supports scientific research that has the potential to benefit New Zealand economically, environmentally and socially. During the last funding round, 27 research programmes and 41 Smart Ideas contracts were funded, with a total value of \$248.34 million over five years. Funding decisions are made by the Science Board and assessed by independent external experts.

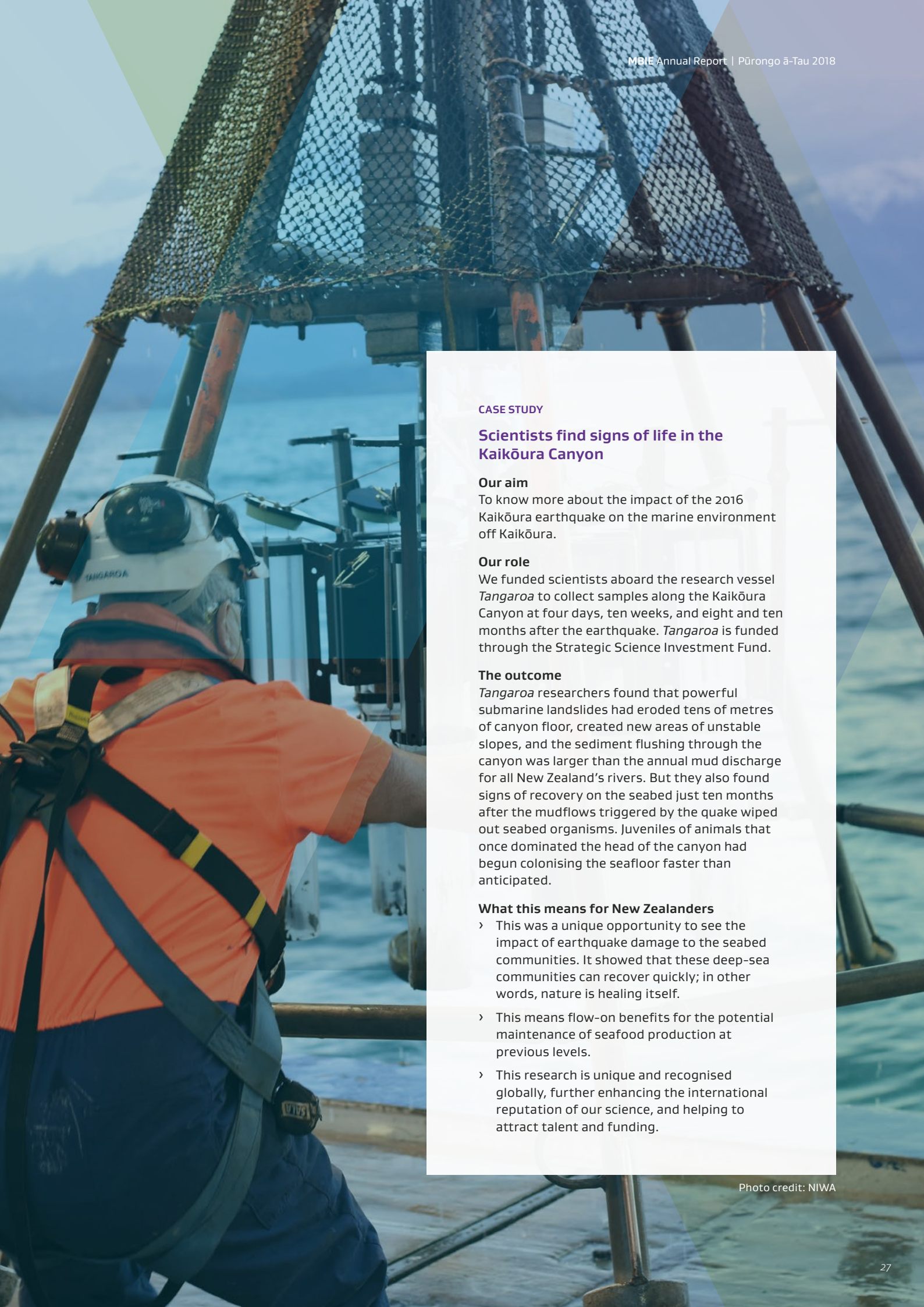
Successful 2017/18 proposals include:

- › developing hybrid-electric aircraft (Victoria University of Wellington)
- › improving the recovery trajectories of the marine ecosystem from the Kaikōura earthquake (University of Canterbury)
- › improving New Zealand pinot noir production (New Zealand Winegrowers)
- › exploring new technologies to improve weather forecasting (MetOcean Solutions Limited)
- › developing new charging technology for electric vehicles while parked or moving (University of Auckland).

Science fund invests in priority research

The Strategic Science Investment Fund supports research in areas of strategic importance to New Zealand, including geological hazards, agri-food production, forestry, seafood, land, marine and freshwater ecosystems, and climate.

During the year we transferred core funding for seven Crown research institutes and capability funding from two independent research organisations to the Strategic Science Investment Fund. Bringing these funds together provides a more active partnership between the government and research organisations to deliver the government's priorities for science.



CASE STUDY

Scientists find signs of life in the Kaikōura Canyon

Our aim

To know more about the impact of the 2016 Kaikōura earthquake on the marine environment off Kaikōura.

Our role

We funded scientists aboard the research vessel *Tangaroa* to collect samples along the Kaikōura Canyon at four days, ten weeks, and eight and ten months after the earthquake. *Tangaroa* is funded through the Strategic Science Investment Fund.

The outcome






















Tangaroa researchers found that powerful submarine landslides had eroded tens of metres of canyon floor, created new areas of unstable slopes, and the sediment flushing through the canyon was larger than the annual mud discharge for all New Zealand’s rivers. But they also found signs of recovery on the seabed just ten months after the mudflows triggered by the quake wiped out seabed organisms. Juveniles of animals that once dominated the head of the canyon had begun colonising the seafloor faster than anticipated.

What this means for New Zealanders

- › This was a unique opportunity to see the impact of earthquake damage to the seabed communities. It showed that these deep-sea communities can recover quickly; in other words, nature is healing itself.
- › This means flow-on benefits for the potential maintenance of seafood production at previous levels.
- › This research is unique and recognised globally, further enhancing the international reputation of our science, and helping to attract talent and funding.

Photo credit: NIWA

What we're working towards

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	TREND	COMMENTARY
Improved labour force participation rate	Increasing labour participation of Pacific peoples	Desired  Actual 	Pacific peoples' labour force participation averaged 66.6% in the year to June 2018, down from 67.3% in 2017, but trending up from a low of 58.5% five years ago.
	Reducing the proportion of young people not in employment, education, or training (NEET)	Desired  Actual 	The NEET rate averaged 11.6% in the year to June 2018, down from 12.2% in 2017, and down also on the 13.0% it was five years ago.
Greater levels of business innovation	Increasing the percentage of firms reporting innovative activity	Desired  Actual 	The percentage of firms reporting innovation activity fell from 49% in 2015, to 47% in 2017. This is still up slightly on the 46% it was at from 2007 to 2013.
	Increasing profitability per employee of innovative firms compared with non-innovative firms	Desired  Actual 	Net profit per employee in innovative firms increased 16% from \$75,000 in 2015 to \$87,000 in 2017. Non-innovating firms net profit per employee improved 10.9% from \$64,000 in 2015 to \$71,000 in 2017.
Increase people's skills in line with business needs	Increasing the percentage of workers in skilled jobs	Desired  Actual 	The percentage of workers in skilled jobs has been increasing (61% in 2018, up from 58% in June 2015). This is a long-term trend that is forecast to continue for the foreseeable future.
	Decreasing the percentage of firms that find it harder to get skilled staff	Desired  Actual 	A net 44.1% of firms found it harder to find skilled staff in the June 2018 quarter, down from 45.9% in June 2017. However, the longer term trend has been toward it being harder to find skilled staff since the low of 41.1% in June 2009.
Greater investment by business in skilled workers and research and development	Increasing business expenditure on research and development as a percentage of gross domestic product	Desired  Actual: no new data	No new data this year. Business expenditure on research and development in New Zealand has been historically low compared to other countries, but has shown a consistent upward trend over the last 10 years.
	Increasing the percentage of Crown research institute revenue derived from the private sector	Desired  Actual 	The percentage of Crown research institute revenue derived from the private sector was 51.3% in 2016/17, compared with 52.7 percent in 2015/16 and 46.7% in 2015/16.
	Increasing the percentage of recent skilled principal migrants whose current job in New Zealand matches their skills and qualifications	Desired  Actual 	The percentage of recent skilled principal migrants whose current job in New Zealand matched their skills and qualifications rose to 85% in 2017, up from 81% in 2016, but the same as it was in 2013.
Greater impact from science investments	Increasing the share of the world's top 1% most-cited science and innovation publications attributed to New Zealand research	Desired  Actual 	New Zealand's share of top 1% most-cited science publications fell from 2.2% in 2016, to 1.9% in 2017. However, the longer term trend is upwards (and citation results can undergo significant revisions across all years as time goes on).
	Improving the quality ranking for New Zealand's scientific research institutions	Desired  Actual 	New Zealand was 15th on this indicator in 2016/17, up from 18th in 2015/16, but still lower than at its peak 14th in 2008 and 2009.

OUTCOME:
**THE BUILT
ENVIRONMENT
BETTER SUPPORTS
A WELL-FUNCTIONING
ECONOMY**



OUTCOME: THE BUILT ENVIRONMENT BETTER SUPPORTS A WELL-FUNCTIONING ECONOMY

GOVERNMENT PRIORITIES:

- › **Everyone has a warm, dry home**
- › **Support healthier, safe and more connected communities**

We have some major housing issues in New Zealand, particularly in our urban areas. We are not building the cities we need for the future. Fewer people can afford to buy homes, there are not enough homes to meet demand, and the houses being built are often too expensive for first-home buyers. We are seeing homelessness, rental homes that are damp and cold, and infrastructure that is increasingly unable to cope with growth in our urban areas.

We are reforming tenancy laws to include making sure rentals are warm, healthy and dry. Proposed standards for rental properties are being introduced under the *Healthy Homes Guarantee Act 2017*, and the government is carrying out a reform of priority areas of the *Residential Tenancies Act 1986*.

Affordable housing is a key objective for MBIE, and we are supporting a range of initiatives to improve the supply and affordability of homes.

We are working to establish a national Urban Development Authority (UDA) that will boost the delivery of KiwiBuild – set to deliver 100,000 affordable houses in 10 years – and transform areas of our cities. Alongside that, we are looking at a broader set of reforms under the Urban Growth Agenda to make room for our cities to grow and to bring down the high cost of urban land that is at the heart of urban problems.

We have a significant reform programme underway for the building regulatory system, aimed at supporting a more efficient and productive construction sector. We have also played a key role in connecting communities with better broadband and mobile services.



KiwiBuild Unit provides the framework

In December 2017 the government set up an interim KiwiBuild Unit within MBIE and work began to establish a National Urban Development Agency which will eventually take over as the agency responsible for KiwiBuild. MBIE provides policy advice on the KiwiBuild programme and has developed detailed policy criteria for the programme.

KiwiBuild will help transform the building and housing sectors and drive innovation to find new ways to build high-quality, affordable homes. The large scale of building planned will also trigger a shift in the building sector that will encourage investors, reduce building costs, and improve quality.

KiwiBuild targets are 1,000 homes in 2018/19, 5,000 in 2019/20 and 10,000 in 2020/21.

The KiwiBuild Unit released the ‘Buying off the Plans’ approach to market in May. Through underwriting or purchasing new homes that the private sector or others are leading, this initiative is enabling developments that would not otherwise proceed, enabling developments to proceed at a greater pace than initially planned, and ensuring that developments offer a more diverse, affordable mix of housing so that more first-home buyers can get on the property ladder. Close to 100 proposals were received; these are being evaluated and negotiations are continuing. The Buying off the Plans initiative is likely to deliver the bulk of the 2018/19 targets for KiwiBuild.

In July the KiwiBuild Unit called for registrations of interest for KiwiBuild, supported by a targeted marketing campaign. The KiwiBuild Unit received over 35,000 registrations in the first two weeks (35,496 as at 17 July) and is now starting to engage directly with prospective home buyers.

KiwiBuild is looking beyond traditional building methods to the increased use of prefabrication and modular housing to speed new developments and achieve the construction targets. The KiwiBuild Unit is preparing to seek interest from overseas and local companies in offsite manufacturing options.

Supporting KiwiBuild success

To meet the challenge of KiwiBuild and tackle the housing shortage, we need to update our building regulations and our traditional building models. We need a flexible industry that supports innovation and a sector that invests in skilled tradespeople to be ready for the changes.

At the heart of this work programme are four related elements – people, processes, products and building performance requirements. They need to work together to improve the capability of the building industry.

1. **People:** A workforce with the capacity and skills to deliver KiwiBuild through a comprehensive cross-agency action plan led by MBIE, and occupational regulation that is fit for purpose.
2. **Process:** Efficient consenting for KiwiBuild houses, including innovative designs and methods.
3. **Products:** Increased confidence about the quality of products to be used in KiwiBuild, to enable efficient consenting and affordable designs.
4. **Performance:** Clear and efficient Building Code performance requirements for KiwiBuild typologies, with risk and liability sitting with the appropriate parties.

Another essential part of our work is to keep legislation relevant as the building environment changes. We oversee earthquake-prone building guidance. We commission investigations, such as the one into the partial collapse of flooring units in Statistics House during the Kaikōura earthquake, and make sure recommendations are incorporated into building requirements. We are also reviewing the management of buildings in the aftermath of emergencies.





New role for government in building cities

The new national Urban Development Authority (UDA) will lead large-scale, complex urban development projects to build whole communities. These communities will have better links to jobs, transport, open spaces and amenities. The UDA will have powers in certain areas to deliver these urban-regeneration projects. The UDA will also work with local authorities, iwi and others, such as network utility providers, to make sure communities have the transport, schools, healthcare, amenities and other services they need. Work is now under way on legislation to set up the UDA, in consultation with other government agencies. The UDA will use its powers to support the delivery of KiwiBuild.

Urban Growth Agenda

We are working to remove barriers to the supply of land and infrastructure and make room for cities to grow up and out. Reforms under the Urban Growth Agenda will make sure that the processes are responsive to change, and that urban development, infrastructure and transport are better integrated and aligned.

This will result in good quality built environments and urban areas that are designed in a way that provides access to jobs, education, amenities and other services essential to thriving cities. The Urban Growth Agenda will support KiwiBuild and help the new national Urban Development Authority to carry out major urban redevelopment projects in partnership with iwi, councils and the private sector.

Standards set for rental houses

Cold, damp houses are associated with ill health, such as asthma and cardiovascular issues. The *Healthy Homes Guarantee Act 2017* will set minimum standards for heating, insulation, ventilation, draught-stopping, drainage and the control of dampness in rental properties. The Act will come into full effect by 1 July 2019, and landlords will have to comply with the proposed standards between 2019 and 2024.

Implementing the standards will lead to improved quality of rental housing and could lead to better health for New Zealanders.

Temporary homes a priority for people forced out by natural disasters

Following a natural disaster, the Temporary Accommodation Service (TAS) works to support displaced New Zealand families by ensuring they have a warm and safe place to stay while their home is repaired or rebuilt.

TAS is continuing to help people in Nelson-Tasman and the West Coast whose homes were damaged by ex-tropical cyclones Fehi and Gita (February 2018), and people affected by the Edgecumbe floods (April 2017) and the Rotorua floods (May 2018). TAS also continues to support people affected by the Kaikōura earthquake (November 2016) and by the Canterbury earthquakes, though demand in Christchurch has eased significantly.

TAS works with people to find temporary accommodation initially in the private rental market. If there is a shortage of undamaged houses, the team works with the local community to find other solutions. One of the ways TAS does this is by placing portable cabins next to damaged homes, where the land is suitable, to get life back to normal as quickly as possible for the affected residents.

Rural connectivity

Provincial areas need broadband and mobile coverage to be able to start businesses, expand them, and offer local people jobs using the same tools that are available in cities. Rural digital infrastructure is also important for the adoption of technology on farms that will lift productivity.

MBIE is working to ensure delivery of Phase 2 of the Rural Broadband Initiative to bring improved broadband to more than 70,000 rural homes and businesses, while the Mobile Black Spot Fund will provide mobile coverage to more than 100 tourist areas and about 1,000 km of state highways and will improve public safety.

We delivered mobile coverage to Haast with the construction of a 3G cell tower. Tourists and businesses are benefiting from better coverage, and access to community and emergency services is improved.



CASE STUDY

Campaign urges landlords to insulate

Our aim

We wanted to let people know about law changes affecting rental properties and about their rights and responsibilities as tenants and landlords.

Our role

We continued advertising activity as part of a four-year information campaign around changes to the *Residential Tenancies Act 1986*. The primary focus was to encourage landlords to insulate their rental properties by 1 July 2019.

The outcome

Landlords saw our digital advertisements about insulation, and were able to click through to the Tenancy Services website to see the information they needed. This included an insulation assessment video produced by MBIE and the











Energy Efficiency and Conservation Authority explaining how to get their rentals up to standard before the deadline.

What this means for New Zealanders

- › The campaign encourages landlords not to leave it until the last minute to meet the insulation requirements in their rental properties.
- › Landlords have the help they need to understand and meet their obligations.
- › Tenants have the help they need to understand their rights and responsibilities.
- › Many Kiwis who are living in rental accommodation will have warm, dry homes.







What we're working towards

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	TREND	COMMENTARY
Well-functioning housing and construction markets that deliver safe, affordable and fit-for-purpose residential and commercial buildings	Improving affordability of houses for New Zealanders to rent and buy	MBIE has developed an experimental Housing Affordability Measure. At this stage, data is only available to March 2017 and may not reflect recent changes to house prices or rents. We will continue to develop and improve the Housing Affordability Measure.	
	Increasing the percentage of all social housing stock provided by community social housing providers	Desired  Actual 	As at March 2018, 8.1% of social housing stock was provided by community social housing providers, up from 5.6% in March 2017. ²
	Progress towards 890 social and affordable housing units that are completed by community housing providers ³	Desired 890 Actual 888	888 social and affordable housing units had been completed as at June 2018.
	3,000 more social housing places ⁴ in areas of high demand by December 2017	Desired  Actual 	Income-related rent subsidy (IRRS) housing places increased from 59,390 in March 2017 to 61,928 in March 2018, an increase of 2,538.
Increased quality and accessibility (including affordability) of infrastructure	Improving New Zealand's position in the Organisation for Economic Co-operation and Development's (OECD) ranking for fixed broadband services (connections per 100 of the New Zealand population)	Desired  Actual 	New Zealand was 12th in December 2017 for fixed broadband connections per capita, up from the 13–14th it was from June 2011 to June 2016.
	75% of New Zealanders have access to ultrafast broadband by the end of 2019 under phase 1 of Ultra-Fast Broadband initiative (UFB)	Desired 75% Actual 69%	69% of New Zealanders had access to UFB as at June 2018, up from 60% in 2017.
	80% of New Zealanders have access to ultra-fast broadband by 2022 under Phase 2 of UFB	Desired 80% Actual on track	The target for access to UFB by 2022 has been lifted from 80% to 87%.
	Improving international ranking for New Zealand's broadband pricing	Desired  Actual 	New Zealand's ranking on broadband pricing relative to other countries has improved from 15th in 2016 to 11th in 2017.
	An increase in New Zealand's average broadband download speed	Desired  Actual 	New Zealand's average broadband speeds continue to accelerate. In the March 2017 quarter, the average speed was 14.7 Mbps according to Akamai. According to more recent data sources, the average speed had risen to 23.8 Mbps in the year to May 2018 (cable.co.uk).

² More information on the number of social housing places is located in the social housing section of the Ministry of Social Development's annual report

³ Funded from the Social Housing Fund

⁴ The number of Income Related Rent Subsidies nationwide has been used as the measure of social housing places

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	TREND		COMMENTARY
	At least 283,000 rural premises can access broadband capable of peak speeds of at least 5 Mbps by the end of 2016 under Phase 1 of the Rural Broadband Initiative (RBI)	Desired	At least 283,000	This target has been achieved with over 304,000 users being able to access rural broadband as at June 2018.
		Actual	Achieved	
	Increasing New Zealand's cellular mobile coverage	Desired		Deployment under the Mobile Black Spot Fund (MBSF) is expected to increase geographic mobile coverage by 20–30%, up from 50%.
		Actual		
	At least 90% of New Zealanders have access to a 4G network by 2019	Desired	90%	Achieved. 91% coverage as of February 2017.
		Actual	91%	
	Telecommunication Review to be completed by July 2016	Desired	July 2016	Completed June 2017.
		Actual	June 2017	
	100% of schools have access to fibre by the end of 2015 ⁵	Desired	100%	The target was achieved in 2015.
		Actual	100%	
Increased quality and accessibility (including affordability) of infrastructure	Reduction in electricity system interruptions (according to the system average interruption duration index – SAIDI)	Desired		The SAIDI increased from 192 in the year to March 2016 to 299 in the March 2017 year. Most of the increase was due to obstructions and weather, or were planned.
		Actual		

5 This excludes 49 remote schools that will have access to high-speed wireless

OUTCOME
**GREATER VALUE
SUSTAINABLY DERIVED
FROM THE NATURAL
ENVIRONMENT**

OUTCOME: GREATER VALUE SUSTAINABLY DERIVED FROM THE NATURAL ENVIRONMENT

GOVERNMENT PRIORITY:

› Transition to a clean, green and carbon-neutral New Zealand

New Zealand faces major economic transformation as it moves towards a carbon-neutral economy. It is important that prosperity is sustainable and enhances our natural environment.

Climate change research is funded through the Strategic Science Investment Fund, Contestable Investment and the National Science Challenges – through The Deep South Challenge and Resilience to Nature's Challenges.

We are leading cross-agency work to promote the use of government procurement to generate wider benefits. Government procurement can help shape the business environment and can be a powerful lever to support economic, environmental and social outcomes.

Shifting gears to low emissions

In future, New Zealanders will need to adapt to changes affecting where we live, how we work and our relationship with nature. These changes will be driven by such things as climate change, the impact of

automation on the future of work, and technological and demographic change. All this will have impacts on our economy.

The Just Transitions Unit (JTU) was set up in April 2018 to work on plans to transition New Zealand to a low-emissions economy. A 'just transition' is how we shift our economy to one that is productive, sustainable and inclusive. It is about creating opportunities – new jobs, new skills and new investments. It is also about understanding how the impacts are distributed and managed fairly across the economy.

The JTU will work with partners in central government, local councils, Māori, communities and business to manage the process. It will focus on coordinating government-wide strategies and plans to manage the opportunities and effects on households, workers, firms, regions and communities.

MBIE has worked closely with the Ministry for the Environment (MfE), to set up the Interim Climate Change Committee including the terms of reference for the Committee and provided the Minister of Energy and Resources advice on the establishment of the Interim Committee and the transition of the energy sector to low emissions. MBIE has also been supporting MfE in the development of the Zero Carbon Bill and Emissions Trading Scheme (ETS) review, including participating in public consultation on the Bill.

Government fleet to have more electric vehicles

Government agencies are being encouraged to purchase electric vehicles for their fleet cars as part of the drive to increase the use of electric vehicles in New Zealand. New Zealand Government Procurement and Property (NZGPP) continues to promote electric vehicles, adding available new models to the vehicle catalogue provided to agencies as part of the all-of-government vehicle contract.

Earlier this year NZGPP ran a pilot secondary procurement process, combining the demand from public and private sector organisations with the aim of improving the prices and range of electric vehicles available in New Zealand. More than 80 per cent of New Zealand's electricity is generated by renewable resources, making electric vehicles environmentally friendly and increasingly cost-effective.



CASE STUDY

Hybrid jet planes combat climate change

Our aim

We want to reduce New Zealand's carbon emissions and manage the impact of climate change on the economy.

Our role

We invest in excellent science that has the potential to positively impact New Zealand economically, environmentally and socially. We are funding a Victoria University project to power the world's first hybrid-electric jet planes through the Endeavour Fund, with \$6.3 million over five years. The Robinson Research Institute team in Wellington has an ambitious goal to create the fastest superconducting electric motor, powerful enough to put a Boeing 737 passenger plane in the air. Reducing carbon emissions and combating climate change is at the heart of this project.

The outcome

A 737-plane powered by a superconducting electrical motor will decrease fuel consumption by around 40 per cent, so the environmental and economic implications of this research are huge. The Institute's work on high-temperature superconductors has also led to many other potential applications, including high-speed trains, large wind generators, and magnetic resonance imaging (MRI) systems.

What this means for New Zealanders

- › It is important from an economic perspective for New Zealand to develop this technology. We are geographically isolated, and we rely on air transport for our trade, international connections and tourism. This means we would be heavily impacted by any future restriction on fuel-powered air travel.
- › The team is working with experts from around the world, including NASA, to develop this vitally important technology for the sake of our planet.

Electricity prices come under review

Electricity prices have increased faster than inflation for many years, putting pressure on household budgets. In comparison, prices faced by commercial and industrial customers have remained relatively flat.

The International Energy Agency’s (IEA) 2016 in-depth review of New Zealand found that residential electricity prices had grown from low levels much faster than in other IEA countries. It also found that residential prices in New Zealand were well above the IEA average in 2014, while industrial prices were below the IEA average.

We are leading a review of electricity prices to investigate whether the electricity market is delivering a fair price to consumers. The review will also consider whether electricity market systems will continue to be appropriate with rapidly changing technology and new innovations in the sector.

MBIE led pipeline leak response

In September 2017 a leak was discovered in a fuel pipeline transporting jet fuel between the Marsden Point Oil Refinery and Auckland Airport. The leak caused fuel

supply delays resulting in cancelled flights and limits to the supply of petrol at some fuel stations. MBIE led the Fuel Security Working Group’s immediate response to the disruption from the National Crisis Management Centre. Our people worked around the clock to collate information from relevant agencies to keep the media and public updated.












Review of fuel margins

MBIE monitors the components of retail fuel prices, including importer margins, to promote transparency and help consumers make informed choices.

In November 2017, MBIE reported back on the findings and recommendations of the Fuel Market Financial Performance Study, which aimed to investigate whether retail fuel prices were reasonable, and what conclusions could be drawn about retail fuel price differences at a regional level. The study was inconclusive, but the authors concluded that they had “reason to believe” that retail fuel prices may not be reasonable.

- › MBIE is currently in the process of amending the *Commerce Act 1986* to grant the Commerce Commission a market studies power.

What we’re working towards

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	TREND	COMMENTARY
Investment and development of petroleum and mineral resources	Increasing petroleum liquids production	Desired  Actual 	11.3 million barrels were produced in 2017, down from 12.7 in 2016 and 14.9 in 2015.
	Increasing net natural gas production	Desired  Actual 	171.1 petajoules of net natural gas were produced in the year to 01 June 2018, down from 182.4 in 2017, and 185.0 in 2016.
Improved energy productivity and management of resources	Reducing New Zealand’s energy intensity levels (based on megajoules per dollar of GDP (MJ)/\$GDP) and 1995/96 prices)	Desired  Actual no new data	No new data. Energy intensity levels were 2.56 MJ/\$GDP in 2015, down from 2.6 MJ/\$GDP in 2014, continuing a longer term trend.
Reduced carbon intensity in the economy	Reducing carbon intensity of the New Zealand economy (tonnes of CO ₂ equivalent per unit of real GDP (2009/10 prices)	Desired  Actual 	Carbon intensity decreased from 367.6 tonnes of CO ₂ equivalent per million dollars of GDP in 2015 to 346.1 tonnes in 2016, continuing a long-term downward trend.
	Reducing New Zealand’s total greenhouse gas emissions	Desired  Actual 	Total greenhouse gas emissions reduced 2.5% from 80.7 megatonnes of carbon dioxide equivalent in 2015 to 78.7 in 2016.
	Increasing percentage of New Zealand’s electricity is generated from renewable sources	Desired  Actual 	The proportion of electricity from renewable sources averaged 80.8% in the year to March 2018, down from 85.8% the previous year, but up from 72.9% five years ago, continuing a longer term trend.



OUTCOME
**MORE PRODUCTIVE
AND PROSPEROUS
SECTORS, REGIONS
AND PEOPLE**

OUTCOME: MORE PRODUCTIVE AND PROSPEROUS SECTORS, REGIONS AND PEOPLE

GOVERNMENT PRIORITIES:

- › **Support thriving, sustainable regions**
- › **Build closer partnerships with Māori**

Many of our areas of responsibility – such as labour and immigration, tourism, digital enablement, energy, building and construction and government procurement – have a major impact on regional New Zealand. We are also conscious of the need for economic connections between our rural and urban areas.

A key priority for MBIE and the government is to increase prosperity in regional New Zealand. Thriving regions are an important part of raising the country's economic performance and lifting the wellbeing of our communities. Nearly half of New Zealand's population lives outside the main urban centres, and regional economies generate around 40 per cent of the country's economic output.

We are targeting areas of high need and high promise through the PGF and supporting Māori economic development through He kai kei aku ringa – the Crown–Māori Economic Development Strategy. We prioritise work that has the largest potential to lift New Zealand's economic performance. It is important to make sure that our regional growth and Māori economic development strategies are linked, and we are looking for opportunities to partner with Māori to improve the use of their resource base and to help improve Māori economic and social outcomes.

Provincial Development Unit helps regions unlock potential

We manage the Provincial Growth Fund (PGF), which targets investment to build the capacity and capability of people in the regions, to invest in infrastructure, and to work strategically with the regions to develop their potential.

In 2018 the government allocated \$3 billion over three years. The Provincial Development Unit in Wellington implements and administers the PGF working closely with other agencies including the Department of Conservation, Ministry for Primary Industries, Ministry of Transport, New Zealand Transport Agency, and Te Puni Kōkiri.

Strategy sets ambitious goals for Māori development

He kai kei aku ringa – the Crown–Māori Economic Development Strategy – sets some ambitious goals for Māori economic development that focus on employment, regions, enterprise, rangatahi and education.

The programmes supported by He kai kei aku ringa (HKKAR) include Rangatahi Business Challenges, Pakihi business workshops, and Kōkiri, the Māori business accelerator programme. HKKAR also supports Māori economic development initiatives.

We work with a group of agencies to coordinate the planning and implementation of HKKAR, and we support the Māori Economic Development Advisory Board, which is the kaitiaki of the strategy. The board is made up of leaders representing Māori business, academia, iwi and rangatahi.

Project targets youth unemployment

He Poutama Rangatahi is a project designed to tackle youth unemployment in four identified regions of high need. This is a pilot initiative in Te Tai Tokerau, Eastern Bay of Plenty, Tairāwhiti and Hawke's Bay. It supports communities to develop pathways into ongoing employment for rangatahi (aged 15–24).

The rangatahi targeted are those who are not in employment, education or training and are at most risk of long-term unemployment. They may also need more individual, continued support to connect to training and employment. He Poutama Rangatahi also supports communities to take advantage of these opportunities. Having a youthful population is an asset for any community and, by helping their young people become 'work-ready', they will encourage employers to invest in bringing local rangatahi into their workforce.



Pasifika interns on track for highly skilled jobs

We are creating pathways into highly skilled and highly paid employment for Pacific people through the Tupu Tai, Tupu Tek and Tupu Toa internship programmes. These provide summer internships for Pacific graduates in policy, procurement, project management, information technology and corporate roles.

The Pacific Economic Strategy 2015–2021 directs how MBIE can support Pacific people to be part of New Zealand’s economic success. A focus of the strategy is for Pacific people to be able to adapt to labour market changes and employment opportunities. This means having skills and being employed in areas where there is economic growth, as well as having skills that can transfer to different sectors.

We are also working on a research project with Auckland Council, the Ministry for Pacific Peoples and Ministry of Education to understand the barriers that prevent Pacific people progressing in the workplace. The research, due to be launched in 2018, highlights key areas for Pacific people and agencies to work on.

The Digital Moana Forum, held during Tech Week in May 2018, showcased Pacific people who are successfully navigating the tech sector. The purpose of the forum was to highlight new technologies and opportunities for Pacific people to get involved. Those attending were encouraged to join our Tupu Tek internship programme.

Small business roadshows take it to the people

Our Small Business Roadshow is designed to help the nation’s small businesses get the most out of their dealings with government agencies.

Representatives from government agencies (including the Accident Compensation Corporation (ACC); WorkSafe New Zealand; Immigration New Zealand; Inland Revenue; Ministry of Social Development; MBIE; New Zealand Trade and Enterprise; and Statistics New Zealand) deliver a short pitch about what they do and how they can help, and answer questions.

More than 440 small-business owners and operators attended the first six events in Wellington, Levin, Rotorua, Taupō and Napier, up to June 2018. This represented the highest engagement yet in an increasingly popular and valuable series.

Job hub connects workers with jobs

The Auckland CBD Jobs and Skills Hub was created by industry and local and central government to meet the demand for construction workers in central Auckland. The purpose of the hub is to connect employers and job seekers, to provide skills training for workers and to support ongoing employment.

The funding and connections for the hub have been coordinated by our Sector Workforce Engagement Programme team, and we are jointly funding the hub’s Operational Manager with the Ministry of Social Development.

Digital leaders discuss sector support

We took part in the fourth annual Digital Nations 2030 conference in February, with New Zealand hosting delegations from Estonia, Israel, South Korea and the United Kingdom in Auckland. Our CEO joined a panel discussion about how to support a thriving digital sector and how to measure progress in the digital economy.

Screen sector grows with help from production grant

The New Zealand Screen Production Grant has increased international production activity and made New Zealand more attractive to the competitive global screen market.

Major productions accessing the grant included *Pete's Dragon*, *Ghost in the Shell*, *War for the Planet of the Apes*, *The Meg*, *Mortal Engines* and *Avatar* sequels. *Mortal Engines* is set for its release in December 2018, and the first two *Avatar* sequels have recently started production here.

The screen sector is growing, and economic benefits are being felt by businesses in the sector, with spill-overs for other sectors, particularly tourism and technology.

An evaluation of the New Zealand Screen Production Grant this year provided a useful insight into its value to New Zealand. It highlighted positive economic and cultural impacts for the country, but also confirmed the difficulties in calculating the net economic benefit from the grant.

Support for America's Cup designed to benefit New Zealand

We are working with other central government agencies, Auckland Council and Emirates Team New Zealand to deliver infrastructure and event services to support the 36th America's Cup in Auckland. The key focus is to ensure the event provides a return for taxpayers and Auckland ratepayers as well as legacy benefits for Auckland City and New Zealand.

The 2017 Rugby League World Cup attracted 8,229 international visitors, the Women's World Hockey League Final was broadcast to a global audience of 78.5 million viewers in 130 countries, and 515,000 people visited the Auckland event village during the Volvo Ocean Race in 2018.

Tourism potential explored

We provide advice to the government on how to shape tourism, building on its strengths and meeting the challenges associated with this sector. Our aim is to realise the opportunities tourism presents to enrich the country and all New Zealanders.



Great rides attract a million cyclists

Every year more than a million people use the 22 Great Rides of Ngā Haerenga, the New Zealand Cycle Trail. The Great Rides network of premier and off-road cycle trails showcase the best of our landscapes, environment, culture and heritage.

We administer funding each year to enhance and extend the Great Rides. The trails are an excellent way to draw visitors to New Zealand's regions, boosting local economies and the tourism sector with demand for food, accommodation, transport and attractions.

Tourism Infrastructure Fund

Twenty-four local councils received funds for car parks, wastewater systems, rubbish compactors, toilets, freedom-camping facilities and other projects.



CASE STUDY

Inventor sees the potential in a pest

Our aim

We encourage great ideas that will have a positive impact on New Zealand. At the same time our aim is to promote Māori economic development.

Our role

We supported young Christchurch entrepreneur Logan Williams (Kāi Tahu) to pursue his idea to get rid of the environmentally damaging algae didymo from New Zealand waterways. He saw a business opportunity in the algae and was backed by Kōkiri, the country's first Māori business accelerator, to develop his company Biome Innovation. Kōkiri is managed by Callaghan Innovation with our Māori Economic Development Unit involved in policy, ongoing participation and monitoring. It is co-funded by MBIE's Te Pūnaha Hiringa Māori Innovation Fund and is supported by He kai kei aku ringa – the Crown–Māori Economic Development Strategy.

The outcome























After several years of research and development, Williams found that didymo could be used to create sustainable plastics and fabrics. He invented a process that turns the algae into sheets that can be moulded and produced in a range of colours, textures and patterns. The process has a zero-waste rating. The innovative idea earned Williams his spot on Kōkiri, making him the youngest entrepreneur to participate in the programme. He recently joined Fonterra's Research and Development plant in Palmerston North, where he will work on developing sustainable packaging using the latest materials. This is part of a multi-million-dollar project that uses his invention to clean contaminated water run-off from farms.

What this means for New Zealanders:

- › Logan Williams' invention is turning an environmentally damaging threat into something with potential benefits for our environment and economy.
- › His start-up company, Biome Innovation, is working with local suppliers to manufacture its first range of products.
- › Kōkiri is designed to help Māori start-ups realise their potential, which could provide an opportunity for New Zealand's regions to attract capital investment to New Zealand.



What we're working towards

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	TREND	COMMENTARY
Increasing knowledge-intensive activities and exports	Increasing percentage of innovative businesses that have external linkages	Desired  Actual no new data	No new data. Half of innovative firms had international linkages in 2007 and 2011.
More dynamic and better connected regional economies	Positive trends in regional gross domestic product (GDP) per capita	Desired  Actual 	Compound annual growth in real GDP per capita from year-ended March 2012 to 2017 was positive for 14 out of 16 regions.
	Positive trends in regional household incomes	Desired  Actual 	All but 1 of 16 regions experienced positive compound annual growth rate (CAGR) in mean annual household incomes over 2012 to 2017.
	Positive trends in regional employment	Desired  Actual 	10 out of 12 regions experienced positive compound annual growth rate (CAGR) in employment over 2012 to 2017.
Increased and inclusive economic growth of the Auckland region	Increase in productivity in the Auckland region (GDP per hours worked)	Desired  Actual 	GDP per hour in Auckland has been trending upward since 2009, but reduced from its peak of \$54.3 in March 2016 to \$52.0 in March 2017.
	Increase in innovation in the Auckland region (patents per million population)	Desired  Actual no new data	No new data. The number of patents per million population in Auckland was 71.5 in 2012, slightly below the previous peak of 71.8 in 2002.
Increased resilient economic growth of Canterbury region	Increasing Canterbury region GDP	Desired  Actual 	GDP in the Canterbury region increased from \$29.7 billion in the 2016 March year to \$30.5 billion in 2017.
	Increasing Canterbury region GDP per capita	Desired  Actual 	Canterbury GDP per capita was \$49,800 in the 2017 March year, up slightly from \$49,500 the year before.
	Improving performance against the Canterbury Region Manufacturing Index	Desired  Actual 	The Canterbury Region Manufacturing Index has fluctuated around the 55 point mark from 2013 to 2018.
	Improving performance against the Canterbury Region Construction Index	Desired  Actual no new data	No new data. The index was 196 in May 2017, compared with 197 in May 2016.
	Increasing numbers of skilled jobs in the Canterbury region as a proportion of total employment	Desired  Actual 	60% of jobs in Canterbury were skilled or highly skilled in June 2018, the same as in June 2017.
Increased economic growth for Māori whānau and business	Increasing median weekly income for Māori as a percentage of the national median	Desired  Actual no new data	No new data. Māori median weekly income was \$517 in June 2017, 84% of the national median. This was down from 85% in June 2016.
	Increasing Māori participation in the workforce	Desired  Actual 	The Māori participation rate was 71.3% in the June 2018 quarter, up from 69.9% the previous quarter, and has reached the participation rate for all ethnic groups.

OUR SERVICES AND FUNCTIONS OUTPUT MEASURES

This section of the report includes information on the performance for services delivered through the year that contributed to the achievement of our outcomes. This includes information on some services delivered by Crown entities where they were funded by multi-category appropriations (MCAs).

More supportive and dynamic business environment

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
Commerce and Consumer Affairs – Consumer Information This appropriation is intended to achieve a trading environment in which consumers are well informed, adequately protected, trading is fair, and in which there is effective competition.	Number of consumer information campaigns launched	4	4	3	New measure for 2017/18
Commerce and Consumer Affairs – Official Assignee Functions This appropriation is intended to increase business confidence through the discharge of the Official Assignee's statutory responsibilities.	Audit rating of acceptable or better, for compliance with statutory and best practice management functions across all Insolvency Offices	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18
Commerce and Consumer Affairs – Registration and Granting of Intellectual Property Rights This appropriation is intended to achieve the protection of robust intellectual property rights to allow New Zealand businesses to grow domestically and internationally.	Percentage of decisions by the Intellectual Property Office and the Plant Variety Rights Office to accept, grant or register intellectual property rights that are upheld	99%	100%	100%	100%
Commerce and Consumer Affairs – Registration and Provision of Statutory Information This appropriation is intended to achieve effective and efficient interaction between business and government through the management of registers and provision of access to authoritative information.	Percentage of online company name approvals and consents processed within 35 minutes of receipt during normal business hours	95%	99%	99%	99%
	Availability of the Companies and Personal Property Securities online registers (excludes agreed outages for scheduled maintenance)	99%	100%	100%	100%
	Increase in visits year-on-year to business.govt.nz for access to information and advice, and to interact or transact with government	10%	22% ⁶	18%	52%
Commerce and Consumer Affairs – Standards Development and Approval This appropriation is intended to achieve the development of, and access to, standards in New Zealand that meet the needs of business, regulators and consumers.	Percentage of draft New Zealand standards submitted for approval by the Standards Executive that meet the statutory criteria as specified in the <i>Standards and Accreditation Act 2015</i>	100%	100%	100%	100%
	Percentage of New Zealand standards developed or updated in the timeframes agreed with contract parties, taking into account formally approved changed controls (as variations to a contract)	95%	100%	100%	100%

6 This variation year on year is due to the success of the implementation of the three year strategy to reach significantly more small businesses, by leveraging partnerships with other agencies and optimising online visibility. It is anticipated that eventually all small businesses will be reached and so this growth may not be sustainable.

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
<p>Commerce and Consumer Affairs – Trading Standards</p> <p>This appropriation is intended to achieve a trading environment in which businesses and consumers are well informed, adequately protected, trading is fair, and there is effective competition.</p>	An internal audit and assurance rating received on the quality and timeliness of administration of product safety, weights and measures legislation, and fuel quality monitoring	Rating of acceptable or better	Achieved	Achieved	High level of compliance achieved
<p>Economic Development – Implementation of Improvements in Public Sector Procurement and Services to Business</p> <p>This appropriation is intended to achieve better public services and encourage business growth.</p>	Percentage of participating agencies satisfied or very satisfied	70%	71%	75%	74%
	Year-on-year improvement in business feedback about the quality of government procurement practice from the annual government procurement business survey	Achieved	Achieved	Achieved	Achieved
	Savings target across public sector agencies identified through the Government Procurement Reform agenda for the financial year	\$90m	\$146m ⁷	\$152m	\$128m
	From the year to June 2019 onwards, business customers experience more coordinated and consistent services (i.e. seamless) from government, as measured by year-on-year increases in the cross-agency Business Customer Experience Index (CXI) 'seamless' measures, relative to June 2017	Baselines established and actions agreed	Achieved	New measure for 2017/18	New measure for 2017/18
<p>Economic Development – Property Management Services</p> <p>This appropriation is intended to achieve efficient and effective shared accommodation services in the state sector.</p>	The cost of shared accommodation services are recovered from participating tenant agencies	Achieved	Achieved	Achieved	New measure for 2017/18
<p>Economic Development – Property Management within the State Sector</p> <p>This appropriation is intended to achieve improved property management practices across government.</p>	The Government Property Group (GPG) will ensure all property plans submitted by mandated government agencies, and approved by GPG, align with the Government National Property Strategy ⁸	Achieved	Achieved	Not achieved	Achieved
<p>Commerce Commission Litigation Funds MCA</p> <p>The overarching purpose of this appropriation is to meet the costs of major litigation activity undertaken by the Commerce Commission arising from its general market or sector-specific activities.</p>	Litigation Funds are used in accordance with the Litigation Fund criteria ⁹	Achieved	Achieved	Achieved	Achieved

7 MBIE relies on information provided by suppliers to calculate savings. MBIE reviews information provided for reasonableness, but cannot confirm the accuracy of the data.

8 This is a revised measure put in place in the 2017/18 Supplementary Estimates. In last year's Annual Report the explanation provided for the non-achievement of the previous measure was incorrect (page 13 MBIE 2016/17 Annual Report). The corrected explanation is: Property Planning Guidance was issued in November 2016. The new guidance included more complex requirements for agencies. As a result, agencies were not able to update their property plans to reflect the new requirements by 30 June 2017, which meant that the performance target was not achieved. MBIE is working with agencies to ensure completion of their property plans and their alignment with the Government National Property Strategy.

9 Reporting for this appropriation is included in this section of the Annual Report so that it is with the other reporting of non-financial performance for appropriations, and not in an appendix to the Report as stated in the 2017/18 Estimates for Vote Business, Science and Innovation.

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
<p><i>Commerce Commission Externally Sourced Litigation Fund</i></p> <p>This category is intended to achieve the best possible outcomes for New Zealanders in competitive and regulated markets by enabling the Commerce Commission to undertake major or complex externally sourced litigation where appropriate.</p>	Using the Fund according to conditions for use ⁹	Achieved	Achieved	Achieved	Achieved
<p><i>Commerce Commission Internally Sourced Litigation Fund</i></p> <p>This category is intended to achieve the best possible outcomes for New Zealanders in competitive and regulated markets by enabling the Commerce Commission to undertake major or complex internally sourced litigation where appropriate.</p>	Using the Fund according to conditions for use ⁹	Achieved	Achieved	Achieved	Achieved
<p>Policy Advice and Related Outputs MCA</p> <p>The overarching purpose of this appropriation is to provide policy advice and other support services to Ministers in discharging their policy decision-making and other portfolio responsibilities.</p>	Average satisfaction of the Ministers	Reaching or exceeding 70%	72%	77%	75%
	The total cost per hour of producing policy outputs	No more than \$155	\$153	\$191	\$141
<p><i>Investigative Services – Trade Remedies</i></p> <p>This category is intended to achieve a fair international trading environment for New Zealand manufacturers through the imposition of anti-dumping and countervailing duties on imported goods, and to allow New Zealand manufacturers time to adjust to competition from surges of imported goods through the imposition of temporary safeguard measures, where an investigation has established that either action is justified.</p>	Timeliness of investigations allowed interested parties to appropriately contribute and the Minister of Commerce and Consumer Affairs to make final timely determinations	In accordance with statutory timeframes	100%	100%	New measure for 2017/18
	No successful court challenges or successful World Trade Organization (WTO) dispute settlement actions related to the <i>Dumping and Countervailing Duties Act 1988</i> or the <i>Trade (Safeguard Measures) Act 2014</i>	Achieved	Achieved	Achieved	Achieved
<p><i>Policy Advice – Commerce and Consumer Affairs</i></p> <p>This category is intended to provide high-quality policy advice to Ministers.</p>	The satisfaction of the Minister of Commerce and Consumer Affairs with the policy advice service, as per the common satisfaction survey	At least 70%	81%	80%	70%
	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	At least an average of 73%	74%	75%	74%
<p><i>Policy Advice – Economic Development</i></p> <p>This category is intended to provide high-quality policy advice to Ministers.</p>	The satisfaction of the Minister for Economic Development with the policy advice service, as per the common satisfaction survey	At least 70%	75%	65%	78%
	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	At least an average of 73%	71%	72%	69%
<p><i>Policy Advice – Small Business</i></p> <p>This category is intended to provide high-quality policy advice to Ministers.</p>	The satisfaction of the Minister for Small Business with the policy advice service, as per the common satisfaction survey	At least 70%	84%	72%	67%
	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	At least an average of 73%	67%	74%	68%

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
<p><i>Related Services to Ministers – Commerce and Consumer Affairs</i></p> <p>This category is intended to provide effective and efficient ministerial services, and to monitor the performance and compliance of Crown entities and statutory bodies.</p>	Ministers receive advice on entities' accountability documents within statutory timeframes	100%	100%	100%	100%
	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	100%	99%	100%
	Ministerial correspondence	95% or above	99%	99%	96%
<p><i>Related Services to Ministers – Economic Development</i></p> <p>This category is intended to provide effective and efficient ministerial services, and to monitor the performance and compliance of Crown entities.</p>	Ministers receive advice on entities' accountability documents within statutory timeframes	100%	100%	100%	100%
	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	100%	97%	97%
	Ministerial correspondence	95% or above	98%	100%	92%
<p><i>Related Services to Ministers – Small Business</i></p> <p>This category is intended to provide effective and efficient ministerial services.</p>	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	100%	100%	88%
	Ministerial correspondence	95% or above	98%	96%	95%
	Ministerial <i>Official Information Act 1982</i> requests	95% or above	100%	100%	No requests received
<p>Sector Analysis and Facilitation MCA</p> <p>The overarching purpose of this appropriation is to provide services that support the effective functioning of individual economic sectors.</p>	Increased access to and use of data	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18
<p><i>Sectoral and Regional Data and Analysis – Economic Development</i></p> <p>This category is intended to achieve the generation of more trust and confidence in markets, allow businesses to assess and develop markets with ease, and increase international trade and investment.</p>	Number of page views and screen views of regional and sector data pages, web-apps and mobile-apps	400,000–450,000	472,500	New measure for 2017/18	New measure for 2017/18

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
Tourism Data and Analysis – Tourism This category is intended to achieve knowledge and understanding that enables businesses to assess and develop markets with ease and increases international trade and investment.	Meet Statistics New Zealand’s Official Statistics Standards and Protocols for all core Tourism datasets published by MBIE	Achieved	Achieved	Achieved	Achieved
	Deliver on agreed Tourism data improvement programme	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18
Seed Co-Investment Fund MCA The overarching purpose of this appropriation is to provide capital to support the development of markets for early stage equity finance and venture capital.	Number of new investments in companies from the Seed Co-Investment Fund reaching or exceeding 15. ¹⁰	Achieved	28 new investments	22 new investments	17 new investments
Services and Advice to Support Well-functioning Financial Markets MCA The overarching purpose of this appropriation is to support well-functioning financial markets through the activities of the Financial Markets Authority (FMA).	Investor Confidence Index (a composite measure of the confidence of New Zealanders in financial markets)	Meeting at least 71%	64% ¹¹	65%	56%
Performance of Investigation and Enforcement Functions This category is intended to achieve fair, efficient, and transparent financial markets through the FMA’s regulatory and enforcement actions.	Investigation and enforcement activities are undertaken and completed according to agreed timeframes and standards	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18
Performance of Licensing and Compliance Monitoring Functions This category is intended to achieve compliance of market participants and frontline regulators.	Fully completed licence applications, regulated offers and completed applications for exemptions are processed within agreed timeframes and standards	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18
	The FMA provides substantive feedback on licensing applications, regulated offers and disclosures that result in improvements being made or documents withdrawn	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18

10 The New Zealand Venture Investment Fund (a Crown entity) selects, manages and holds the investments in companies from the Seed Co-Investment Fund.

11 Confidence is likely to have been affected by various high-profile governance issues in listed companies this year, and also may be due to licensed market participants not achieving the level expected in showing how they achieve good customer outcomes.

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
<p><i>Performance of Market Analysis and Guidance, Investor Awareness, and Regulatory Engagement Functions</i></p> <p>This category is intended to make sure investors have access to resources that help them make more informed decisions.</p>	The FMA undertakes at least 20 industry or business presentations or speeches per year, with the aim of providing better information and insight for regulated populations	Achieved	Achieved	26	21
	Percentage of FMA website visitors surveyed who rate the content they accessed as useful in helping them to comply, or to make informed investment decisions	100%	94% ¹²	92%	96%
	Market participants within the entity-based relationship management programme who say they have benefitted from the relationship	100%	89% ¹³	New measure for 2017/18	New measure for 2017/18
<p>MBIE – Capital Expenditure Permanent Legislative Authority (PLA)</p> <p>This appropriation is intended to achieve the implementation of MBIE’s capital expenditure plan.</p>	Percentage of MBIE projects delivered on time, scope and budget ¹⁴	85%	85%	New measure for 2017/18	New measure for 2017/18

¹² Confidence is likely to have been affected by various high-profile governance issues in listed companies this year, and also may be due to licensed market participants not achieving the level expected in showing how they achieve good customer outcomes.

¹³ One entity out of a small sample stated they did not benefit from the programme, but did not state the reason for their response.

¹⁴ As measured by Treasury’s Investor Confidence Rating project delivery measure across time, scope and budget.

VOTE LABOUR MARKET		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
ACC – Regulatory Services This appropriation is intended to achieve timely advice that manages the Crown's risk and contributes to skilled and safe workplaces, and trusted, competitive and well-functioning markets.	The Accident Insurance Regulator will respond to all complaints and enquiries, including notices of insurers failing to comply with their obligation under the <i>Accident Insurance Act 1998</i> , within five days of receipt	100%	No complaints or enquiries received to date	No complaints or enquiries received to date	100%
Workplace Relations and Safety – Employment Relations Services This appropriation is intended to achieve well-functioning workplaces through services to educate and advise employers and employees.	Percentage of investigations into suspected breaches of regulatory standards of employment legislation completed within six months	90%	84% ¹⁵	67%	84%
	The percentage of customers satisfied with overall quality and timeliness of mediation services	80%	87%	87%	86%
	The number of proactive interventions aimed at ensuring minimum compliance with employment standards	1,000–1,100	991 ¹⁶	1,066	New measure for 2017/18
	The number of reactive interventions aimed at ensuring minimum compliance with employment standards	1,000–1,100	1,033	1,168	1,851
	Proportion of investigations that involve a regulatory partner	30%	26% ¹⁷	Achieved	New measure for 2017/18
Workplace Relations and Safety – Shared Services Support This appropriation is intended to achieve the provision of corporate services on behalf of WorkSafe New Zealand, the Pike River Recovery Agency, and other agencies with which arrangements are made.	Services are provided to the service levels and timeframes agreed with WorkSafe New Zealand	Achieved	Achieved	Achieved	Achieved
	Services are provided to the service levels and timeframes agreed with Pike River Agency	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18
Policy Advice and Related Outputs MCA The overarching purpose of this appropriation is to provide policy advice and other support services to Ministers in discharging their policy decision-making and other portfolio responsibilities.	Average satisfaction of the Ministers	Reaching or exceeding 70%	80%	71%	74%
	The total cost per hour of producing policy outputs	No more than \$155	\$153	\$191	\$141
Policy Advice – ACC This category is intended to provide high-quality policy advice to support Ministerial decision-making on government policy matters relating to the accident compensation system.	The satisfaction of the Minister for ACC with the policy advice service, as per the common satisfaction survey	At least 70%	80%	73%	72%
	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	At least an average of 73%	76%	70%	71%

¹⁵ Case complexity, escalation to Employment Court, and implementation of a new case management system impacted on performance. The new system is expected to increase productivity in 2018/19.

¹⁶ Increased media profile resulting in a rise in reactive complaints reduced capacity for proactive interventions.

¹⁷ Performance impacted by implementation of new case management system.

VOTE LABOUR MARKET		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
<p><i>Policy Advice – Workplace Relations and Safety</i></p> <p>This category is intended to provide high-quality policy advice to support Ministerial decision-making on government policy matters relating to workplace relations and safety, and international labour commitments.</p>	The satisfaction of the Minister for Workplace Relations and Safety with the policy advice service, as per the common satisfaction survey	At least 70%	80%	72%	74%
	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	At least an average of 73%	73%	74%	74%
	Meet New Zealand’s International Labour Organization’s related commitments through protecting and promoting New Zealand’s labour interests, including submitting all required reports and questionnaires within specified timeframes	100% met	100%	100%	100%
	Tripartite partners and senior officials are satisfied with the quality of support, and representation, including stakeholder consultation, provided to meet New Zealand’s labour-related international commitments	Satisfied	Achieved	Achieved	Achieved
	Provide support to the Ministry of Foreign Affairs and Trade in negotiation of trade labour agreements as part of all free trade agreements, and implemented in accordance with each agreement	Support provided as requested	Achieved	Achieved	Achieved
<p><i>Related Services to Ministers – ACC</i></p> <p>This category is intended to provide effective and efficient ministerial services to enable Ministers to discharge their accident compensation portfolio responsibilities.</p>	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	100%	100%	100%
	Ministerial correspondence	95% or above	100%	100%	98%
	Ministerial <i>Official Information Act 1982</i> requests	95% or above	100%	100%	100%
<p><i>Related Services to Ministers – Workplace Relations and Safety</i></p> <p>This category is intended to provide effective and efficient ministerial services to enable Ministers to discharge their workplace relations and safety portfolio responsibilities, and monitor the performance of Crown entities and statutory bodies.</p>	Ministers receive advice on entities’ accountability documents within statutory timeframes	100%	100%	100%	100%
	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	100%	100%	99%
	Ministerial correspondence	95% or above	97%	96%	95%
	Ministerial <i>Official Information Act 1982</i> requests	95% or above	100%	100%	100%

How much we spent

ACTUAL 2016/17 \$000	OUR EXPENDITURE SUMMARY	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
195,897	Departmental expenses	218,792	230,084	216,327
1,395,765	Non-departmental expenses	1,536,187	1,538,436	1,538,517
	– Departmental capital	–	–	–
5,139	Non-departmental capital	11,552	11,552	11,562
1,596,801	Total expenditure	1,766,531	1,780,072	1,766,406

Statement of budgeted and actual expenses and capital expenditure incurred

Our services and functions

ACTUAL 2016/17 \$000	APPROPRIATION NAME	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
	Departmental outputs			
2,425	Commerce and Consumer Affairs: Consumer Information	2,487	2,487	2,327
15,607	Commerce and Consumer Affairs: Official Assignee Functions	16,235	16,237	15,637
17,571	Commerce and Consumer Affairs: Registration and Granting of Intellectual Property Rights	20,521	20,588	18,718
35,898	Commerce and Consumer Affairs: Registration and Provision of Statutory Information	38,768	39,771	38,521
6,276	Commerce and Consumer Affairs: Standards Development and Approval	6,462	6,729	4,909
4,922	Commerce and Consumer Affairs: Trading Standards	4,916	4,928	4,928
19,161	Economic Development: Improvements in Public Sector Procurement and Services to Business	21,290	24,787	22,457
2,096	Economic Development: Property Management Services	8,221	9,700	5,158
3,238	Economic Development: Property Management Centre of Expertise	3,397	3,752	2,707
72	ACC – Regulatory Services	78	122	122
34,192	Workplace Relations and Safety – Employment Relations Services	35,842	36,994	35,243
10,667	Workplace Relations and Safety – Shared Services Support	11,667	11,750	11,000
152,125	Total departmental output expenditure	169,884	177,845	161,727
	Multi-category expenses and capital expenditure			
28,975	Policy Advice and Related Outputs MCA – Vote Business, Science and Innovation	33,513	35,871	36,497
	<i>Departmental output expenses</i>			
447	› Investigative Services – Trade Remedies	845	562	562
9,055	› Policy Advice – Commerce & Consumer Affairs	8,898	8,722	8,511
11,732	› Policy Advice – Economic Development	14,364	18,414	19,516
1,377	› Policy Advice – Small Business	1,568	1,234	1,234
1,788	› Related Services to Ministers – Commerce and Consumer Affairs	1,874	1,946	1,946
4,022	› Related Services to Ministers – Economic Development	5,469	4,511	4,511
554	› Related Services to Ministers – Small Business	495	482	217

ACTUAL 2016/17 \$000	APPROPRIATION NAME	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
9,074	Policy Advice and Related Outputs MCA – Vote Labour Market	9,318	9,221	10,956
	<i>Departmental output expenses</i>			
2,029	› Policy Advice – ACC	1,633	1,626	2,426
6,360	› Policy Advice – Workplace Relations and Safety	6,849	6,594	7,494
195	› Related Services to Ministers – ACC	215	301	301
490	› Ministerial Services – Workplace Relations and Safety	621	700	735
5,723	Sector Analysis and Facilitation MCA	6,077	7,147	7,147
	<i>Departmental output expenses</i>			
1,585	› Sectoral and Regional Data and Analysis – Economic Development	1,509	2,353	3,953
4,138	› Tourism Data and Analysis – Tourism	4,568	4,794	3,194
5,848	Commerce Commission Litigation Funds MCA	9,119	10,500	10,500
	<i>Non-departmental other expenses</i>			
3,105	› Commerce Commission Externally-Sourced Litigation	5,802	7,000	7,000
2,743	› Commerce Commission Internally-Sourced Litigation	3,317	3,500	3,500
7,689	Seed Co-Investment Fund MCA	2,330	2,330	2,330
	<i>Non-departmental output expenses</i>			
2,800	› Investment Fund Management	2,330	2,330	2,320
	<i>Non-departmental capital expenditure</i>			
4,889	› Seed Co-Investment Fund	–	–	10
26,185	Services and Advice to Support Well-functioning Financial Markets MCA	36,000	36,000	36,000
	<i>Non-departmental output expenses</i>			
6,016	› Performance of Investigation and Enforcement Functions	8,065	8,065	8,065
11,298	› Performance of Licensing and Compliance Monitoring Functions	15,833	15,833	15,833
8,871	› Performance of Market Analysis and Guidance, Investor Awareness, and Regulatory Engagement Functions	12,102	12,102	12,102
83,494	Total multi-category expenses and capital expenditure	96,357	101,069	103,430
235,619	Total expenditure	266,241	278,914	265,157

Other services – Non-departmental

ACTUAL 2016/17 \$000	APPROPRIATION NAME	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
	Non-departmental output expenses				
4,410	Commerce and Consumer Affairs: Accounting and Assurance Standards Setting	1	4,410	4,410	4,410
1,494	Commerce and Consumer Affairs: Administration of the Takeovers Code	2	1,494	1,494	1,494
–	Commerce and Consumer Affairs: Economic Regulation Inquiries		–	–	1,000
462	Commerce and Consumer Affairs: Enforcement of Dairy Sector Regulation and Auditing of Milk Price Setting	3	566	757	757

ACTUAL 2016/17 \$000	APPROPRIATION NAME	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
17,485	Commerce and Consumer Affairs: Enforcement of General Market Regulation	3	18,573	18,573	17,823
6,682	Commerce and Consumer Affairs: Retirement Commissioner	4	7,422	7,422	7,522
1,722	Commerce and Consumer Affairs: Review of Input Methodologies for Economic Regulation		–	–	–
158,078	ACC – Case Management and Supporting Services	5	167,716	167,716	167,716
12,304	ACC – Case Management and Supporting Services – Treatment Injuries for Non-Earners	5	14,459	14,459	14,459
284,706	ACC – Public Health Acute Services	5	293,858	293,858	293,858
1,727	ACC – Public Health Acute Services – Treatment Injuries for Non-Earners	5	1,776	1,776	1,776
595,259	ACC – Rehabilitation Entitlements and Services	5	630,766	630,766	630,766
117,832	ACC – Rehabilitation Entitlements and Services – Treatment Injuries for Non-Earners	5	128,131	128,131	128,131
	ACC – Supporting Equitable Pay for Care and Support Workers	5	44,900	44,900	44,900
823	Workplace Relations and Safety – Employment Relations Education Contestable Fund		–	–	–
869	Workplace Relations and Safety – Health and Safety in Employment Levy – Collection Services	6	869	869	869
87,863	Workplace Relations and Safety – Workplace Health and Safety	7	92,968	92,968	92,968
1,291,716	Total non-departmental output expenses		1,407,908	1,408,099	1,408,449
	Benefits or related expenses				
50,391	ACC – Compensation Entitlements	6	58,941	58,941	58,941
11,107	ACC – Compensation Entitlements – Treatment Injuries for Non-Earners	6	13,891	13,891	13,891
61,498	Total benefits or related expenses		72,832	72,832	72,832
	Non-departmental other expenses				
1,999	Commerce and Consumer Affairs: Financial Markets Authority Litigation Fund	8	1,788	2,000	2,000
	Commerce and Consumer Affairs: Takeovers – Panel Litigation Fund	2	–	200	200
	– Crown Debt Write Offs	6	–	125	125
3,535	Workplace Relations and Safety – Employment Relations Authority Members’ Salaries and Allowances PLA	6	4,072	4,180	3,980
396	Workplace Relations and Safety – Equal Employment Opportunities Trust	6	396	396	396
1,491	Workplace Relations and Safety – International Labour Organization	6	1,447	1,459	1,400
15	Workplace Relations and Safety – New Zealand Industrial Relations Foundation	6	15	15	15
282	Workplace Relations and Safety – Remuneration Authority Members’ Fees, Salaries and Allowances	6	280	300	300
7,718	Total Non-departmental other expenses		7,998	8,675	8,416

ACTUAL 2016/17 \$000	APPROPRIATION NAME	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
Non-departmental capital expenditure					
250	Investment in the Financial Markets Authority	6	2,000	2,000	2,000
	Workplace Relations and Safety – WorkSafe – Capability Change Programme	6	9,552	9,552	9,552
250	Total non-departmental capital expenditure		11,552	11,552	11,552
1,361,182	Total non-departmental annual expenses		1,500,290	1,501,158	1,501,249
1,596,801	Total expenditure		1,766,531	1,780,072	1,766,406

Location of year end performance information:

- 1 External Reporting Board’s annual report
- 2 Takeovers Panel’s annual report
- 3 Commerce Commission’s annual report
- 4 Retirement Commissioner’s annual report
- 5 ACC’s annual report
- 6 Exemption granted under section 15(D)(2)(b) of the *Public Finance Act 1989*
- 7 WorkSafe New Zealand’s annual report
- 8 Financial Markets Authority’s annual report

An increased number of highly skilled people and innovative firms

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
Research, Science and Innovation: Innovative Partnerships This appropriation is intended to attract overseas investment in research and development to New Zealand.	Number of opportunities in pipeline	Up to 10 companies attracted	7	New measure for 2017/18	New measure for 2017/18
	Number of Expressions of Interest that progress to specific opportunities for companies and researchers to collaborate	16 Expressions of Interest	16	New measure for 2017/18	New measure for 2017/18
Policy Advice and Related Outputs MCA The overarching purpose of this appropriation is to provide policy advice and other support services to Ministers in discharging their policy decision-making and other portfolio responsibilities.	Average satisfaction of the Ministers	Reaching or exceeding 70%	72%	77%	75%
	The total cost per hour of producing policy outputs	No more than \$155	\$153	\$191	\$141
<i>Policy Advice – Science and Innovation</i> This category is intended to provide high-quality policy advice to Ministers.	The satisfaction of the Minister of Research, Science and Innovation with the policy advice service, as per the common satisfaction survey	At least 70%	78%	72%	71%
	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	At least an average of 73%	71%	74%	74%
<i>Related Services to Ministers – Science and Innovation</i> This category is intended to provide effective and efficient ministerial services, and to monitor the performance and compliance of Crown entities.	Ministers receive advice on entities' accountability documents within statutory timeframes	100%	100%	100%	100%
	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	100%	98%	91%
	Ministerial correspondence	95% or above	99%	98%	93%
Ministerial <i>Official Information Act 1982</i> requests	95% or above	100%	67%	100%	
Science and Innovation: Contract Management MCA The overarching purpose of this appropriation is to manage the allocation of funds for science, research and technology, to manage the related contracts and to evaluate the science and innovation outputs and impacts.	Percentage of available funding that is allocated	At least 90%	99%	100%	New measure for 2017/18
	Percentage of contracts monitored	At least 90%	100%	100%	New measure for 2017/18

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
<p><i>Science and Innovation Contract Management</i></p> <p>This category is intended to achieve the efficient and effective allocation and contracting of research, science and technology grants to maximise their returns to New Zealand.</p>	Percentage of fund recipients who meet their reporting requirements	95%	99%	New measure for 2017/18	New measure for 2017/18
<p><i>Multinational Corporation Research and Development Attraction</i></p> <p>This category is intended to achieve the attraction of overseas investment in R&D to New Zealand</p>	Performance assessment for this appropriation will be provided in the 2017/18 Supplementary Estimates	Establish baseline	A baseline was not established as funding was transferred to a new annual appropriation ¹⁸	New measure for 2017/18	New measure for 2017/18
<p><i>Research Contract Management</i></p> <p>This category is intended to achieve the efficient and effective allocation and contracting of research, science and technology grants to maximise their returns to New Zealand.</p>	Monitor and assess reporting from the funding and investment agents against the contractual agreements	Achieved	Achieved	Achieved	New measure for 2017/18
<p>Science and Innovation: Strategic Science Investment Fund MCA</p> <p>The overarching purpose of this appropriation is to support long-term programmes of mission-led science and the platforms that enable those programmes.</p>	Percentage of programmes funded for five or more years	100%	100%	100%	New measure for 2017/18
<p><i>Strategic Investment Fund – Infrastructure</i></p> <p>This category is intended to achieve access for researchers to resources and information that require national-scale, nationally coordinated, multi-user financial support.</p>	Percentage of contracts that have been monitored and performance assessed within agreed timelines	100%	100%	New measure for 2017/18	New measure for 2017/18
<p><i>Strategic Investment Fund – Programmes</i></p> <p>This category is intended to achieve the support of longer-term programmes of mission-led science that contribute to the future of New Zealand’s economy, environment and wellbeing.</p>	Percentage of contracts that have been monitored and performance assessed within agreed timelines	100%	100%	New measure for 2017/18	New measure for 2017/18
<p>Science and Innovation: Talent and Science Promotion MCA</p> <p>The overarching purpose of this appropriation is to contribute to an excellent, high-performing science system through enhancing public engagement with science and the development of talented people, including through research.</p>	At least 7.5 researchers per 1,000 people in the workforce	Achieved	Not able to be reported ¹⁹	7.9	New measure for 2017/18

18 Research, Science and Innovation: Innovative Partnerships

19 This result is taken from Statistics New Zealand’s biannual R&D survey, which is due to be conducted in 2018/19.

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
<i>Fellowships for Excellence</i> This category is intended to improve career development opportunities for New Zealand's early to mid-career researchers.	Compliance with the terms and conditions associated with each fellowship	100%	100%	100%	New measure for 2017/18
<i>Science in Society</i> This category is intended to increase engagement by New Zealanders with science and technology.	Increased public awareness demonstrated through year-on-year increases in the Public Attitudes Survey Score	Achieved	Achieved	Not able to be reported	New measure for 2017/18
<i>Vision Mātauranga Capability Fund</i> This category is intended to support the development of skilled people and organisations undertaking research that supports the four themes of Vision Mātauranga.	Reports (annual, midpoint or final) that show an increase in uptake and application of research results by Māori research users and/or improve researchers' and research organisations' understanding of mātauranga and research relevant to Māori	90%	90%	92%	New measure for 2017/18

VOTE LABOUR MARKET		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
Immigration: Regulation of Immigration Advisers This appropriation is intended to achieve certainty and confidence for the industry and the public that immigration advisors are fully competent and contribute to bringing the best people to New Zealand.	The percentage of new and upgrade licence applications for immigration advisers processed within 15 working days of receiving the full application	95%	96%	96%	96%
	The percentage of fast-track renewal licence applications for immigration advisers processed within 5 working days of receiving the full application	95%	100%	99%	100%
	The percentage of renewal licence applications involving inspections for immigration advisers processed within 25 working days of receiving the full application	80%	84%	83%	New measure for 2017/18
	The percentage of complaint cases received after 1 July 2017 closed within 115 working days	80%	100% ²⁰	58%	80%
Tertiary Education, Skills and Employment: Employment Sector Analysis and Facilitation This appropriation is intended to achieve productive and successful people, communities and regions through the provision of labour market information.	Labour market information is provided to the Minister's Office within agreed timeframes	100%	100%	New measure for 2017/18	New measure for 2017/18
Immigration Services MCA The overarching purpose of this appropriation is to provide efficient immigration services that generate positive economic outcomes for New Zealand and meet New Zealand's obligations to refugees and protected persons.	Percentage of visa applicants satisfied with the overall experience of applying for a visa	80%	81%	80%	84%
	Meet the annual quota of United Nations High Commissioner for Refugees (UNHCR) mandated refugees and their immediate families who travelled to New Zealand	Quota met ²¹	Achieved (1,020)	Achieved (1,017)	Achieved (876)

²⁰ Additional resources were used to improve the ability to investigate complaints within the target timeframe.

²¹ The annual refugee quota was 1,000 in 2017/18.

VOTE LABOUR MARKET		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
<p><i>Services for the Attraction of Immigrants</i> This category is intended to achieve immigration to New Zealand of persons who match the priorities of New Zealand's immigration strategies.</p>	Average monthly percentage of new registrations entered into the NZ Now database whose occupations match those at skill levels 1–3 under the Australian and New Zealand Standard of Occupations	80%	79% ²²	New measure for 2017/18	New measure for 2017/18
	Average monthly percentage of new registrations entered into the NZ Now database of people from a priority market	85%	88%	89%	89%
	The percentage of employers and stakeholders satisfied with the overall quality of service provided by Immigration New Zealand's relationship managers	80%	89%	93%	New measure for 2017/18
<p><i>Assessment and Processing Services</i> This category is intended to ensure the quality and efficiency of decisions on visa applications.</p>	The percentage of audited residence visa decisions rated as accurate	90%	86% ²³	New measure for 2017/18	New measure for 2017/18
	The percentage of audited temporary visa decisions rated as accurate	90%	86% ²³	New measure for 2017/18	New measure for 2017/18
	The percentage of visitor visa applications decided within 25 days	90%	93%	91%	94%
	The percentage of student visa applications decided within 30 days	90%	89% ²⁴	84%	88%
	The percentage of work visa applications decided within 30 days	85%	78% ²⁵	Not achieved	85%
	The percentage of eligible applicants who have submitted their visa application online ²⁶	75%	59% ²⁷	New measure for 2017/18	New measure for 2017/18
	The number of people approved for residence under the New Zealand Residence Programme	40,000–45,000	37,948 ²⁸	47,684	52,052
<p><i>Settlement and Integration of Refugees and Other Immigrants</i> This category is intended to achieve the integration into New Zealand society of immigrants and refugees who settle permanently in New Zealand.</p>	The percentage of migrants who are satisfied with the settlement services they have accessed	90%	95%	94%	94%
	The percentage of refugee and protection claims decided within 140 days	75%	23% ²⁹	58%	56%
	Number of people approved under the Refugee Family Support category	300	300	328	New measure for 2017/18

22 Targeted Facebook advertisements to lift the percentage of skill level 1–3 registrations were introduced late in 2017/18, and will continue in 2018/19.
23 In May 2018 a new pre-decision quality control tool was put in place. This, together with targeted office-specific feedback from post-decision quality assurance, should strengthen controls within the visa decision process and improve accuracy.

24 Higher than forecast application volumes have impacted annual timelines. Timeliness reached 92% in June 2018.

25 Increased application volumes impacted timeliness. Process simplification and increased product specialisation will improve timeliness in 2018/19.

26 All temporary visa applications, and partner and dependent child residence applications, can be made online.

27 The rate of online visa application uptake was slower than expected due to later than expected deployment of system enhancements to allow group and family applications to be lodged online. However, since this enhancement was deployed use of the system has accelerated and Immigration New Zealand is expecting in excess of 600,000 online visa applicants in 2018/19.

28 While the annual planning range for residence approvals for 2017/18 was not met, the two year planning range of 85,000–90,000 was achieved.

29 Annual performance impacted by a focus on addressing backlog claims late in 2017/18.

VOTE LABOUR MARKET		2017/18		2016/17	2015/16
		Target	Actual	Actual	Actual
Appropriation <i>Integrity and Security of the New Zealand Immigration System</i> This category is intended to achieve and maintain the integrity and security of New Zealand's immigration system and processes.	The percentage of successful prosecutions	85%	100%	100%	96%
	The number of people, currently in violation of their visa conditions, who were deported or departed voluntarily	1,500–2,000	2,952 ³⁰	2,174	New measure for 2017/18
Policy Advice and Related Outputs MCA The overarching purpose of this appropriation is to provide policy advice and other support services to Ministers in discharging their policy decision-making and other portfolio responsibilities.	Average satisfaction of the Ministers	Reaching or exceeding 70%	80%	71%	74%
	Total cost per hour of producing policy outputs	No more than \$155	\$153	\$191	\$141
Policy Advice – Employment This category is intended to provide high-quality policy advice to support Ministerial decision-making on government policy matters relating to employment.	The satisfaction of the Minister for Tertiary Education, Skills and Employment with the policy advice service, as per the common satisfaction survey ³¹	At least 70%	80%	66%	75%
	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	At least an average of 73%	70%	69%	75%
Policy Advice – Immigration This category is intended to provide high-quality policy advice to support Ministerial decision-making on government policy matters relating to the immigration system.	The satisfaction of the Minister of Immigration with the policy advice service, as per the common satisfaction survey	At least 70%	78%	71%	76%
	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	At least an average of 73%	73%	70%	73%
Related Services to Ministers – Employment This category is intended to provide effective and efficient ministerial services to enable Ministers to discharge their employment portfolio responsibilities.	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	100%	100%	99%
	Ministerial correspondence	95% or above	100%	100%	100%
	Ministerial <i>Official Information Act 1982</i> requests	95% or above	100%	83%	100%
Related Services to Ministers – Immigration This category is intended to provide effective and efficient ministerial services to enable Ministers to discharge their immigration portfolio responsibilities.	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	100%	96%	100%
	Ministerial correspondence	95% or above	100%	98%	95%
	Ministerial <i>Official Information Act 1982</i> requests	95% or above	100%	94%	91%

³⁰ Significant compliance activity in areas where exploitation risk is high resulted in deportations (643 deportations and 2,309 voluntary deportations) exceeding the expected range.

³¹ This portfolio has been renamed 'Employment', therefore the satisfaction result for 2017/18 has been provided by the Minister of Employment.

How much we spent

ACTUAL 2016/17 \$000	OUR EXPENDITURE SUMMARY	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
328,241	Departmental expenses	380,001	393,628	341,759
951,464	Non-departmental expenses	1,026,114	1,081,766	1,135,309
	– Departmental capital	–	–	–
	– Non-departmental capital	13,570	18,000	18,000
1,279,705	Total expenditure	1,419,685	1,493,394	1,495,068

Statement of budgeted and actual expenses and capital expenditure incurred

Our services and functions

ACTUAL 2016/17 \$000	APPROPRIATION NAME	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
	Departmental outputs			
	– Research, Science and Innovation: Innovative Partnerships	387	940	–
2,552	Immigration – Regulation of Immigration Advisers	2,571	2,572	2,572
4,132	Employment – Employment Sector Analysis and Facilitation	3,836	4,134	4,134
283,520	Immigration Services	–	–	–
290,204	Total departmental output expenditure	6,794	7,646	6,706
	Multi-category expenses and capital expenditure			
	Policy Advice and Related Outputs MCA – Vote Business, Science and Innovation			
10,090		8,163	7,756	7,756
	<i>Departmental output expenses</i>			
7,324	› Policy Advice – Science and Innovation ³²	5,532	5,148	5,148
2,766	› Related Services to Ministers – Science and Innovation	2,631	2,608	2,608
	Policy Advice and Related Outputs MCA – Vote Labour Market			
8,600		8,949	10,157	10,557
	<i>Departmental output expenses</i>			
1,757	› Policy Advice – Employment	1,292	2,177	2,177
5,432	› Policy Advice – Immigration	6,372	6,450	6,150
754	› Related Services to Ministers – Employment	559	854	854
657	› Related Services to Ministers – Immigration	726	676	1,376
28,036	Science and Innovation: Contract Management MCA	28,289	30,360	30,153
	<i>Departmental output expenses</i>			
	– › Multi National Corporation R&D Attraction	910	910	2,000
19,347	› Science and Innovation Contract Management	18,117	20,134	19,187
	<i>Non-departmental output expenses</i>			
8,689	› Research Contract Management	9,262	9,316	8,966

³² In addition to the above expenditure, this appropriation has a remeasurement gain of \$4,000 relating to foreign exchange movements, taking the total expenditure on this appropriation to \$5.528m for 2017/18.

ACTUAL 2016/17 \$000	APPROPRIATION NAME	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
	– Immigration Services MCA	337,068	347,025	295,553
	<i>Departmental output expenses</i>			
	– › Assessment and Processing Services ³³	242,845	243,420	208,733
	– › Integrity and Security of the New Zealand Immigration System ³⁴	45,431	53,460	42,020
	– › Services for the Attraction of Immigrants	11,472	11,669	9,565
	– › Settlement and Integration of Refugees and Other Immigrants	37,320	38,476	35,235
27,222	Science and Innovation: Talent and Science Promotion MCA	25,857	25,886	26,886
	<i>Non-departmental output expenses</i>			
10,253	› Fellowships for Excellence	10,378	10,570	11,570
10,164	› Science in Society	8,563	8,849	8,849
6,305	› Vision Mātauranga Capability Fund	6,416	5,967	5,967
	<i>Non-departmental other expenses</i>			
500	› Royal Society of New Zealand	500	500	500
59,651	Science and Innovation: Callaghan Innovation – Operations MCA	59,951	59,951	59,651
	<i>Non-departmental output expenses</i>			
24,378	› Building Business Innovation	25,978	25,978	32,378
12,250	› Business Research and Development Contract Management	10,230	10,230	7,750
23,023	› Research and Development Services and Facilities for Business and Industry	23,743	23,743	19,523
245,559	Science and Innovation – Strategic Science Investment Fund MCA	246,683	252,055	260,985
	<i>Non-departmental output expenses</i>			
43,645	› Strategic Science Investment Fund – Infrastructure	47,789	53,161	62,261
201,914	› Strategic Science Investment Fund – Programmes	198,894	198,894	198,724
379,158	Total multi-category expenses and capital expenditure	714,960	733,190	691,541
669,362	Total expenditure	721,754	740,836	698,247

Other services – Non-departmental

ACTUAL 2016/17 \$000	APPROPRIATION NAME	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
	Non-departmental output expenses				
72,578	National Science Challenges 2013-2018 – MYA	1	73,367	73,367	140,557
	– Repayable Grants for Start-Ups 2017-2019 – MYA	2	4,220	19,534	13,996
134,550	Research and Development Growth Grants 2013-2017 – MYA	2	–	–	–
	– Research and Development Growth Grants 2017-2022 – MYA	2	172,268	164,691	153,902
173,362	Science and Innovation: Contestable Research Fund	1	195,674	196,265	196,265
85,125	Science and Innovation: Health Research Fund	3	92,986	92,986	92,986

33 In addition to the above expenditure, this appropriation has a remeasurement gain of \$461,000 relating to foreign exchange movements, taking the total expenditure on this appropriation to \$242.389m for 2017/18.

34 In addition to the above expenditure, this appropriation has a remeasurement gain of \$36,000 relating to foreign exchange movements, taking the total expenditure on this appropriation to \$45.395m for 2017/18.

ACTUAL 2016/17 \$000	APPROPRIATION NAME	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
57,755	Science and Innovation: Marsden Fund	1	63,405	63,405	63,755
ACTUAL 2016/17 \$000	APPROPRIATION NAME	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
5,764	Science and Innovation: National Measurement Standards	2	5,464	5,464	5,764
35,621	Science and Innovation: Partnered Research Fund	1	33,427	37,161	37,161
11,458	Science and Innovation: Repayable Grants for Start-Ups	2	–	–	–
23,361	Targeted Business Research and Development Funding 2013-2017 – MYA	2	–	–	–
–	Targeted Business Research and Development Funding 2017-2022 – MYA		24,624	56,335	37,500
599,574	Total non-departmental output expenses		665,435	709,208	741,886
	Non-departmental other expenses				
9,353	Science and Innovation: Catalyst Fund	1	8,425	8,551	13,351
1,416	Science and Innovation: Regional Research Institutes	1	9,499	11,524	23,584
–	Employment – He Poutama Rangatahi/Youth Employment Pathways	4	1,002	5,275	–
10,769	Total non-departmental other expenses		18,926	25,350	36,935
	Non-departmental capital expenditure				
–	Science and Innovation: Callaghan Innovation	2	13,570	18,000	18,000
–	Total non-departmental capital expenditure		13,570	18,000	18,000
610,343	Total non-departmental annual and MYA expenses		697,931	752,558	796,821
1,279,705	Total expenditure		1,419,685	1,493,394	1,495,068

Location of year end performance information:

- 1 Minister of Research, Science and Innovation in the Vote Business, Science and Innovation Non-Departmental Appropriations Report
- 2 Callaghan Innovation's annual report
- 3 Health Research Council of New Zealand's annual report
- 4 Minister of Employment in the Vote Labour Market Non-Departmental Appropriations Report

The built environment better supports a well-functioning economy

VOTE BUILDING AND HOUSING		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
Building Regulation and Control This appropriation is intended to achieve a regulatory system that ensures safe and healthy building practice in the construction sector.	Percentage of users satisfied that information provided on matters relating to Building Control has met their needs	At least 72% of users surveyed	85%	70%	New measure for 2017/18
	Percentage of determinations successfully appealed	Less than 2%	0%	0%	0%
	Percentage of determinations subject to clarification due to inadequate coverage of issues	Less than 3%	0%	1%	2.2%
Community Housing Regulatory Authority This appropriation is intended to achieve efficient registration and regulation of community housing providers in order to ensure that their tenants are appropriately housed, and support the growth of a fair, efficient, and transparent community housing sector.	Applications for registration of community housing providers processed within 60 working days	90%	100%	100%	100%
Greater Christchurch Recovery This appropriation is intended to provide information and advice that supports the recovery of greater Christchurch to progress in a timely and efficient way.	Ministers and the Department of the Prime Minister and Cabinet (DPMC) are satisfied with the advice and quarterly reports showing progress in residential rebuild, repair and insurance issues	Satisfied or very satisfied	Achieved ³⁵	Achieved	Satisfied
KiwiBuild Unit This appropriation is intended to allow a new KiwiBuild Unit to develop a sustainable approach for delivering 100,000 affordable dwellings to first-time home buyers over the next 10 years.	Channels for delivering the KiwiBuild Programme approved for implementation	Achieved	Achieved ³⁶	New measure for 2017/18	New measure for 2017/18
Occupational Licensing This appropriation is intended to achieve certainty and confidence for the industry and consumers about the quality of licensed practitioners and workers in the building and electrical sectors.	The percentage of licensing applications completed within the following timeframes upon receipt of a correctly completed application:				
	5 working days for building practitioners relicensing, issuing of practising licences and renewals of electrical workers registration	95%	99%	99%	New measure for 2017/18
	35 working days for building practitioner new licenses and electrical worker new registrations	95%	95%	100%	96%
	The percentage of complaints against the following that will be investigated and a report provided to the Registrar/Operations Manager within 16 weeks of receipt, as applicable:				
	Non-registered and registered electrical workers	85%	87%	92%	New measure for 2017/18
	Licensed building practitioners that meet the requirements of Regulation 5	85%	90%	95%	New measure for 2017/18
	Non-licensed builders	85%	72% ³⁷	New measure for 2017/18	New measure for 2017/18

35 Includes all advice provided in 2017/18 and the first two quarter reports. The last two quarter reports were produced by the DPMC, which now owns the reporting function and will report on ministerial satisfaction.

36 "Achieved" means that opportunities and initiatives by which KiwiBuild homes can be delivered are identified, approved and launched. The Buying off the Plans initiative was launched on 8 May 2018, and the initial Invitation to Participate closed on 8 June 2018. This opportunity will be re-opened later in 2018.

37 A number of high-complexity 'unlicensed' complaints impacted performance. A fully dedicated staff has been allocated to investigate 'unlicensed' complaints to improve timeliness.

VOTE BUILDING AND HOUSING		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
<p>Professional Engineering Input Toward the Resolution of Canterbury Residential Rebuild Design Uncertainty</p> <p>This appropriation is intended to achieve access to independent technical advice from engineering experts to help progress the Canterbury residential rebuild.</p>	User satisfaction with the residential advisory service (includes independent technical advice)	75% satisfied or very satisfied	77%	77%	New measure for 2017/18
<p>Redevelopment of Surplus Crown Land</p> <p>This appropriation is intended to provide safe, healthy and affordable homes by the effective and efficient redevelopment of surplus Crown land.</p>	Compliance with relevant legislation, government policy and Treaty settlement provisions in relation to acquisition, development and disposal of land	100%	100%	100%	New measure for 2017/18
<p>Residential Advisory Services</p> <p>This appropriation is intended to achieve access to insurance-related broker and advisory services to help progress residential rebuild following a civil emergency.</p>	Users satisfied or very satisfied with the residential advisory service	75%	77%	New measure for 2017/18	New measure for 2017/18
<p>Residential Tenancy and Unit Title Services</p> <p>This appropriation is intended to achieve an environment in which residential tenancy and unit title consumers and businesses are well informed, understand their rights, and meet their regulatory obligations, by providing information, education, advice, compliance, bond processing and mediation services.</p>	Percentage of customers who are satisfied or very satisfied with overall quality and timeliness of mediation services	80%	85%	88%	80%
<p>Special Housing Areas</p> <p>This appropriation is intended to achieve certainty and assurance to the public that resource consenting will be carried out for Special Housing Areas.</p>	Resource consents issued according to statutory timeframes	Achieved	None processed ³⁸	None processed	None processed
<p>Tenant Health and Safety Information</p> <p>This appropriation is intended to achieve an environment in which tenants and landlords are aware of their rights and regulatory obligations to ensure residential rental homes are warm, dry and safe, by providing information, education, advice and compliance.</p>	Delivery of annual information campaigns to promote warm, dry and safe residential rental homes by 30 June	Achieved	Achieved	Achieved	New measure for 2017/18

38 The funding was not drawn down during the year, as no consents were issued.

VOTE BUILDING AND HOUSING		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
Weathertight Services This appropriation is intended to reduce the number of weathertight issues in New Zealand.	The number of homeowners who have repaired or have started repairing with the Financial Assistance Package since the beginning of the scheme	At least 1,500	4,771	3,440	New measure for 2017/18
	Percentage of short assessments (eligibility) completed within 60 working days of being allocated to an assessor	80%	100%	92%	New measure for 2017/18
	The number of long assessments (full, follow-up full, addendum, concise, cost update and supplemental) completed within 120 working days of being allocated to an assessor	80%	94%	89%	New measure for 2017/18
Temporary Accommodation Services MCA The overarching purpose of this appropriation is to coordinate and provide temporary accommodation to people displaced in a civil emergency.	Percentage of service activations approved within 14 days of a civil emergency	90%	100%	New measure for 2017/18	New measure for 2017/18
<i>Readiness, Response and Recovery</i> This category is intended to achieve fulfilment of MBIE's fundamental temporary accommodation responsibilities and roles.	Percentage of users of the service who are satisfied or very satisfied	75%	55% ³⁹	New measure for 2017/18	New measure for 2017/18
Policy Advice and Related Outputs MCA The overarching purpose of this appropriation is to provide policy advice and other support to Ministers in discharging their policy decision-making and other portfolio responsibilities.	Satisfaction of the Minister for Building and Construction with the policy advice service	Reaching or exceeding 70%	86%	88%	62%
	Total cost per hour of producing policy outputs	No more than \$155	\$153	\$191	\$141
<i>Policy Advice – Building and Housing</i> This category is intended to provide high-quality policy advice to Ministers.	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	At least an average of 73%	71%	71%	72%
<i>Related Services to Ministers – Building and Housing</i> This category is intended to provide effective and efficient ministerial services, and to monitor the performance and compliance of Crown entities and statutory bodies.	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	100%	89%	92%
	Ministerial correspondence	95% or above	50% ⁴⁰	99%	95%
	Ministerial <i>Official Information Act 1982</i> requests	95% or above	100%	86%	96%
Communications: Cyber Security Services This appropriation is intended to achieve the operation of a Computer Emergency Response Team (CERT NZ) to enhance New Zealand's cyber security and resilience and help prevent cybercrime.	Measures and baselines established	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18

39 The result reflects feedback about the implementation of the service in one area. This area has since been improved with learnings from the Kaikōura earthquake applied to managing future events.

40 A significant increase in volume meant that this measure could not be achieved within current resources. Items with timeframes set by legislation, or the Standing Orders of Parliament, were prioritised while additional resources were arranged to address the backlog.

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
Communications: Management and Enforcement of the Radiocommunications Act 1989 This appropriation is intended to ensure effective and efficient allocation and licensing of the radio spectrum.	Percentage of submitted applications that are correctly registered or granted, and documented interference complaints that are actioned within the work programme time frame	95%	100%	100%	100%
Communications: Management of Emergency Telecommunications Services This appropriation is intended to manage upgrades to the telecommunications capabilities of the emergency response services in order to provide improved access to quality communications service.	Milestones achieved as per the project plan	Achieved ⁴¹	Achieved	Achieved	Achieved
Communications: Services for Deaf, Hearing-Impaired and Speech-Impaired People MCA This appropriation is intended to make sure deaf, hearing-impaired and speech-impaired people can access telecommunications services.	Establishment of a baseline for the uptake and use of telecommunications services and equipment provided for deaf, hearing-impaired and speech-impaired people	Achieved	Achieved ⁴²	New measure for 2017/18	New measure for 2017/18
Policy Advice and Related Outputs MCA The overarching purpose of this appropriation is to provide policy advice and other support to Ministers in discharging their policy decision-making and other portfolio responsibilities.	Average satisfaction of the Ministers	Reaching or exceeding 70%	72%	77%	75%
	Total cost per hour of producing policy outputs	No more than \$155	\$153	\$191	\$141
Policy Advice – Communications This category is intended to provide high-quality policy advice to Ministers.	The satisfaction of the Minister for Communications with the policy advice service, as per the common satisfaction survey	At least 70%	Not available ⁴³	75%	79%
	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	At least an average of 73%	73%	71%	72%
Related Services to Ministers – Communications This category is intended to provide effective and efficient ministerial services, and to monitor the performance and compliance of Crown entities.	Ministers receive advice on entities' accountability documents within statutory timeframes	100%	100%	100%	100%
	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	95%	100%	100%
	Ministerial correspondence	95% or above	61% ⁴⁴	100%	100%
	Ministerial <i>Official Information Act 1982</i> requests	95% or above	100%	100%	100%

41 Cabinet approved Emergency Caller Location Information (ECLI) Phase 2 during the fourth quarter and increased appropriation baselines. The performance measure continues but with new milestones.

42 A summary of usage from March 2017 to May 2018 is available on the MBIE website under information on the use of the Telecommunications Relay Service.

43 The Minister did not provide a rating.

44 A significant increase in volume meant that this measure could not be achieved within current resources. Items with timeframes set by legislation, or the Standing Orders of Parliament, were prioritised while additional resources were arranged to address the backlog.

How much we spent

ACTUAL 2016/17 \$000	OUR EXPENDITURE SUMMARY	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
116,243	Departmental expenses	117,969	134,334	120,205
134,784	Non-departmental expenses	132,491	163,814	171,348
	– Departmental capital	–	–	–
109,364	Non-departmental capital	308,896	414,419	312,269
360,391	Total expenditure	559,356	712,567	603,822

Statement of budgeted and actual expenses and capital expenditure incurred

Our services and functions

ACTUAL 2016/17 \$000	APPROPRIATION NAME	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
	Departmental outputs			
330	Administering the Legacy Social Housing Fund	–	–	–
27,287	Building Regulation and Control	24,788	28,954	28,954
960	Canterbury Recovery: Building and Housing Assistance	–	–	–
681	Community Housing Regulatory Authority	821	850	700
2,624	Greater Christchurch Recovery	1,016	1,120	920
	– KiwiBuild Unit	1,697	3,350	–
9,542	Occupational Licensing	9,545	9,546	9,546
496	Professional Engineering – Canterbury Residential Rebuild	334	560	560
2,000	Redevelopment of Surplus Crown Land	1,931	2,503	2,503
	– Residential Advisory Services	1,232	1,900	–
27,993	Residential Tenancy and Unit Title Services	29,448	29,551	28,051
	– Special Housing Areas	–	3,000	–
865	Tenant Health and Safety Information 2015-2020 – MYA	890	917	400
8,755	Weathertight Services	8,125	11,428	12,278
301	Hurunui/Kaikōura Recovery: Accommodation Services	–	–	–
4,817	Cyber Security Services	5,035	5,459	4,977
7,405	Management & Enforcement of the <i>Radiocommunications Act 1989</i> ⁴⁵	6,983	9,611	9,611
1,211	Management of Emergency Telecommunications Services	529	531	531
95,267	Total departmental output expenditure	92,374	109,280	99,031
	Multi-category expenses and capital expenditure			
14,117	Policy Advice and Related Outputs MCA – Vote Building and Housing	15,840	17,123	15,230
	Departmental output expenses			
13,263	› Policy Advice – Building and Housing	15,627	16,863	14,970
854	› Related Services to Ministers – Building and Housing	213	260	260

⁴⁵ In addition to the above expenditure, this appropriation has a remeasurement cost of \$3,000 relating to foreign exchange movements, taking the total expenditure on this appropriation to \$6.986m for 2017/18.

ACTUAL 2016/17 \$000	APPROPRIATION NAME	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
6,702	Policy Advice and Related Outputs MCA – Vote Business, Science and Innovation	8,037	6,127	5,944
	<i>Departmental output expenses</i>			
6,559	› Policy Advice – Communications	7,958	6,065	5,882
143	› Related Services to Ministers – Communications	79	62	62
	Communications: Services for Deaf, Hearing Impaired and Speech Impaired People MCA	4,031	4,684	4,684
	<i>Non-departmental output expenses</i>			
	› Administrative Support for Telecommunications Relay Equipment and Services	1,274	1,519	1,519
	<i>Non-departmental other expenses</i>			
	› Telecommunications Development Levy Funded Procurement – Deaf Relay Service TSO	2,757	3,000	3,000
	<i>Non-departmental capital expenditure</i>			
	› Acquisition of Textphone Equipment	–	165	165
157	Temporary Accommodation Services MCA	6,018	6,616	–
	<i>Departmental output expenses</i>			
157	› Readiness, Response and Recovery	1,718	1,804	–
	<i>Non-departmental output expenses</i>			
	› Temporary Accommodation Housing Initiatives – Operations	3,204	3,575	–
	<i>Non-departmental other expenses</i>			
	› Temporary Accommodation Housing Initiatives – Depreciation	–	137	–
	<i>Non-departmental capital expenditure</i>			
	› Temporary Accommodation Housing Initiatives – Capital	1,096	1,100	–
119,282	Community Group Housing MCA	–	–	–
	<i>Non-departmental output expenses</i>			
9,764	› Community Group Housing Market Rent Top-Up	–	–	–
	<i>Non-departmental other expenses</i>			
4,104	› Community Group Housing Rent Relief	–	–	–
	<i>Non-departmental capital expenditure</i>			
5,414	› Acquisition and Improvement of Community Group Housing Properties	–	–	–
100,000	› Acquisition, Development and Construction of Emergency Housing Properties	–	–	–
140,258	Total multi-category expenses and capital expenditure	33,926	34,550	25,858
235,525	Total expenditure	126,300	143,830	124,889

Other services – Non-departmental

ACTUAL 2016/17 \$000	APPROPRIATION NAME	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
Non-departmental output expenses					
8,728	HNZC Housing Support Services	1	9,719	11,698	11,698
	– KiwiBuild Operations	2	268	5,000	–
98	Management of Crown Properties held under the <i>Housing Act 1955</i>	1	106	1,395	1,395
283	Canterbury Earthquakes: Emergency and Temporary Accommodation		–	–	–
1,347	Communications: Administrative Support for Telecommunications Relay Equipment and Services		–	–	–
4,893	Communications: Emergency Telecommunications Services	3	4,374	3,108	2,100
4,918	Communications: Enforcement of Telecommunications Sector Regulation	4	6,229	6,750	6,500
4,585	Economic Regulation of Electricity Line Services 2014–2019 – MYA	4	5,274	5,294	5,280
3,120	Economic Regulation of Gas Pipeline Services 2014–2019 – MYA	4	1,998	1,434	1,430
263	Economic Regulation of Specified Airport Services 2014–2019 – MYA	4	1,290	932	677
28,235	Total non-departmental output expenses		29,258	35,611	29,080
Benefits or related expenses					
74,919	KiwiSaver HomeStart grant	3	80,574	90,451	102,451
74,919	Total benefits or related expenses		80,574	90,451	102,451
Non-departmental other expenses					
1,233	Christchurch City Council Housing Initiatives	2	3,071	3,071	–
837	Housing Assistance	3	987	1,159	1,507
	– Impairment of Crown Assets	3	–	20	20
	Payments in Respect of the Weathertight – Services Loan Guarantees PLA	3	–	1,800	1,800
	Remediation of Facades and Parapets of – Unreinforced Masonry Buildings in At Risk Areas	3	161	3,000	–
9,648	Social Housing Fund 2015–2017 – MYA		–	–	–
600	Social Housing Provider Development		–	–	–
1,100	Unwind of Discount Rate Used in the Present Value Calculation of Direct Payments Under the Weathertight Homes Financial Assistance Package	3	1,000	1,659	1,659
960	Communications: Contributions to International Telecommunications Organisations		–	–	–
2,678	Communications: Telecommunications Development Levy Funded Procurement – Deaf Relay Service TSO		–	–	–

ACTUAL 2016/17 \$000	APPROPRIATION NAME	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
706	Communications: Telecommunications Development Levy Funded Procurement – Non-Urban Infrastructure	3	328	312	312
	Communications: Telecommunications Development Levy Funded Procurement – Telecommunications Infrastructure – Investment 2017–2022 – MYA	6	9,877	18,500	30,000
17,762	Total non-departmental other expenses		15,424	29,521	35,298
	Non-departmental capital expenditure				
	– KiwiBuild Capital 2018–2022 – MYA	2	–	50,000	–
3,950	Auckland Vacant or Underutilised Crown Land Programme 2016–2017 – MYA	5	–	–	–
	Vacant or Underutilised Crown Land Programme – 2017–2022 – MYA	5	162,800	218,154	167,104
	Communications: Broadband Investment (Crown Fibre Holdings Capital Costs) 2016–2021 – MYA	6	45,000	45,000	145,000
	Infrastructure: Broadband Investment – 2018–2021 – MYA	6	100,000	100,000	–
3,950	Total non-departmental capital expenditure		307,800	413,154	312,104
124,866	Total non-departmental annual and MYA expenses		433,056	568,737	478,933
360,391	Total expenditure		559,356	712,567	603,822

Location of year end performance information:

- 1 Housing New Zealand Corporation’s annual report
- 2 Minister of Housing and Urban Development in the Vote Building and Housing Non-Departmental Appropriations Report
- 3 Exemption granted under section 15(D)(2)(b) of the *Public Finance Act 1989*
- 4 Commerce Commission’s annual report
- 5 Minister for Social Housing in the Vote Building and Housing Non-Departmental Appropriations Report
- 6 Crown Infrastructure Partners’ annual report

Greater value sustainably derived from the natural environment

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
Energy and Resources: Information Services This appropriation is intended to provide information and technical advice on energy and resources.	New Zealand's obligations for reporting energy information to international organisations, including the International Energy Agency, Asia-Pacific Economic Cooperation, and the United Nations Framework Convention on Climate Change, are met to an agreed standard	All international requirements are met	Achieved	Achieved	Achieved
Energy and Resources: Management of the Crown Mineral Estate This appropriation is intended to achieve the efficient allocation and management of Crown-owned petroleum and mineral resources.	Royalties from the Crown estate grow year on year over time (subject to market conditions and geologic production constraints)	Achieved	Achieved (\$218m)	Not achieved ⁴⁶ (\$177m)	Achieved (\$193m)
	New Zealand Petroleum and Minerals statutory consultation requirements are met	Achieved	Achieved	Achieved	Achieved
	80% of mineral permit applications received this year are granted or declined within 120 working days	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18
	80% of petroleum applications are granted or declined within 120 working days	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18
Policy Advice and Related Outputs – Energy and Resources This appropriation is intended to provide effective policy advice and support to the Minister.	Average satisfaction of the Ministers	Reaching, or exceeding, 70%	72%	77%	75%
	Total cost per hour of producing policy outputs	No more than \$155	\$153	\$191	\$141
Policy Advice – Energy and Resources This category is intended to provide timely, high-quality policy advice as measured by the satisfaction of the Minister, external review of MBIE's policy advice, and hourly cost of policy advice.	The satisfaction of the Minister of Energy and Resources with the policy advice service, as per the common satisfaction survey	At least 70%	65%	96%	73%
	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%.	At least an average of 73%	69%	74%	74%
Related Services to Ministers – Energy and Resources This category is intended to provide effective and efficient ministerial services, and to monitor the performance and compliance of Crown entities.	Ministers receive advice on entities' accountability documents within statutory timeframes	100%	100%	100%	100%
	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	100%	99%	100%
	Ministerial correspondence	95% or above	41% ⁴⁷	100%	100%
	Ministerial <i>Official Information Act 1982</i> requests	95% or above	100%	100%	100%

⁴⁶ The result was incorrect in the previous year's annual report.

⁴⁷ A significant increase in volume meant that this measure could not be achieved within current resources. Items with timeframes set by legislation, or the Standing Orders of Parliament, were prioritised while additional resources were arranged to address the backlog.

How much we spent

ACTUAL 2016/17 \$000	OUR EXPENDITURE SUMMARY	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
25,736	Departmental expenses	27,044	27,858	27,040
115,725	Non-departmental expenses	117,526	130,768	129,600
	– Departmental capital	–	–	–
1,379	Non-departmental capital	1,740	2,000	2,000
142,840	Total expenditure	146,310	160,626	158,640

Statement of budgeted and actual expenses and capital expenditure incurred

Our services and functions

ACTUAL 2016/17 \$000	APPROPRIATION NAME	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
	Departmental outputs			
2,406	Energy and Resources: Information Services	2,592	2,701	2,701
17,823	Energy and Resources: Management of the Crown Mineral Estate	18,352	18,664	17,974
20,229	Total departmental output expenditure	20,944	21,365	20,675
	Multi-category expenses and capital expenditure			
	Policy Advice and Related Outputs MCA – Vote Business, Science and Innovation			
5,507		6,100	6,493	6,365
	<i>Departmental output expenses</i>			
4,711	– Policy Advice – Energy and Resource Issues	5,354	5,706	5,578
796	– Related Services to Ministers – Energy and Resources	746	787	787
30,584	Energy Efficiency and Conservation MCA	–	–	–
	<i>Non-departmental output expenses</i>			
13,000	– Electricity Efficiency	–	–	–
16,584	– Energy Efficiency and Conservation	–	–	–
1,000	– Implementation of the Home Insulation Programme	–	–	–
36,091	Total multi-category expenses and capital expenditure	6,100	6,493	6,365
56,320	Total expenditure	27,044	27,858	27,040

Other services – Non-departmental

ACTUAL 2016/17 \$000	APPROPRIATION NAME	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
Non-departmental output expenses					
76,037	Energy and Resources: Electricity Industry Governance and Market Operations	1	70,937	73,937	73,937
–	Energy and Resources: Energy Efficiency and Conservation	2	29,444	29,584	29,584
–	Energy and Resources: Implementation of the Home Insulation Programme	2	500	500	500
3,525	Energy and Resources: Management of IEA Oil Stocks	3	8,560	9,000	8,000
–	Energy and Resources: Managing the Security of New Zealand's Electricity Supply 2017–2022 – MYA	1	–	1,200	1,200
2,395	Resource Data Acquisition and Management 2015–2018 – MYA	3	223	1,447	1,551
81,957	Total non-departmental output expenses		109,664	115,668	114,772
Non-departmental other expenses					
–	Energy and Resources: Electricity Litigation Fund	1	–	1,000	1,000
2,728	Energy and Resources: Home Insulation 2016–2018 – MYA	2	7,847	13,950	13,678
136	Energy and Resources: International Energy Agency Contribution	4	15	150	150
320	Energy and Resources: The Pike River Mine Site		–	–	–
3,184	Total non-departmental other expenses		7,862	15,100	14,828
Non-departmental capital expenditure					
1,379	Energy and Resources: Crown Energy Efficiency	2	1,740	2,000	2,000
1,379	Total non-departmental capital expenditure		1,740	2,000	2,000
86,520	Total non-departmental annual and MYA expenses		119,266	132,768	131,600
142,840	Total expenditure		146,310	160,626	158,640

Location of year end performance information:

- 1 Electricity Authority's annual report
- 2 Energy Efficiency and Conservation Authority's annual report
- 3 Minister of Energy and Resources in the Vote Business, Science and Innovation Non-Departmental Appropriations Report
- 4 Exemption granted under section 15(D)(2)(b) of the *Public Finance Act 1989*

More productive sectors, regions and people

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
Regional Economic Development: Regional Economic Development Programme This appropriation is intended to support the implementation of the Regional Economic Development Programme and the Provincial Growth Fund.	Satisfaction of the Minister for Regional Economic Development with policy and operational advice, and material provided to support decision making on projects	70%	45%	New measure for 2017/18	New measure for 2017/18
	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95%	100%	New measure for 2017/18	New measure for 2017/18
	Ministerial correspondence	95%	100%	New measure for 2017/18	New measure for 2017/18
	Ministerial <i>Official Information Act 1982</i> requests	95%	96%	New measure for 2017/18	New measure for 2017/18
Policy Advice and Related Outputs MCA The overarching purpose of this appropriation is to provide policy advice and other support services to Ministers in discharging their policy decision-making and other portfolio responsibilities.	Average satisfaction of the Ministers	Reaching or exceeding 70%	72%	77%	75%
	The total cost per hour of producing policy outputs	No more than \$155	\$153	\$191	\$141
<i>Policy Advice – Tourism</i> This category is intended to provide high-quality policy advice to support Ministerial decision-making on government policy matters relating to tourism.	The satisfaction of the Minister of Tourism with the policy advice service, as per the common satisfaction survey	At least 70%	79%	78%	83%
	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	At least an average of 73%	73%	68%	70%
<i>Related Services to Ministers – Tourism</i> This category is intended to provide effective and efficient ministerial services, and to monitor the performance and compliance of Crown entities.	Ministers receive advice on entities' accountability documents within statutory timeframes	100%	100%	100%	100%
	Percentage of requests completed within either specified or statutory timeframes:				
	Parliamentary questions	95% or above	100%	100%	100%
	Ministerial correspondence	95% or above	100%	99%	99%
	Ministerial <i>Official Information Act 1982</i> requests	95% or above	100%	100%	100%
Regional Economic Development: Provincial Growth Fund MCA The overarching purpose of this appropriation is to lift the productivity potential in the regions.	All contracts assessed are in accordance with contracted monitoring arrangements	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18
	All relevant applications are assessed against eligibility and assessment criteria prior to approval	Achieved	Achieved	New measure for 2017/18	New measure for 2017/18
<i>Enabling Infrastructure Projects</i> This appropriation is intended to support more innovative infrastructure projects to lift productivity potential through improving regional connections.	Percentage of contracts assessed in accordance with contracted monitoring arrangements	100%	100%	New measure for 2017/18	New measure for 2017/18
	Percentage of relevant applications that are assessed against eligibility and assessment criteria prior to approval	100%	100%	New measure for 2017/18	New measure for 2017/18

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
Enabling Sector Investments This appropriation is intended to support more innovative sectoral initiatives to lift regional and sectoral productivity potential.	Percentage of contracts assessed in accordance with contracted monitoring arrangements	100%	100%	New measure for 2017/18	New measure for 2017/18
	Percentage of relevant applications that are assessed against eligibility and assessment criteria prior to approval	100%	100%	New measure for 2017/18	New measure for 2017/18
Regional Projects and Capability This appropriation is intended to support more innovative, cross-sectoral and cross-cultural regional initiatives to lift regional productivity potential.	Percentage of contracts assessed in accordance with contracted monitoring arrangements	100%	100%	New measure for 2017/18	New measure for 2017/18
	Percentage of relevant applications that are assessed against eligibility and assessment criteria prior to approval	100%	100%	New measure for 2017/18	New measure for 2017/18
Infrastructure Projects This appropriation is intended to support more innovative infrastructure capital projects to lift productivity potential through improving regional connections.	Percentage of contracts assessed in accordance with contracted monitoring arrangements	100%	100%	New measure for 2017/18	New measure for 2017/18
	Percentage of relevant applications that are assessed against eligibility and assessment criteria prior to approval	100%	100%	New measure for 2017/18	New measure for 2017/18
Support New Market Opportunities to Grow Firms and Sectors for the Benefit of New Zealand MCA The overarching purpose of this appropriation is to promote growth by providing support to firms and sectors in securing new market opportunities.	Potential direct economic impact ratio for approved International Growth Fund grants	Exceeding 4:1	6:1	4.2:1	5.6:1
International Growth Fund This category is intended to achieve market development and business capability development activities required for growth of New Zealand firms in international markets.	Number of International Growth Fund grants awarded	80 (demand driven)	109	82	123
Sector Strategies and Facilitation This category is intended to achieve co-fund feasibility studies that are used to develop and present the business case for investment in New Zealand.	Number of Strategic Investment Fund grants awarded	Up to 6 grants	6	5	2
Support the Growth and Development of New Zealand Firms, Sectors and Regions MCA The overarching purpose of this appropriation is to provide support for the growth and development of New Zealand firms, sectors and regions to maximise international business opportunities.	Total value of deals effected with New Zealand Trade and Enterprise's involvement	Meets or exceeds the 2015/16 result (\$1.5b)	\$1.74b	\$1.78b	\$1.5b
Collaborative Activity and Special Events This category is intended to achieve economic benefits through key sector initiatives and special events.	Cumulative value of contracts secured through the government to the Government Partnership Office	\$16m by 30 June 2019	\$24.7m between 1 July 2014 and 30 June 2018	\$15.1m between 1 July 2014 and 30 June 2017	\$14.1m between 1 July 2014 and 30 June 2016

VOTE BUSINESS, SCIENCE AND INNOVATION		2017/18		2016/17	2015/16
Appropriation	Performance measures	Target	Actual	Actual	Actual
<p><i>International Business Growth Services</i></p> <p>This category is intended to increase internationalisation for New Zealand businesses and matching of capital with investment opportunities.</p>	Number of intensively account managed (F700) customers in New Zealand Trade and Enterprise's (NZTE) customer profile	690–720	670⁴⁸	671	705
	Total number of customers in NZTE's customer portfolio (excluding those intensively managed)	3,500 (demand driven)	4,883	4,365	3,085
	Total potential direct economic impact from investment deals	\$2b	\$2.3b	New measure for 2017/18	New measure for 2017/18
	Number of international growth outcomes achieved with NZTE assistance	700	917	890	635
<p><i>Services to Support the Growth and Development of New Zealand Businesses</i></p> <p>This category is intended to increase business and management capability that improves individual firm and wider business performance.</p>	Total net promoter score for the Regional Partner Network	50	64	58	56
<p>Tourism Facilities MCA</p> <p>The overarching purpose of this appropriation is to enhance New Zealand's tourism facilities and infrastructure.</p>	Increased number of new tourism facilities and infrastructure projects	Achieved	34 grants approved	42 grants approved	New measure for 2017/18
	Positive comments from tourists about the facilities and infrastructure that have been supported by this funding	Achieved	Achieved	Unable to be reported	New measure for 2017/18
<p><i>Tourism Growth Partnership</i></p> <p>This category is intended to increase facilities, infrastructure and services in the tourism sector.</p>	Percentage of contracts assessed against their objectives and critical steps as per the monitoring plan	100%	100%⁴⁹	100%	New measure for 2017/18
<p><i>National Cycleway Fund – Development and Extension of Ngā Haerenga, the New Zealand Cycle Trail</i></p> <p>This category is intended to achieve the completion of the Great Rides and the development, enhancement and extension of Ngā Haerenga, the New Zealand Cycle Trail, to New Zealand design standards.</p>	Ministers are satisfied that the quality of the advice received on any funding proposal is sufficient to allow decisions to be made	Achieved	Achieved	Achieved	New measure for 2017/18
	Ngā Haerenga, the New Zealand Cycle Trail, continues to expand	Increase in kilometres of trail	On Track⁵⁰	Achieved	New measure for 2017/18
	The Great Rides continue to deliver economic and social benefits for New Zealand	Evaluation of Great Rides demonstrates benefits		Not able to be reported⁵¹	Next evaluation due in 2018
<p><i>Tourism Facilities Development Grants</i></p> <p>This category is intended to improve the quality and reliability of tourism facilities and services.</p>	Improvements in the quality of existing tourism facilities and infrastructure	Achieved	Achieved	Achieved	New measure for 2017/18

48 In respect of the Focus 700 result of 670 (against a lower end expectation of 690), the Focus 700 are companies that New Zealand Trade and Enterprise (NZTE) works intensively with that have the aspiration to grow and compete internationally. While the actual number of companies worked with during the 2017/18 year is lower than estimated, this lower result has not had a significant impact on NZTE's overall performance expectations and achievements.

49 The Tourism Growth Partnership closed in May 2017. Residual contracts continue to be administered until completion.

50 Funding for 90 km of new trail has been approved.

51 An evaluation is planned for 2019/20.

How much we spent

ACTUAL 2016/17 \$000		ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
27,464	Departmental expenses	6,232	6,953	4,125
471,545	Non-departmental expenses	507,380	639,193	520,542
	– Departmental capital	–	–	–
	– Non-departmental capital	10,453	35,453	10,453
499,009	Total expenditure	524,065	681,599	535,120

Statement of budgeted and actual expenses and capital expenditure incurred

Our services and functions

ACTUAL 2016/17 \$000	APPROPRIATION NAME	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
	Departmental outputs			
	– Regional Economic Development Programme	2,823	2,828	–
24,779	Refugee and Protection Services	–	–	–
24,779	Total departmental output expenditure	2,823	2,828	–
	Multi-category expenses and capital expenditure			
2,685	Policy Advice and Related Outputs MCA – Vote Business, Science and Innovation	3,409	4,125	4,125
	<i>Departmental output expenses</i>			
2,046	› Policy Advice – Tourism	2,491	2,742	2,542
639	› Related Services to Ministers – Tourism	918	1,383	1,583
	– Regional Economic Development: Provincial Growth Fund MCA	3,834	123,757	–
	<i>Non-departmental other expenses</i>			
	– › Enabling Infrastructure Projects	–	5,000	–
	– › Enabling Sector Investments	–	39,500	–
	– › Regional Projects and Capability	3,834	54,257	–
	<i>Non-departmental capital expenditure</i>			
	– › Infrastructure Projects	–	25,000	–
8,217	Tourism Facilities MCA	14,321	24,618	25,286
	<i>Non-departmental output expenses</i>			
1,923	› Tourism Growth Partnership	6,038	6,119	6,119
	<i>Non-departmental other expenses</i>			
1,951	› Maintaining the Quality of the Great Rides	2,259	4,400	4,400
1,498	› National Cycleway Fund – Development and Extension of Nga Haerenga, The New Zealand Cycle Trail	814	7,532	8,600
400	› New Zealand Cycle Trail Incorporated Funding	400	400	400
2,445	› Tourism Facilities Development Grants	4,810	6,167	5,767

ACTUAL 2016/17 \$000	APPROPRIATION NAME	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
23,289	Support New Market Opportunities to Grow Firms and Sectors for the Benefit of New Zealand MCA	24,225	26,231	31,231
	<i>Non-departmental other expenses</i>			
23,235	› International Growth Fund	24,002	25,027	30,027
54	› Sector Strategies and Facilitation	223	1,204	1,204
172,034	Support the Growth and Development of New Zealand Firms, Sectors and Regions MCA	173,244	174,075	166,349
	<i>Non-departmental output expenses</i>			
5,569	› Collaborative Activity and Special Events	5,956	6,169	5,786
151,284	› International Business Growth Services	152,107	152,725	145,382
15,181	› Services to Support the Growth and Development of New Zealand Businesses	15,181	15,181	15,181
206,225	Total multi-category expenses and capital expenditure	219,033	352,806	226,991
231,004	Total expenditure	221,856	355,634	226,991

Other services – Non-departmental

ACTUAL 2016/17 \$000	APPROPRIATION NAME	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
	Non-departmental output expenses				
291	Economic Development: Hurunui/Kaikōura Earthquakes Response – Tourism Support Package	1	44	59	–
117,350	Tourism: Marketing of New Zealand as a Visitor Destination	2	117,350	117,350	117,350
117,641	Total non-departmental output expenses		117,394	117,409	117,350
	Non-departmental other expenses				
–	Economic Development: 35th America’s Cup Celebrations	1	–	250	–
1,300	Economic Development: Attracting International Screen Productions	1	1,300	1,300	1,300
2,000	Economic Development: Depreciation on Auckland’s Queens Wharf	1	2,000	2,000	2,000
1,090	Economic Development: Earthquake Business Recovery Grants	1	(8)	162	10
–	Economic Development: Edgecumbe Business Support	1	110	170	–
776	Economic Development: International Subscriptions and Memberships	1	1,676	1,760	1,760
–	Economic Development: Major Events Development Fund 2017–2022 – MYA	3	8,836	13,325	13,000
13,442	Economic Development: Major Events Development Fund		–	–	–
392	Economic Development: Management Development Fund	1	547	951	756
3,288	Science and Innovation: Māori Innovation Fund	1	1,206	4,248	3,000
–	Economic Development: New Zealand Screen Production Grant – International 2017–2021 – MYA	3	147,386	141,000	120,000

ACTUAL 2016/17 \$000	APPROPRIATION NAME	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2017/18 \$000	SUPPLEMENTARY ESTIMATES 2017/18 \$000	MAIN ESTIMATES 2017/18 \$000
126,963	New Zealand Screen Production Grant – International 2014–2017 – MYA		–	–	–
291	Economic Development: Ōpōtiki Harbour Development	1	1,938	2,840	2,000
822	Economic Development: Regional Growth Initiatives 2016–2021 – MYA	3	654	19,597	11,000
–	Economic Development: Support for – Team New Zealand	3	5,000	5,000	–
–	Tourism: Tourism Infrastructure Fund	4	3,717	5,500	25,500
150,364	Total non-departmental other expenses		174,362	198,103	180,326
	Non-departmental capital expenditure				
–	Venture Investment Fund 2014–2018 – MYA	5	10,453	10,453	10,453
–	Total non-departmental capital expenditure		10,453	10,453	10,453
268,005	Total non-departmental annual and MYA expenses		302,209	325,965	308,129
499,009	Total expenditure		524,065	681,599	535,120

Location of year end performance information:

- 1 Exemption granted under section 15(D)(2)(b) of the *Public Finance Act 1989*
- 2 Tourism New Zealand’s annual report
- 3 Minister for Economic Development in the Vote Business, Science and Innovation Non-Departmental Appropriations Report
- 4 Minister of Tourism in the Vote Business, Science and Innovation Non-Departmental Appropriations Report
- 5 New Zealand Investment Fund’s annual report

MEASURES OF ASSET PERFORMANCE

MBIE manages two major asset portfolios: Information, Communications & Technology (ICT), and Property. Asset performance measures for these two portfolios are presented for first time in the annual report.

The measures relating to staff-occupied properties reflect that they are being well managed and heading towards achieving the targets.

ASSET PORTFOLIO: PROPERTY	2017/18		2016/17	2015/16
	Target	Actual*	Actual*	Actual*
Performance measures				
Office space utilisation per square metre per employee The square metre per employee is an utilisation measure that helps MBIE to understand how efficiently it is using space by dividing the square metres by the number of employees. Customer-facing space is excluded from this calculation. MBIE also uses this figure to help it project space for future staff demands.	14.0	12.0	12.9	12.9
Staff office space will be above 70% New Building Standard (NBS) It is important that MBIE houses its staff in buildings that have a sufficient seismic rating. A property at 70% of NBS, which is the benchmark MBIE has set, should preserve life, and be largely functional following a large earthquake. An earthquake that would structurally damage a building beyond 70% of NBS would likely affect the surrounding areas of the property, thus creating a red zone and therefore the building may be tenantable but unable to be accessed for a period of time.	100.00%	99.50%	100.00%	98.95%
Staff offices with a building warrant of fitness (BWOFF) A BWOFF demonstrates that the property has compliant mechanical and life safety systems. Depending on the specific item (such as air conditioning), the systems need to be checked either monthly or quarterly, and then again annually by an independently qualified person. Only once all of the annual checks have been completed can a BWOFF be issued.	100.00%	95.00%	79.33%	–

The measures below show that ICT services across MBIE are operationally stable and performing to or close to target services levels.

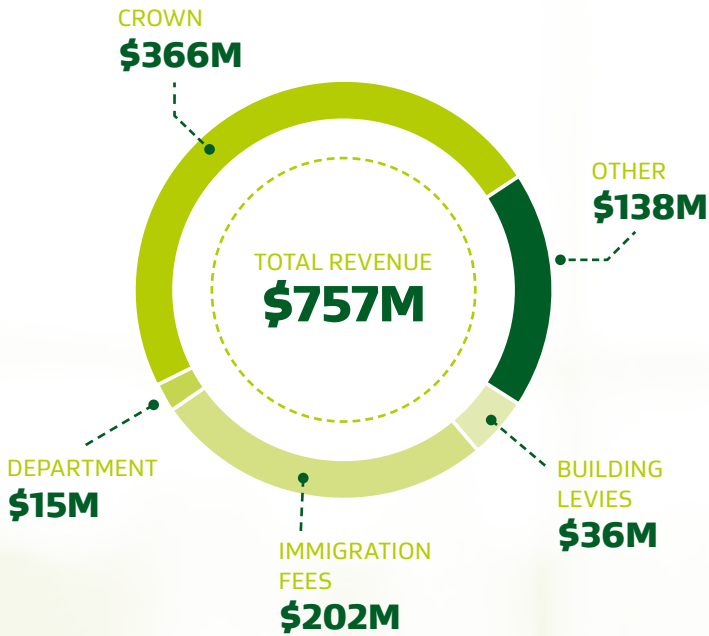
ASSET PORTFOLIO: ICT	2017/18		2016/17	2015/16
	Target	Actual*	Actual*	Actual*
Performance measures				
System availability across critical business systems Percentage service availability measured against agreed targets, measured monthly and aggregated to a full year.	99.90%	100.00%	100.00%	99.99%
System availability across non-critical business systems Percentage service availability measured against agreed targets, measured monthly and aggregated to a full year.	97.50%	99.00%	99.07%	99.86%
Fault resolution performance for Critical Systems – Priority 1 Percentage of Priority 1 outage restorations that are within target timeframes. Priority 1 = failure of a core business service, security breach or environmental incident (e.g., earthquake).	100.00%	98.18%	100.00%	98.58%
Fault resolution performance for Critical Systems – Priority 2 Percentage of Priority 2 outage restorations that are within target timeframes. Priority 2 = partial failure or degradation of a core business service.	90.00%	98.18%	95.45%	98.83%
ICT System Warrant of Fitness Assessment 100% of systems are classified as having the expected capability for the position they are in within their asset lifecycle. Systems having the expected capability must be considered to be one of the following: <ul style="list-style-type: none"> meeting requirements with some limited level of operational enhancements scheduled have planned continuous improvement programme in place have an end of life in line with life expectancy for the system, with a planned replacement. 	100.00%	100.00%	100.00%	100.00%

* The actual results included in the tables have not been audited.

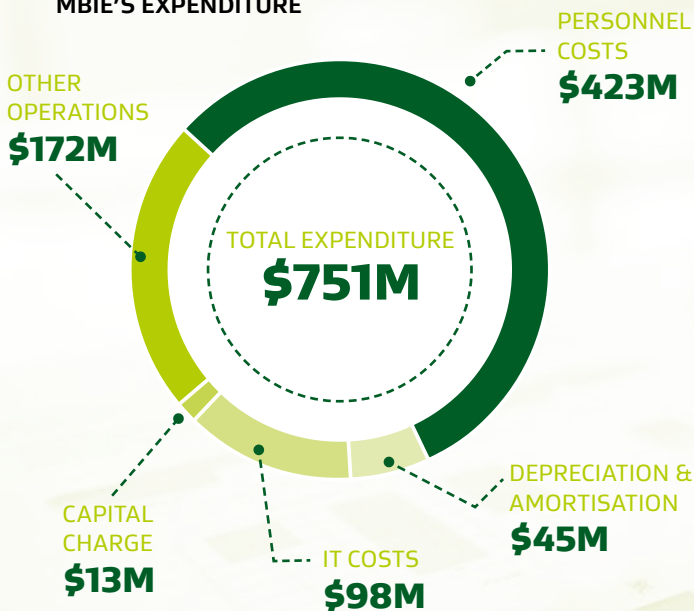
FINANCIAL STATEMENTS

FINANCIAL RESULTS

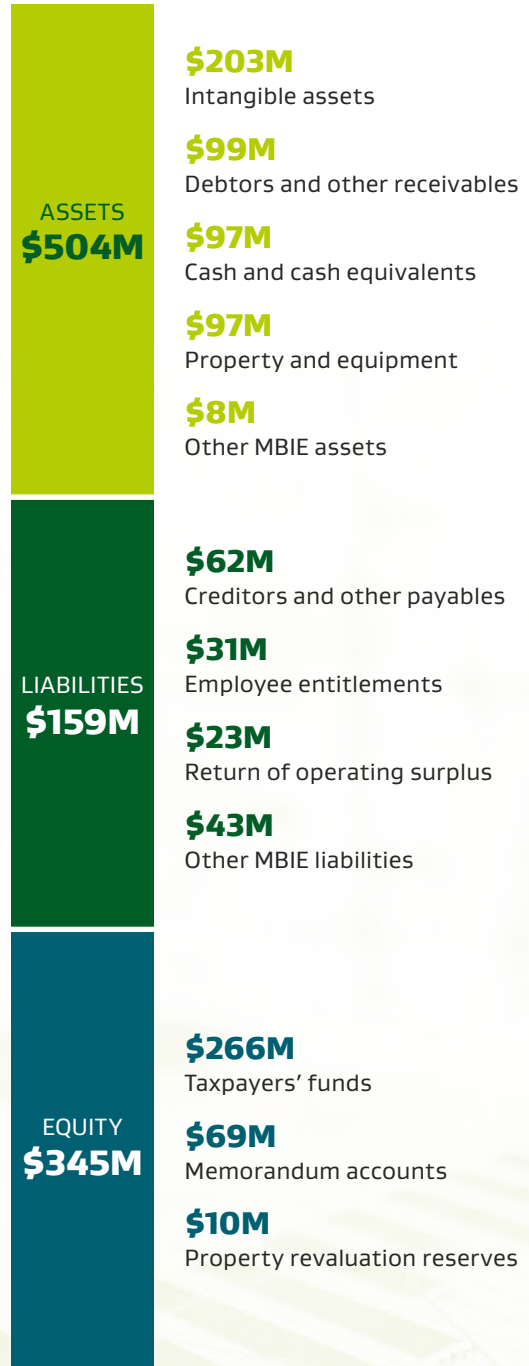
MBIE'S REVENUE



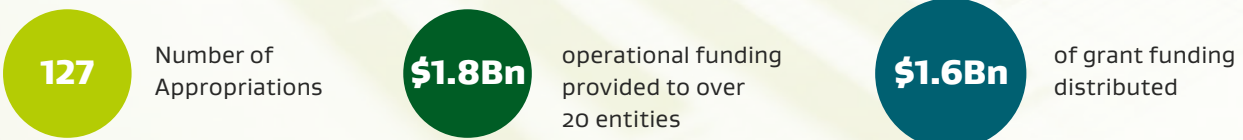
MBIE'S EXPENDITURE



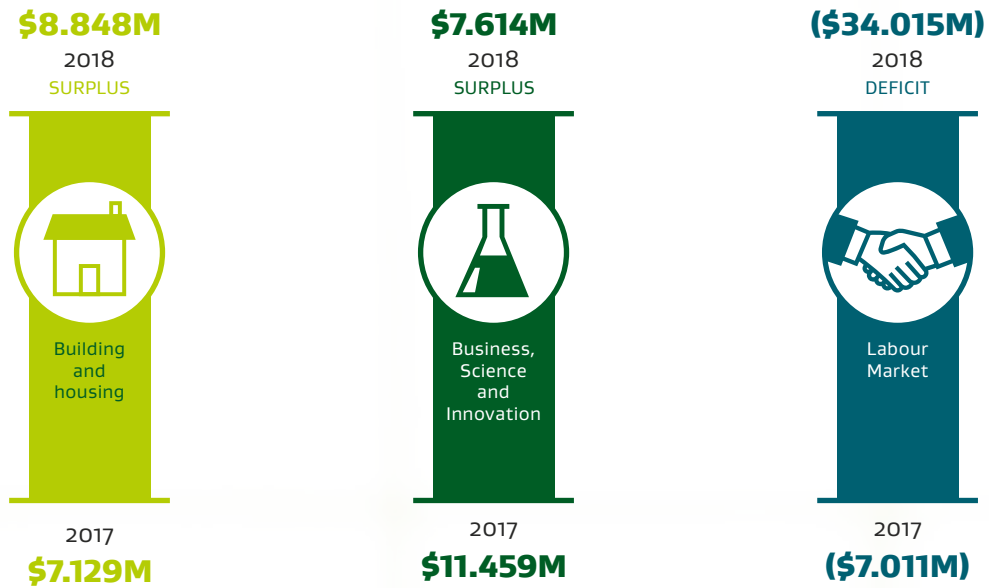
MBIE'S FINANCIAL POSITION



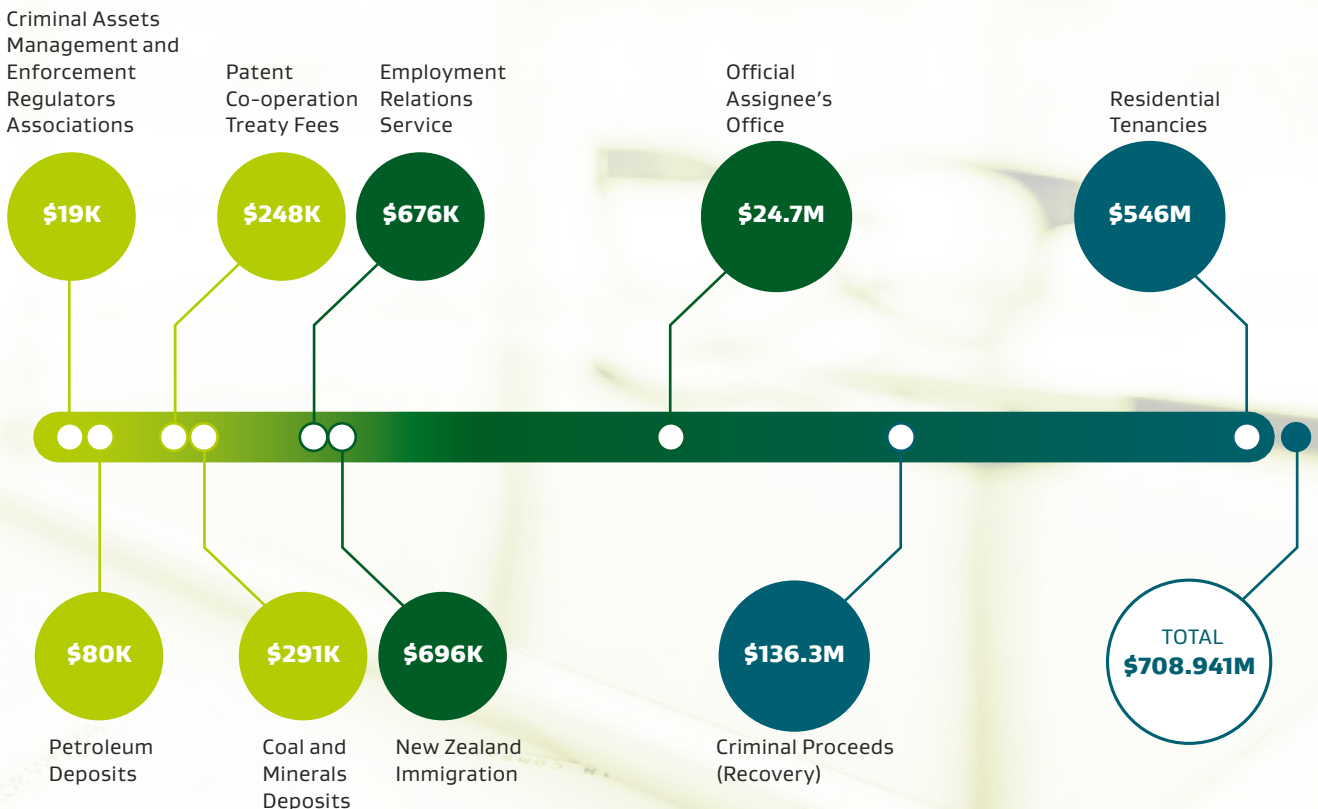
MBIE MANAGES FUNDS ON BEHALF OF THE CROWN



MBIE holds 15 memorandum accounts across 3 Votes to collect fees and levies for the services it provides.



MBIE is responsible for 11 off-balance sheet trusts with a total value of \$708.941m.



There are two trust accounts that have zero balances at 30 June 2018 (refer Appendix 1 on page 151).

STATEMENT OF MANAGEMENT RESPONSIBILITY

I am responsible, as Chief Executive of the Ministry of Business, Innovation and Employment (MBIE), for:

- › the preparation of MBIE's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them
- › having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- › ensuring that end-of-year performance information on each appropriation administered by MBIE is provided in accordance with sections 19A to 19C of the *Public Finance Act 1989*, whether or not that information is included in this annual report
- › the accuracy of any end-of-year performance information prepared by MBIE, whether or not that information is included in the annual report.

In my opinion:

- › the financial statements fairly reflect the financial position of MBIE as at 30 June 2018 and its operations for the year ended on that date
- › the forecast financial statements fairly reflect the forecast financial position of MBIE as at 30 June 2019 and its operations for the year ending on that date.

Signed by



Carolyn Tremain

Chief Executive
Ministry of Business, Innovation and Employment
28 September 2018

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the Ministry of Business, Innovation and Employment's annual report for the year ended 30 June 2018.

The Auditor-General is the auditor of the Ministry of Business, Innovation and Employment (MBIE). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- › the financial statements of MBIE on pages 92 to 125, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and assets as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- › the performance information prepared by MBIE for the year ended 30 June 2018 on pages 9, 21 to 22, 28, 35 to 36, 40, 46 to 54, 59 to 63, 67 to 70, 75 and 78 to 80;
- › the statements of expenses and capital expenditure of MBIE for the year ended 30 June 2018 on pages 55 to 58, 64 to 66, 71 to 74, 76 to 77, 81 to 83 and 142 to 150; and
- › the schedules of non departmental activities which are managed by MBIE on behalf of the Crown on pages 127 to 141 and 151 to 152 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and contingent assets as at 30 June 2018;
 - the schedules of expenditure; and revenue for the year ended 30 June 2018;
 - the statement of trust monies for the year ended 30 June 2018; and
 - the notes to the schedules that include accounting policies and other explanatory information.

OPINION

In our opinion:

- › the financial statements of MBIE on pages 92 to 125:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- › the performance information of MBIE on pages 9, 21 to 22, 28, 35 to 36, 40, 46 to 54, 59 to 63, 67 to 70, 75 and 78 to 80:
 - presents fairly, in all material respects, for the year ended 30 June 2018:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - complies with generally accepted accounting practice in New Zealand.
- › the statements of expenses and capital expenditure of MBIE on pages 55 to 58, 64 to 66, 71 to 74, 76 to 77, 81 to 83 and 142 to 150 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- › the schedules of non departmental activities which are managed by MBIE on behalf of the Crown on pages 126 to 141 and 151 to 152 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; commitments; and contingent liabilities and contingent assets as at 30 June 2018; and
 - expenses; and revenue for the year ended 30 June 2018; and
 - the statement of trust monies for the year ended 30 June 2018.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE CHIEF EXECUTIVE FOR THE INFORMATION TO BE AUDITED

The Chief Executive is responsible on behalf of MBIE for preparing:

- › financial statements that present fairly MBIE's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- › performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- › statements of expenses and capital expenditure of MBIE, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- › schedules of non departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by MBIE on behalf of the Crown.

The Chief Executive is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Chief Executive is responsible on behalf of MBIE for assessing MBIE's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of MBIE, or there is no realistic alternative but to do so.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

RESPONSIBILITIES OF THE AUDITOR FOR THE INFORMATION TO BE AUDITED

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to MBIE's Statement of Intent 2015–2019, the Estimates and Supplementary Estimates of Appropriations 2017/18 and the 2017/18 forecast financial figures included in MBIE's 2016/17 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- › We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- › We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MBIE's internal control.

- › We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- › We evaluate the appropriateness of the reported performance information within MBIE's framework for reporting its performance.
- › We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MBIE's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MBIE to cease to continue as a going concern.
- › We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 2 to 8, 10 to 20, 23 to 27, 29 to 34, 37 to 39, 41 to 45, 84, 86 to 88, 153 and 156 to 165, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of MBIE in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out engagements in the areas of assurance over the Procurement Process for the Payroll Renewal Project. Other than the audit and these engagements, we have no relationship with or interests in MBIE.



Ajay Sharma
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2018

ACTUAL 2017 \$000		NOTES	ACTUAL 2018 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000	UNAUDITED FORECAST 2019 \$000
Revenue						
328,998	Crown	4	365,888	365,888	337,390	381,139
8,148	Department	4	14,533	20,669	6,415	16,889
370,445	Other revenue	4	376,170	407,998	369,999	413,552
92	Finance income	4	331	90	–	90
707,683	Total revenue	3, 4	756,922	794,645	713,804	811,670
Expenditure						
397,398	Personnel costs	6	422,836	428,108	439,842	462,697
40,541	Depreciation and amortisation	16, 17, 18	45,264	45,191	48,232	45,748
14,095	Capital charge	9	12,566	13,657	9,880	13,946
2,573	Restructuring costs		10,798	230	–	–
967	Net foreign exchange losses		56	–	–	–
238,974	Other operating expenses	7	258,986	305,985	211,502	281,882
–	Interest expense		19	–	–	–
694,548	Total expenditure	3	750,525	793,171	709,456	804,273
13,135	Net surplus		6,397	1,474	4,348	7,397
Other comprehensive revenue and expense						
–	Gain on revaluation of property, plant and equipment		–	–	–	–
13,135	Total comprehensive revenue and expense		6,397	1,474	4,348	7,397

A discussion of major variances against Main and Supplementary Estimates can be found in the relevant note.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

ACTUAL 2017 \$000		NOTES	ACTUAL 2018 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000	UNAUDITED FORECAST 2019 \$000
Assets						
Current assets						
27,342	Cash and cash equivalents	19	97,171	50,211	57,095	48,493
97,054	Debtors and other receivables	10	95,703	108,780	109,566	83,780
4,780	Prepayments		7,829	4,802	3,177	4,802
	– Inventory		–	–	47	–
	– Derivative financial instruments	19	36	160	160	160
129,176	Total current assets		200,739	163,953	170,045	137,235
Non-current assets						
3,245	Debtors and other receivables	10	3,253	–	–	–
88,463	Property and equipment	16, 18	96,710	92,247	69,835	99,153
185,349	Intangible assets	17	203,189	214,706	223,973	230,780
277,057	Total non-current assets		303,152	306,953	293,808	329,933
406,233	Total assets		503,891	470,906	463,853	467,168
Liabilities						
Current liabilities						
48,818	Creditors and other payables	11	61,955	47,515	47,521	47,515
17,567	Unearned income	12	16,456	17,245	17,245	17,245
1,893	Return of operating surplus	13	23,294	–	–	935
12,636	Provisions	14	22,383	2,497	5,120	2,497
24,382	Employee entitlements	15	24,535	24,029	18,858	24,029
111	Derivative financial instruments	19	–	–	–	–
105,407	Total current liabilities		148,623	91,286	88,744	92,221
Non-current liabilities						
	– Creditors and other payables	11	345	–	–	–
2,296	Provisions	14	2,952	2,296	1,163	2,296
6,689	Employee entitlements	15	6,707	6,689	6,560	6,689
8,985	Total non-current liabilities		10,004	8,985	7,723	8,985
114,392	Total liabilities		158,627	100,271	96,467	101,206
291,841	Net assets		345,264	370,635	367,386	365,962
Equity						
199,252	Taxpayers' funds	20	266,693	360,782	356,230	269,413
82,736	Memorandum accounts	20	68,718	–	–	89,163
9,853	Property revaluation reserves	20	9,853	9,853	11,156	9,853
291,841	Total equity		345,264	370,635	367,386	365,962

A discussion of major variances against Main and Supplementary Estimates can be found in the relevant note.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

ACTUAL 2017 \$000	ACTUAL 2018 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000	UNAUDITED FORECAST 2019 \$000
280,509	291,841	291,841	300,388	353,347
13,135	6,397	1,474	4,348	7,397
(1,893)	(23,294)	–	–	(935)
14,705	70,320	77,320	69,650	6,153
(14,615)	–	–	(7,000)	–
291,841	345,264	370,635	367,386	365,962

A discussion of major variances against Main and Supplementary Estimates can be found in the relevant note.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

ACTUAL 2017 \$000	ACTUAL 2018 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000	UNAUDITED FORECAST 2019 \$000
Cash flows from operating activities				
373,998	365,888	347,694	322,390	399,139
342,869	392,294	435,328	368,183	430,441
(265,113)	(322,481)	(319,947)	(212,217)	(283,030)
(361,752)	(359,693)	(427,688)	(439,127)	(461,549)
(14,095)	(12,566)	(13,657)	(9,880)	(13,946)
(4,758)	9,016	4,175	335	–
71,149	72,458	25,905	29,684	71,055
Cash flows from investing activities				
427	104	–	–	–
–	331	90	–	90
(30,841)	(21,367)	(16,264)	(10,612)	(19,165)
(46,158)	(49,902)	(62,289)	(68,234)	(49,563)
(76,572)	(70,834)	(78,463)	(78,846)	(68,638)
Cash flows from financing activities				
192	70,320	77,320	69,650	6,153
(27,002)	(1,893)	(1,893)	(5,467)	(5,578)
–	(19)	–	–	–
(100)	–	–	(7,000)	–
(26,910)	68,408	75,427	57,183	575
(32,333)	70,032	22,869	8,021	2,992
61,362	27,342	27,342	49,074	45,501
(1,687)	(203)	–	–	–
27,342	97,171	50,211	57,095	48,493

A discussion of major variances against Main and Supplementary Estimates can be found in the relevant note.

The accompanying notes form part of these financial statements.

RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

For the year ended 30 June 2018

ACTUAL 2017 \$000	ACTUAL 2018 \$000
13,135	6,397
Net surplus	
Add/(less) non-cash items	
40,541	45,091
(131)	18
108	(749)
40,518	44,360
Total non-cash items	
Add/(less) non-operating activities	
(92)	(312)
967	56
1,330	736
2,205	480
Total non-operating activities	
Add/(less) movements in working capital	
157	-
970	(3,049)
12,422	1,343
(8,106)	13,482
(2,839)	(1,111)
9,987	10,403
2,700	153
15,291	21,221
71,149	72,458
Net cash flows from operating activities	

STATEMENT OF COMMITMENTS

As at 30 June 2018

ACTUAL 2017 \$000	ACTUAL 2018 \$000
Capital Commitments	
132	3,986
-	8,038
132	12,024
Total capital commitments	
Non-cancellable operating lease commitments	
32,496	36,629
72,753	87,919
42,706	54,296
147,955	178,844
148,087	190,868
Total commitments	

The accompanying notes form part of these financial statements.

COMMITMENTS**Buildings**

Immigration New Zealand (INZ) is developing extra accommodation blocks at the Mangere Refugee Resettlement Centre. Building commitments at 30 June 2018 relate to the remaining works that should be completed by August 2019.

Software

INZ and Market Services have a number of software projects to upgrade, enhance and replace existing systems to enable improved efficiency and effectiveness of current and future operations. These are expected to be completed by May 2019 and July 2019 respectively.

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

MBIE's non-cancellable operating leases have varying terms, escalation clauses, and renewal rights. There are no restrictions placed on MBIE by any of its leasing arrangements. The amounts disclosed as future commitments are based on current lease payments.

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2018

ACTUAL 2017 \$000	ACTUAL 2018 \$000
2,731 Legal proceedings and disputes	3,065
200 Other contingencies	200
2,931 Total quantifiable contingent liabilities	3,265

QUANTIFIABLE CONTINGENT LIABILITIES**Legal proceedings and disputes**

Legal proceedings and disputes represent amounts claimed by plaintiffs in relation to the performance of MBIE's statutory roles and associated estimated legal costs. MBIE was defending three legal proceedings and disputes as at 30 June 2018 (2017: four legal proceedings and disputes).

Other contingencies

Other contingencies represent obligations under the State Coal Reserve Land, prior to the transfer to Land Information New Zealand in 2011, for site mitigation that if not addressed by mine owners will be sought from MBIE by Land Information New Zealand.

UNQUANTIFIABLE CONTINGENT LIABILITIES

MBIE has given indemnities in relation to the Canterbury Earthquake Building Performance Technical Investigation. These indemnities cover the four consultants carrying out the investigations and the twelve members of the expert panel including one member representing each consultant. The indemnities cover costs from claims by third parties against the contractors or their staff in relation to the reports produced, as well as media releases made by the expert panel chair. There is no stated limit on the amount of each indemnity. The indemnities only apply where the contractor has complied with all obligations under the contract. These unquantifiable contingent liabilities are substantially unchanged from the year ended 30 June 2017.

CONTINGENT ASSETS

MBIE has no contingent assets as at 30 June 2018 (2017: nil).

The accompanying notes form part of these financial statements.

WHO WE ARE

The public sector consists of a number of different organisational forms. These forms vary in the extent to which they are at an arm's-length from Ministers, how they are governed, and the expectations that apply. MBIE is a Public Service department, which means it is close to Ministers, and forms part of the legal Crown.

This section provides information on the legislation governing MBIE's operations and reporting requirements and accounting policies, or information on where to find accounting policies that are fundamental to the financial statements.

NOTE 1: REPORTING ENTITY

The Ministry of Business, Innovation and Employment (MBIE) is a New Zealand government department as defined by section 2 of the *Public Finance Act 1989* (the PFA) and is domiciled and operates primarily in New Zealand. The legislation governing MBIE's operations includes the *Public Finance Act 1989*. The ultimate parent of MBIE is the New Zealand Crown.

MBIE's primary objective is to provide services to the public. MBIE does not operate to make a financial return and is a public benefit entity (PBE) for financial reporting purposes. The financial statements cover all activities of MBIE as set out in the 2018 Main Estimates and include Votes Building and Housing, Business, Science and Innovation, and Labour Market.

In addition, MBIE has reported the Crown activities and trust monies that it administers.

The financial statements of MBIE are for the year ended 30 June 2018. They were authorised for issue by the Chief Executive of MBIE on 28 September 2018.

NOTE 2: BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the PFA, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and Treasury Instructions.

The financial statements of MBIE have been prepared in accordance with Tier 1 PBE accounting standards.

Measurement base

The financial statements have been prepared on the historical cost basis modified by the revaluation of land and buildings.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of MBIE is New Zealand dollars.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

Comparative amounts

Certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation.

Standards, amendments and interpretations issued that are not yet effective and have not been adopted early

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to MBIE are:

FINANCIAL INSTRUMENTS

In January 2017, the External Reporting Board (the XRB) issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The main changes under the standard are:

- › new financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost
- › a new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses
- › revised hedge accounting requirements to better reflect the management of risks.

This standard is effective for the periods beginning on or after 1 January 2021. Following the Treasury's early adoption of this standard, MBIE will adopt the standard from the 2018/19 financial year.

MBIE has assessed the nature and effect of the new standard and believe there will be no material impact on the 2018/19 financial statements.

NOTE 2: BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF REVALUED ASSETS

In April 2017, the XRB issued Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26). This standard amends PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets* so that assets measured at revalued amounts under the revaluation model in PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 31 *Intangible Assets* are within the scope of these standards. Previously, only items of property, plant, and equipment measured at cost were within the scope of these standards. Under the amendment, a revalued asset can be impaired without having to revalue the entire class of asset to which the asset belongs.

This standard is effective for the periods beginning on or after 1 January 2019. The timing of MBIE's adoption of this standard will be guided by the Treasury.

MBIE has not yet assessed the effects of the new standard.

SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied. Where an accounting policy is specific to one note, the policy is described in the note to which it relates and marked with a symbol (P).

Administration and use arrangements

MBIE has entered into a number of administration and use arrangements with other government departments for the delivery of appropriations. Expenditure is recorded by the department using the appropriation with that expenditure reimbursed and recorded against the appropriation by the appropriation administering department.

Commitments

Expenses yet to be incurred on non-cancellable contracts that have been entered into at balance date are disclosed as commitments.

Cancellable contracts that have penalty or exit costs are included in the Statement of Commitments at the lower of the remaining contractual commitment or the value of the penalty or exit costs.

Contingent liabilities

Contingent liabilities are disclosed in the Statement of Contingent Liabilities at the point at which the contingency is evident. Contingent liabilities are not disclosed if the possibility of an outflow of resources embodying economic resources is remote.

Contingent assets

Contingent assets are disclosed in the Statement of Contingent Assets at the point at which an inflow of economic benefits or service potential is probable.

Foreign currency transactions

Foreign currency transactions, including those for which foreign exchange forward contracts are held, are translated to New Zealand dollars at the rate applicable on the day of settlement.

Monetary assets and liabilities denominated in foreign currencies at balance date are translated to New Zealand dollars at the foreign exchange rate at balance date.

Foreign exchange gains or losses arising from the settlements of such transactions and from the translation of foreign currency monetary assets and liabilities are recognised in net surplus or deficit.

Goods and Services Tax (GST)

All items in the financial statements, except for receivables and payables, are stated exclusive of GST including appropriation statements and commitments and contingencies. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Income tax

Government departments are exempt from income tax as public authorities and no income tax has been provided for.

Cost accounting policies

MBIE has determined the cost of outputs using the cost allocation system outlined below.

Input costs can be classified as direct and indirect.

Direct costs are those that are directly linked to the production of an output; for example, the cost of staff working in a business unit that can be directly linked to the outputs. Direct costs are charged directly to outputs. Where the costs are incurred in the operation of MBIE as a whole and are not able to be linked directly to a specific output, they are charged to outputs based on cost drivers and related activity or usage information.

To ensure that corporate costs are allocated as accurately as possible MBIE has adopted a three tier corporate allocation methodology:

- › directly attributable – if a particular group uses a corporate resource such as dedicated people or software licence agreements the costs will be directly charged to the relevant business group and spread according to the business group's assessment of usage across cost centres

NOTE 2: BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- › controllable allocated – costs which can be allocated on a rational basis in accordance with usage
- › uncontrollable allocated – costs that are not impacted directly by individual business group activity but tend to be MBIE-wide costs. Examples of this are various types of insurance and the costs of annual audits.

There have been no changes in cost allocation accounting policies during the period.

Critical accounting estimates, assumptions and critical judgements in applying accounting policies

In preparing these financial statements, estimates, assumptions and critical judgements have been made concerning the future and may differ from the subsequent actual results. Estimates, assumptions and critical judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- › Leases classification – refer to Note 18.

Budget figures

The Budget figures are for the year ended 30 June 2018 and were published in the 2016/17 annual report. They were included in the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2018, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates.

Forecast figures

The forecast figures for the year ending 30 June 2019 are consistent with MBIE's best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2019.

While MBIE regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2019 will not be published.

The forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

Significant assumptions used in preparing the unaudited forecast financial statements

The forecast financial statements have been prepared in accordance with the PBE FRS 42 Prospective Financial Statements and comply with PBE FRS 42.

The purpose of the forecast financial statements is to facilitate Parliament's consideration of the appropriations for, and planned performance of, the department. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material.

The forecast figures contained in these financial statements reflect MBIE's purpose and activities and are based on a number of assumptions on what may occur during the 2018/19 year.

The forecast figures have been compiled on the basis of existing government policies and Ministerial expectations at the time the Main Estimates were finalised. The main assumptions were as follows:

- › MBIE's activities and output expectations will remain substantially the same as for the previous year focusing on the Government's priorities
- › personnel costs were based on planned full-time equivalent staff, which takes into account staff turnover
- › input costs for personnel costs and other operating expenses will be consistent with MBIE's current cost structure
- › land and buildings are not expected to be revalued, and
- › estimated year-end information for 2017/18 was used as the opening position for the 2018/19 forecasts.

The actual financial results achieved for the year ending 30 June 2019 are likely to vary from the forecast information presented, and the variations may be material.

In June 2018 the Minister of Housing and Urban Development announced the establishment of a new Ministry to help the Government deliver on its priorities to make housing more affordable. The Ministry of Housing and Urban Development (MHUD) will officially start operating on 1 October 2018 and related functions and appropriations will be moved from MBIE to MHUD. Except for the impact of the MHUD establishment, there are no significant events or changes that would have a material impact on the BEFU forecast. Factors that could lead to material differences between the forecast financial statements and the 2018/19 actual financial statements include changes to the baseline budget through new initiatives, or technical adjustments.

Authorisation statement

The forecast figures reported are those for the year ending 30 June 2019 included in BEFU 2018. These were authorised for issue on 12 May 2018 by the Chief Executive, who is responsible for the forecast financial statements as presented.

It is not intended that the forecast figures will be updated subsequent to presentation.

REVENUE AND EXPENDITURE BY OUTCOME

In order to illustrate how MBIE's work integrates to deliver tangible results for New Zealand, we have organised the annual report to link to our outcomes. Each of these outcomes shows how MBIE is contributing to growing the economy, delivering effective services and creating the right legislative and regulatory settings.

This section of the financial statements presents details of the sources of MBIE's revenue and information on how gross revenue and expenses are split between outcomes. For information on what MBIE has achieved against each outcome and our performance information, please refer to the relevant sections in the front of the annual report.

NOTE 3: REVENUE AND EXPENDITURE BY OUTCOME

	2018		2017	
	TOTAL REVENUE \$000	TOTAL EXPENDITURE \$000	TOTAL REVENUE \$000	TOTAL EXPENDITURE \$000
More supportive and dynamic business environment	233,176	(218,792)	212,010	(195,897)
An increased number of highly skilled people and innovative firms	359,381	(380,001)	316,356	(328,153)
The built environment better supports a well-functioning economy	129,651	(117,969)	124,002	(116,243)
Greater value sustainably derived from the natural environment	27,156	(27,044)	26,212	(25,736)
More productive and prosperous sectors, regions and people	7,063	(6,232)	28,923	(27,464)
Revenue from administration and use appropriations	431	(431)	88	(88)
	756,858	(750,469)	707,591	(693,581)
Other	64	(56)	92	(967)
Total	756,922	(750,525)	707,683	(694,548)

HOW WE WERE FUNDED

MBIE's delivery of services and functions on behalf of the government is funded by two main revenue streams: Crown revenue and other revenue.

Crown revenue consists of amounts appropriated for departmental appropriations for the year, adjusted for any formal additions and reductions.

Other revenue mainly consists of fees and statutory levies. In general, fees relate to the supply of goods or services to third parties, whereas statutory levies do not necessarily have a direct link to the provision of goods or services and are collected when the obligation to pay the levy is incurred.

MBIE uses memorandum accounts to record the accumulated balance of surpluses and deficits incurred in the provision of third-party fully cost-recovered outputs. These memorandum accounts separately disclose the cost of such outputs over multiple years, as otherwise this information would be aggregated as part of MBIE's financial position.

A surplus arising on a memorandum account may be retained and not paid to the Crown. When a deficit arises, this is not deducted from MBIE's overall surplus. This avoids third parties subsidising Crown activities when a memorandum account is in surplus. The balance of each memorandum account is expected to trend to zero over a reasonable period of time.

NOTE 4: REVENUE

P Revenue – Exchange transactions

Visa application fees

Revenue from visa application fees is recognised to the extent that the application has been processed by MBIE at balance date. Application fees received in advance are recognised as unearned income in the Statement of Financial Position.

Fees

Revenue from fees is recognised as income in the period to which it relates to.

Shared service recoveries

Shared service recoveries are recognised in the accounting period in which the service is provided, by reference to the completion of specific transactions, assessed on the basis of actual services provided as a proportion of the total services to be provided.

Revenue – Non-exchange transactions

Revenue from the Crown

Revenue from the Crown is treated as a non-exchange transaction. The amount of revenue recognised takes into account any amendments to appropriations approved in the *Appropriation (Supplementary Estimates) Act* for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, MBIE can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

Statutory levies

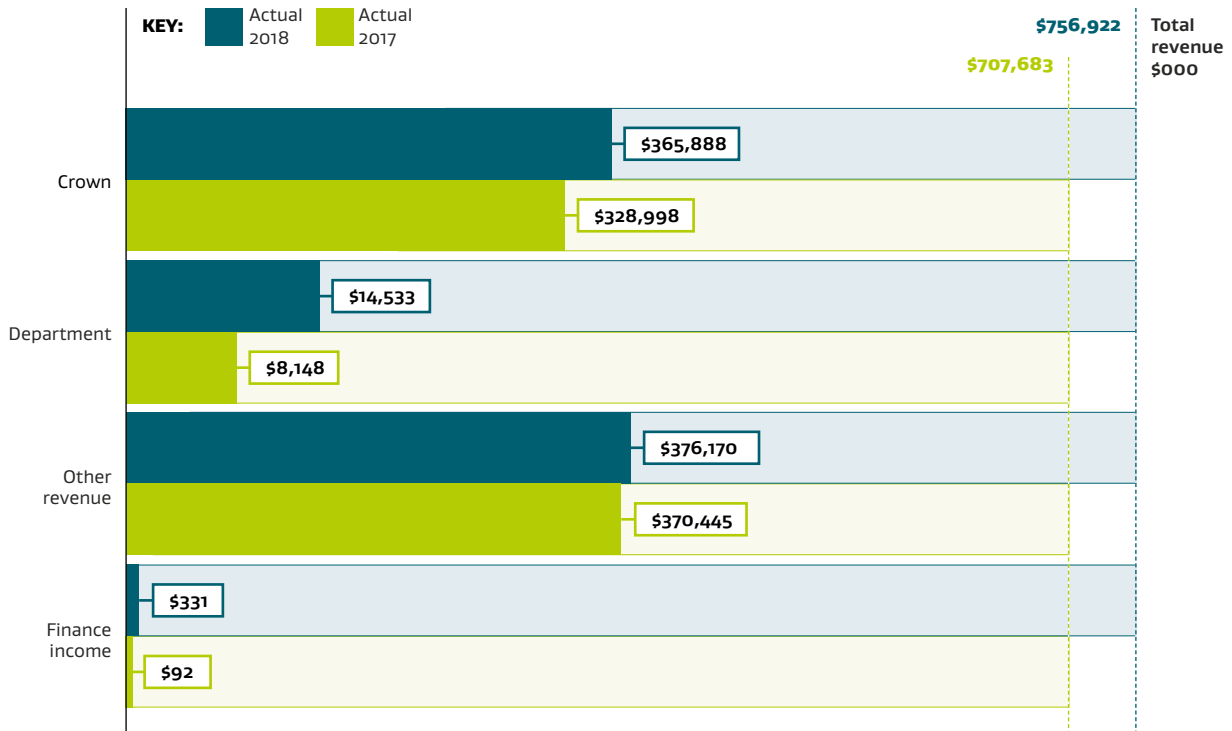
Revenue from statutory levies is recognised as revenue when the obligation to pay the levy is incurred. Although there are restrictions on how levy funding may be spent, there are no conditions attached to the levies that could readily give rise to obligations to return levies to levy payers.

Interest – Residential Tenancies Trust Account

Under the *Residential Tenancies Act 1986*, MBIE administers a trust account for tenancy bonds. Interest is payable to MBIE and recognised on an accrual basis using the effective interest method.

NOTE 4: REVENUE (CONTINUED)

Departmental revenue (\$000)



Explanation of major variances against estimates

Total revenue is \$43.118m higher than Main Estimates (budget) and \$37.723m lower than Supplementary Estimates.

- › Crown revenue was above budget but in line with Supplementary Estimates due to the approval of additional funding for new initiatives, such as the Provincial Growth Fund and KiwiBuild.

- › Other revenue was lower than Supplementary Estimates principally due to fees for Immigration Services (visas) being lower than estimated. This was offset by revenues for other services being higher than estimated.

Main and Supplementary Estimates for the 2017/18 year are disclosed in the Statement of Comprehensive Revenue and Expense on page 92.

NOTE 4: REVENUE (CONTINUED)**Other revenue**

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Other revenue associated with a memorandum account		
Immigration visa		
Immigration fees	202,045	200,486
Building controls		
Building levies	35,574	33,513
Registration and provision of statutory information		
Personal property securities register fees	9,253	11,635
Companies annual return fees	10,031	10,035
Companies incorporation fees	5,516	7,984
Other revenue and fees	4,590	2,431
	29,390	32,085
Registration and granting of intellectual property rights		
Trademark fees	15,051	15,394
Patent fees	6,471	6,098
Other fees	622	509
	22,144	22,001
Government procurement reform agenda		
Government procurement reform income	18,224	13,272
Management and enforcement of the Radiocommunications Act 1989		
Radio apparatus licence fees	4,413	4,911
Right to transmit radio waves fees	3,002	2,990
	7,415	7,901
Standards New Zealand*		
Sale of standards	6,077	-
Management of the Crown mineral estate		
Mineral permit fees	3,501	3,307
Petroleum permit fees	2,245	2,144
	5,746	5,451
Occupational licensing – building practitioners		
Licensed building practitioners levies and fees	5,159	5,064
Occupational licensing – electrical workers		
Electrical workers fees	1,875	4,095
Motor vehicle traders (MVT) register		
MVT registration fees	1,228	1,212
Motor vehicle traders (MVT) information programme		
MVT registration fees	219	216
Unit titles (UT) act		
UT application fees	140	137
National multi use approvals		
National multi use approval fees	60	72
Total other revenue associated with a memorandum account	335,296	325,505

*Standards New Zealand was established as a memorandum account in the 2017/18 financial year

NOTE 4: REVENUE (CONTINUED)

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Other revenue not associated with a memorandum account		
Interest from tenancy bonds	20,197	20,629
WorkSafe New Zealand Shared Services Recovery	10,243	10,097
Sale of standards*	–	6,018
Immigration advisers authority fees	976	799
Tenancy tribunal fees	631	681
Other fees	5,016	5,560
Other revenue	3,811	1,156
Total other revenue not associated with a memorandum account	40,874	44,940
Total other revenue	376,170	370,445

*Standards New Zealand was established as a memorandum account in the 2017/18 financial year

NOTE 5: MEMORANDUM ACCOUNTS

Before 1 July 2011 memorandum accounts were 'notional' accounts included for transparency around outputs that were fully cost recovered. Since that date the closing

balances of all government memorandum accounts have been recognised separately in equity.

Summary

	VOTE BUILDING AND HOUSING \$000	VOTE BUSINESS, SCIENCE AND INNOVATION \$000	VOTE LABOUR MARKET \$000	TOTAL \$000
Year ended 30 June 2017				
Balance at 1 July 2016	19,187	49,095	(4,698)	63,584
Revenue – department	150	3,277	233	3,660
Revenue – other	42,881	82,138	200,486	325,505
Revenue – finance income	20	–	9	29
Expenses	(35,922)	(73,956)	(207,739)	(317,617)
Surplus/(deficit) for the year	7,129	11,459	(7,011)	11,577
Capital withdrawal	–	(100)	–	(100)
Capital contribution	7,675	–	–	7,675
Balance at 30 June 2017	33,991	60,454	(11,709)	82,736
Year ended 30 June 2018				
Revenue – department	–	965	175	1,140
Revenue – other	42,808	90,443	202,045	335,296
Revenue – finance income	14	–	245	259
Expenses	(33,974)	(83,794)	(236,480)	(354,248)
Surplus/(deficit) for the year	8,848	7,614	(34,015)	(17,553)
Equity transfer	–	3,535	–	3,535
Balance at 30 June 2018	42,839	71,603	(45,724)	68,718

NOTE 5: MEMORANDUM ACCOUNTS (CONTINUED)**Vote Building and Housing**

	BUILDING CONTROLS \$000	OCCUPATIONAL LICENSING – BUILDING PRACTITIONERS \$000	OCCUPATIONAL LICENSING – ELECTRICAL WORKERS \$000	NATIONAL MULTI USE APPROVALS \$000	UNIT TITLES ACT \$000	TOTAL \$000
Year ended 30 June 2017						
Balance at 1 July 2016	25,288	(8,336)	3,450	(1,288)	73	19,187
Revenue – department	150	–	–	–	–	150
Revenue – other	33,513	5,064	4,095	72	137	42,881
Revenue – finance income	–	20	–	–	–	20
Expenses	(26,941)	(4,575)	(4,185)	(85)	(136)	(35,922)
Surplus/(deficit) for the year	6,722	509	(90)	(13)	1	7,129
Capital contribution	–	7,675	–	–	–	7,675
Balance at 30 June 2017	32,010	(152)	3,360	(1,301)	74	33,991
Year ended 30 June 2018						
Revenue – department	–	–	–	–	–	–
Revenue – other	35,574	5,159	1,875	60	140	42,808
Revenue – finance income	–	14	–	–	–	14
Expenses	(24,569)	(4,897)	(4,102)	(196)	(210)	(33,974)
Surplus/(deficit) for the year	11,005	276	(2,227)	(136)	(70)	8,848
Balance at 30 June 2018	43,015	124	1,133	(1,437)	4	42,839

Action taken to address surpluses/(deficits)**Building controls (surplus)**

The surplus continues to grow mainly as a result of large volumes for new building consents. MBIE is working on providing advice to the Minister on the appropriate treatment of the accrued surplus and levy settings including the levy rate and the overarching settings governing what the levy can be used for.

Occupational licensing – building practitioners (surplus)

A fee review is currently underway with proposed fee changes to take effect from 1 January 2019.

Occupational licensing – electrical workers (surplus)

A fee review is currently underway with proposed fee changes to take effect from 1 January 2019.

National multi use approvals (deficit)

A review of the scheme, including funding is underway. A paper on funding options will be presented to the Minister during the 2018/19 financial year.

NOTE 5: MEMORANDUM ACCOUNTS (CONTINUED)

Vote Business, Science and Innovation

	REGISTRATION AND GRANTING OF INTELLECTUAL PROPERTY RIGHTS \$000	REGISTRATION AND PROVISION OF STATUTORY INFORMATION \$000	MOTOR VEHICLE TRADERS REGISTER \$000	MANAGEMENT AND ENFORCEMENT OF THE RADIO-COMMUNICATIONS ACT 1989 \$000	MANAGEMENT OF THE CROWN MINERAL ESTATE \$000	PROPERTY MANAGEMENT SERVICES \$000	GOVERNMENT PROCUREMENT REFORM AGENDA \$000	MOTOR VEHICLE TRADERS INFORMATION PROGRAMME \$000	STANDARDS NEW ZEALAND \$000	TOTAL \$000
Year ended 30 June 2017										
Balance at 1 July 2016	22,389	17,461	1,309	10,888	(1,486)	–	(1,937)	471	–	49,095
Revenue – department	–	–	–	–	–	2,096	1,181	–	–	3,277
Revenue – other	22,001	32,085	1,212	7,901	5,451	–	13,272	216	–	82,138
Revenue – finance income	–	–	–	–	–	–	–	–	–	–
Expenses	(16,880)	(29,610)	(1,347)	(7,237)	(5,232)	(2,096)	(11,302)	(252)	–	(73,956)
Surplus/(deficit) for the year	5,121	2,475	(135)	664	219	–	3,151	(36)	–	11,459
Capital withdrawal	–	–	–	–	–	–	(100)	–	–	(100)
Balance at 30 June 2017	27,510	19,936	1,174	11,552	(1,267)	–	1,114	435	–	60,454
Year ended 30 June 2018										
Revenue – department	–	19	–	32	11	–	843	–	60	965
Revenue – other	22,144	29,390	1,228	7,415	5,746	–	18,224	219	6,077	90,443
Revenue – finance income	–	–	–	–	–	–	–	–	–	–
Expenses	(19,850)	(30,102)	(1,719)	(6,869)	(6,374)	–	(12,217)	(209)	(6,454)	(83,794)
Surplus/(deficit) for the year	2,294	(693)	(491)	578	(617)	–	6,850	10	(317)	7,614
Capital contribution	–	–	–	–	–	–	–	–	3,535	3,535
Balance at 30 June 2018	29,804	19,243	683	12,130	(1,884)	–	7,964	445	3,218	71,603

Action taken to address surpluses/(deficits)

Registration and granting of intellectual property rights (surplus)

A fee review for trademarks and patents is underway with new fees expected to be implemented during the 2018/19 financial year. The fee review recommends a reduction in trademark fees and an increase in patent fees resulting in an overall reduction of revenue and a steady reduction in the memorandum account surplus.

Registration and provision of statutory information (surplus)

New fees took effect on 1 July 2017. It is expected these new fees will reduce the memorandum account surplus to near zero by the 2022/23 financial year.

Motor vehicle traders register (surplus)

The costs of running the register, education and client communication programmes are recovered through registration fees. The fees are regularly reviewed to keep them in line with activity.

Management and enforcement of the Radiocommunications Act 1989 (surplus)

Licence fees were expected to decrease after the end of analogue television licensing and the start of the the Digital Switch-On initiative. However, the very rapid expansion of cellular mobile services has more than replaced this lost revenue. New fees took effect on 1 October 2017. It is expected these new fees will reduce the memorandum account surplus over time.

Standards New Zealand (surplus)

Standards New Zealand had operated as an informal memorandum account until the establishment of the formal memorandum account was approved in the 2017/18 financial year. An opening balance on the establishment was \$3.535m. The memorandum account has been used to fund business transformation projects. It is expected that planned future projects and increasing operational support requirements due to higher volumes will steadily reduce the memorandum account surplus from the 2018/19 financial year onwards.

NOTE 5: MEMORANDUM ACCOUNTS (CONTINUED)**Government procurement reform agenda (surplus)**

The cost of administering the government procurement reform agenda is funded through a small administrative charge on participating agencies collected by suppliers as a surcharge paid to MBIE on the all-of-government contract price. Higher volumes are increasing operational support requirements and costs are expected to increase, which will result in a reduction in the memorandum account balance from 2018/19 onwards. No current fee review has been planned.

Management of Crown mineral estate (deficit)

A fee increase that raised permit charges was put in place in January 2017. This has stabilised the memorandum account at a time of low commodity prices and low volumes. A further fee review is planned in the 2018/19 financial year.

Vote Labour Market

	IMMIGRATION VISA \$000	TOTAL \$000
Year ended 30 June 2017		
Balance at 1 July 2016	(4,698)	(4,698)
Revenue – department	233	233
Revenue – other	200,486	200,486
Revenue – finance income	9	9
Expenses	(207,739)	(207,739)
Surplus/(deficit) for the year	(7,011)	(7,011)
Balance at 30 June 2017	(11,709)	(11,709)
Year ended 30 June 2018		
Revenue – department	175	175
Revenue – other	202,045	202,045
Revenue – finance income	245	245
Expenses	(236,480)	(236,480)
Surplus/(deficit) for the year	(34,015)	(34,015)
Balance at 30 June 2018	(45,724)	(45,724)

Action taken to address surpluses/(deficits)**Immigration visa (deficit)**

A fee and levy review is currently in consultation before being presented to Cabinet for approval. It is expected that the new fees will be effective from November 2018. The memorandum account is forecast to remain in deficit in the short term due to costs associated with changes to the Visa Services operating model. Changes in fees resulting from the 2018 fee review are expected to bring the memorandum account back to surplus within three years.

THE COSTS WE INCUR TO ACHIEVE OUR GOALS

In order to provide services to the public, MBIE incurred various types of expenditure totalling \$750.525m (2017: \$694.548m). Personnel costs (see Note 6) and other operating expenses (see Note 7), such as IT costs and technical support, professional services and rental and operating lease costs, make up the majority of MBIE's operating expenses.

NOTE 6: PERSONNEL COSTS

P

Employee benefits

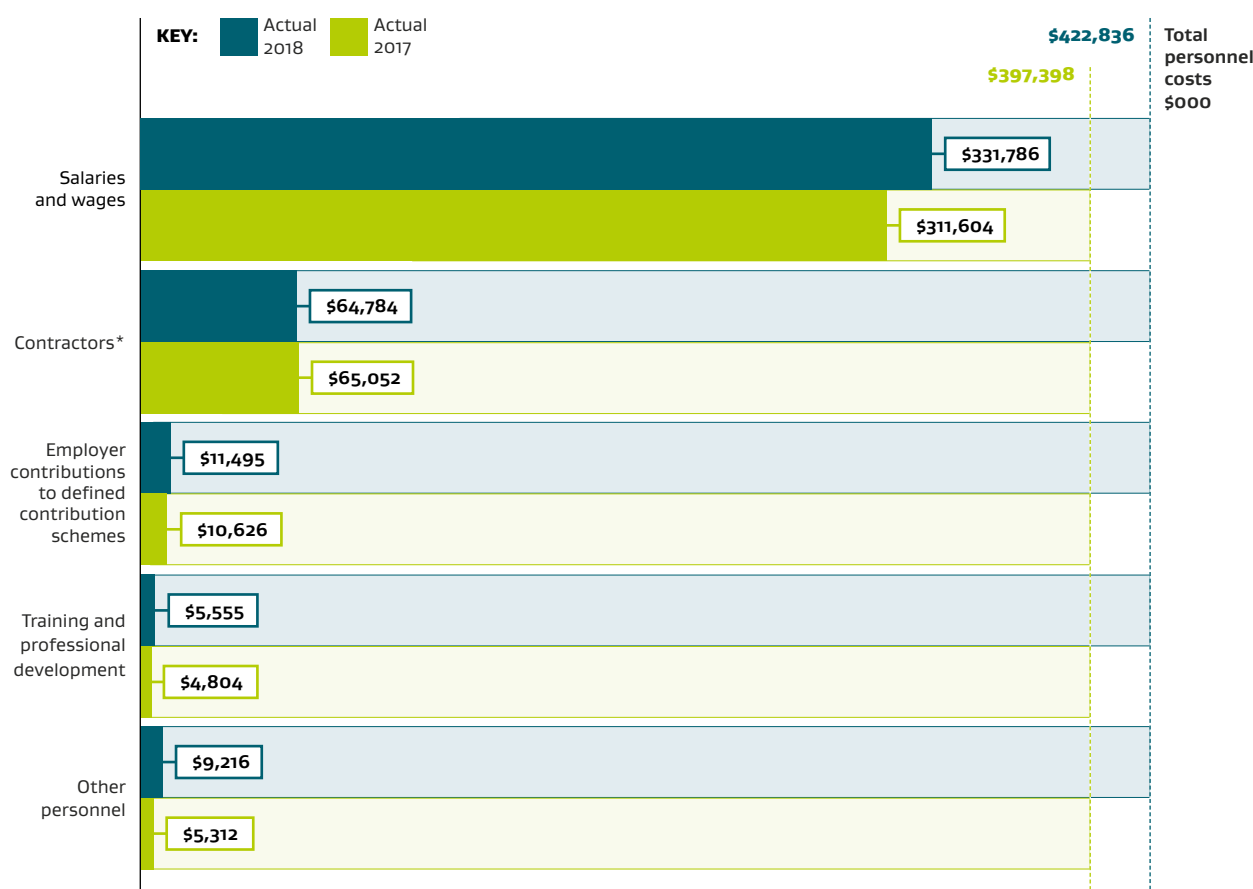
Employee entitlements to salaries and wages, bonuses, annual leave, long service leave, retiring leave and other similar benefits are recognised in the surplus or deficit when they accrue to employees.

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are recognised in the surplus or deficit as they fall due.

Termination benefits

Termination benefits are recognised in the surplus or deficit only when there is a demonstrable commitment to either terminate employment prior to normal employment date or to provide such benefits as a result of a position becoming redundant. Termination benefits settled within 12 months are reported at the amount expected to be paid.

Personnel costs (\$000)



*This includes \$24.150m expenses incurred for contractors associated with IT projects that were included in the IT costs and technical support in Note 7 Other operating expenses in prior year's financial statements (2017: \$24.490m).

i Explanation of major variances against estimates

Personnel costs were \$17.006m below Main Estimates. This was mainly due to an over-estimation of the proportion of service delivery that would be met from staff resources, but was met in other operating expenses.

Main and Supplementary Estimates for the 2017/18 financial year are disclosed in the Statement of Comprehensive Revenue and Expense on page 92.

NOTE 7: OTHER OPERATING EXPENSES

P Other operating expense recognition

Other operating expenses are recognised when goods and services are received.

Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to

ownership of an asset. Payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives for accommodation are recognised evenly over the term of the lease as a reduction in rental expense. The unexpired portion of an operating lease is shown in the Statement of Commitments.

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
IT costs and technical support	98,222	94,310
Professional services	47,894	48,080
Rental and operating lease costs	38,757	31,222
Travel – domestic and overseas	17,415	16,385
Consulting services	15,963	15,580
Supplies and services	11,894	12,704
Premises costs	15,086	8,926
Provision for impairment of debtors and other receivables	203	108
Net loss on disposal of property and equipment	736	1,330
Other operating costs	12,056	9,608
Auditor’s remuneration		
Audit fees – annual accounts	708	708
Audit fees – other services	38	–
Audit fees – Residential Tenancies Trust Account	14	13
Total other operating expenses	258,986	238,974

i Explanation of major variances against estimates

Other operating expenses were \$47.484m above Main Estimates and \$46.999m below Supplementary Estimates. This was mainly due to the proportion of service delivery that would be met through other expenditure was higher than estimated, off-set by lower personal costs.

Main and Supplementary Estimates for the 2017/18 financial year are disclosed in the Statement of Comprehensive Revenue and Expense on page 92.

NOTE 8: CONTRACTORS AND CONSULTANTS

MBIE uses contractors and consultants to provide backfill for vacant positions or cover short-term demand, where specialist skills or independent external advice are needed (such as for specific programmes or projects), and in periods of peak demand.

A contractor is a person who is not considered an employee, providing backfill or extra capacity in a role that exists within MBIE or acts as an additional resource for a time-limited piece of work.

A consultant is a person or firm who is not considered a contractor or employee, engaged to perform a piece of work with a clearly defined scope and provide expertise, in a particular field, not readily available from within MBIE.

For transparency reasons MBIE has elected to disclose contractors and consultants information separately as below:

	NOTE	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Contractors	6	40,634	40,562
Contractors working on ICT projects	6	24,150	24,490
Consulting services	7	15,963	15,580
Total contractors and consultants – operating		80,747	80,632
Contractors and consulting services capitalised to assets	17	14,332	15,118
Total contractors and consultants – capital		14,332	15,118
Total contractors and consultants		95,079	95,750

NOTE 9: CAPITAL CHARGE

MBIE pays a capital charge to the Crown on its taxpayers' funds at 31 December and 30 June each financial year.

The capital charge rate for the year ended 30 June 2018 was 6 per cent (2017: 7 per cent for the six months to 31 December 2016 and 6 per cent for the six months to 30 June 2017).

The capital charge is recognised as an expense in the financial year to which it relates.

OUR WORKING CAPITAL

MBIE's working capital is made up of its current assets less current liabilities. MBIE's current assets support the performance of day-to-day operations and the provision of services to the public. Certain of MBIE's current assets were cash related and disclosures relating to these can be found in the Financial Risk Management section.

NOTE 10: DEBTORS AND OTHER RECEIVABLES

P Debtors and other receivables

Debtors and other receivables are recorded at face value, less any provision for impairment.

Debtors and other receivables are considered to be impaired when there is evidence that MBIE will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount and the present value of the amount expected to be collected.

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Current		
Debtors and other receivables from exchange transactions		
Trade debtors and other receivables	11,497	13,191
Accrued revenue	7,553	4,327
Less provision for impairment	(328)	(155)
Net current debtors and other receivables from exchange transactions	18,722	17,363
Debtors and other receivables from non-exchange transactions		
Debtor Crown	46,806	46,806
Accrued revenue	3,201	2,354
Residential Tenancies Trust Account interest receivable	26,974	29,931
GST receivable	–	600
Net current debtors and other receivables from non-exchange transactions	76,981	79,691
Total net current debtors and receivables	95,703	97,054
Non-current		
Debtors and other receivables from exchange transactions		
Bonds provided for offshore property leases	3,253	3,245
Total net non-current debtor and other receivables	3,253	3,245
Total debtors and other receivables	98,956	100,299

The carrying value of debtors and other receivables approximates their fair value.

The non-current portion of debtors and other receivables relates to bonds given to property owners to secure offshore rental accommodation and offices.

All debtors and other receivables greater than 30 days in age are considered to be past due. At 30 June 2018, \$3.227m of debtors and other receivables were past due (2017: \$1.750m).

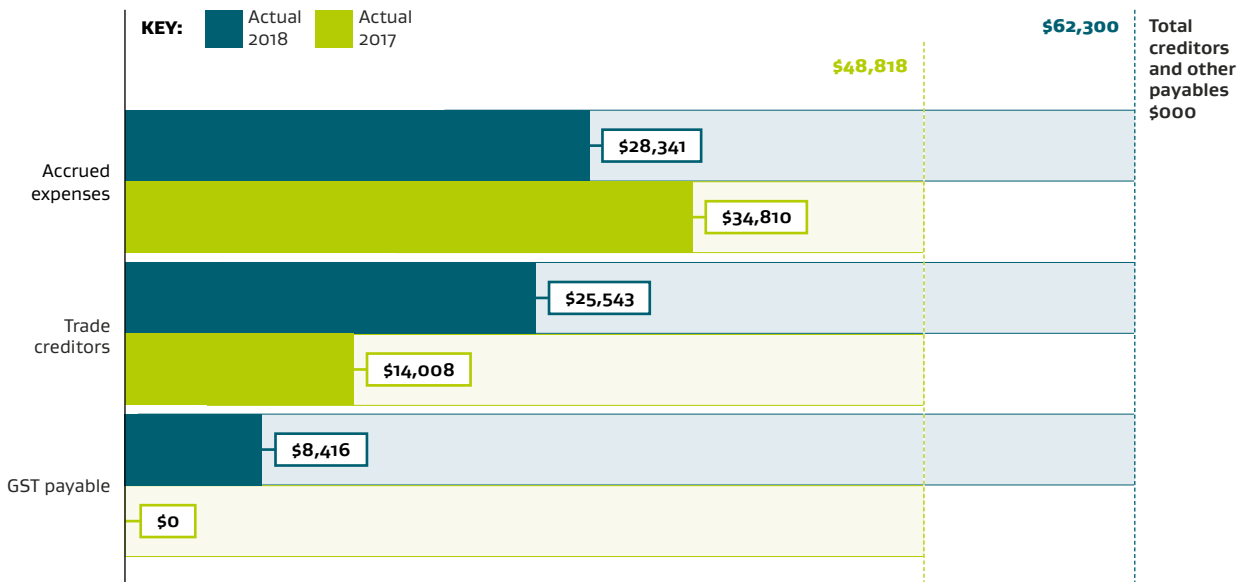
The provision for impairment of debtors and other receivables consists of specific individual impairment provisions, based on a review of overdue receivables, and a collective impairment provision based on an analysis of past collection history and debt write-offs. The collective provision for impairment of \$0.328m (2017: \$0.155m) relates to debts greater than 90 days.

MBIE does not hold the collateral for debts greater than 90 days.

NOTE 11: CREDITORS AND OTHER PAYABLES

P Short-term creditors and other payables are recorded at face value.

Creditors and other payables (\$000)



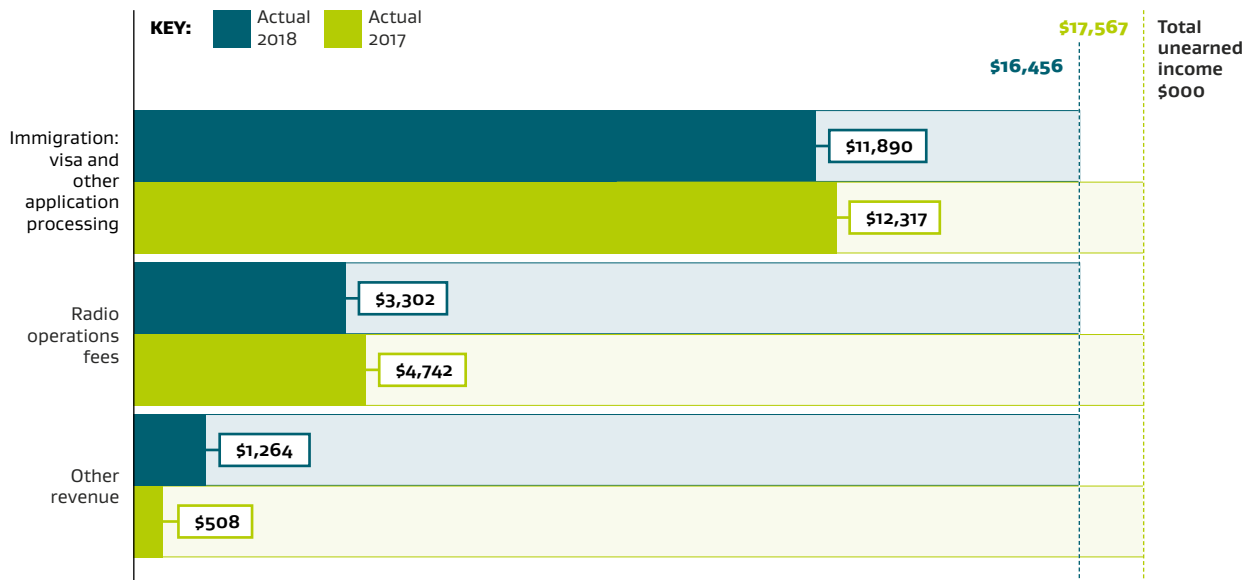
Creditors and other payables are non-interest bearing.

The carrying value of creditors and other payables approximates their fair value.

NOTE 12: UNEARNED INCOME

P Unearned income relates to cash received in advance of the period in which it will be recognised as revenue.

Unearned income (\$'000)



Immigration visa and other application processing fees are recognised on application by Immigration New Zealand. Radio operations fees relate to annual licence fees invoiced at the beginning of the period to which they relate and may be recognised as unearned income where appropriate.

NOTE 13: RETURN OF OPERATING SURPLUS

P MBIE’s obligation to return a portion of its operating surplus in accordance with the *Public Finance Act 1989* is recognised at face value as it is required to be paid by 31 October each year, per Treasury instructions.

	ACTUAL 2018 \$'000	ACTUAL 2017 \$'000
Net surplus/(deficit)	6,397	13,135
<i>Add back:</i>		
Net operating deficit in memorandum accounts	17,553	(11,577)
Unrealised net foreign exchange losses	(656)	335
Return of operating surplus to the Crown	23,294	1,893

NOTE 14: PROVISIONS

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Provisions

MBIE recognises a provision when there is a present obligation, either legal or constructive, as the result of a past event and it is probable that an outflow of resources will be required to settle the obligation but the timing or the amount of obligation is uncertain.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate based on market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated timing of the future cash outflows.

Restructuring

MBIE recognises provisions for restructuring when an approved, detailed, formal plan for a restructure has either been announced publicly to those affected or when implementation has already commenced.

	2018			2017		
	CURRENT \$000	NON- CURRENT \$000	TOTAL \$000	CURRENT \$000	NON- CURRENT \$000	TOTAL \$000
Payroll remediation	11,989	–	11,989	10,159	–	10,159
Lease make-good	1,165	2,935	4,100	480	2,276	2,756
Restructuring	8,740	–	8,740	1,559	–	1,559
ACC partnership programme	101	17	118	123	20	143
Other provisions	388	–	388	315	–	315
Total provisions	22,383	2,952	25,335	12,636	2,296	14,932

	PAYROLL REMEDICATION \$000	LEASE MAKE-GOOD \$000	RESTRUCTURING \$000	ACC PARTNERSHIP PROGRAMME \$000	OTHER PROVISIONS \$000	TOTAL \$000
Balance at 1 July 2016	–	3,502	702	141	600	4,945
Additional provisions made	10,159	543	2,792	2	–	13,496
Provision utilised during the year	–	(1,289)	(1,715)	–	–	(3,004)
Other movement	–	–	(220)	–	(285)	(505)
Balance at 30 June 2017	10,159	2,756	1,559	143	315	14,932
Additional provisions made	2,830	1,344	8,593	–	92	12,859
Provision utilised during the year	–	–	(1,412)	(25)	(19)	(1,456)
Other movement	(1,000)	–	–	–	–	(1,000)
Balance at 30 June 2018	11,989	4,100	8,740	118	388	25,335

Lease make-good

MBIE is required, at the expiry of its leases, to make-good any damage caused and remove any fixtures or fittings installed by it. In many cases MBIE has the option to renew these leases, which may change the timing of the expected cash outflows to make-good the premises.

Restructuring

The restructuring provision arises from internal restructuring programmes. The restructuring provision relates mostly to the cost of expected redundancies resulting from reductions in the number of offshore immigration offices and other change programmes within MBIE. Management expects this to happen in the next 12 months.

Payroll Remediation Project

A Minimum Standards Investigation undertaken by the Labour Inspectorate highlighted instances of non-compliance with the *Holidays Act 2003*. Two Enforceable Undertakings with the Labour Inspectorate were subsequently entered into which outlined the steps required to become compliant and to remediate historical payroll liabilities for current and former employees.

A dedicated payroll review team has worked through detailed data corrections and calculations covering more than 9,000 current and former employees, with a mix of working patterns, over an almost ten year period. MBIE has made a range of system configuration, process and policy changes to increase our ongoing compliance with the legislation.

The provision at 30 June 2018 represents MBIE's best estimate of remediation costs as determined by the calculator, and MBIE believes the actual liability at 30 June 2018, once finalised, will not be materially different.

i Explanation of major variances against estimates

The provision balance is above Main and Supplementary Estimates due to the recognition of the Vision 2020 restructure provision and the Payroll Remediation provision. Which represents MBIE's best estimate of the liability in relation to the resolution of the Payroll Remediation Project,

that at the time of the Supplementary Estimates preparation it was expected to have been paid out by 30 June 2018.

Main and Supplementary Estimates for the 2017/18 financial year are disclosed in the Statement of Financial Position on page 93.

NOTE 15: EMPLOYEE ENTITLEMENTS

P Sick leave, annual leave, vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Current employee entitlements

Current employee entitlements are measured at nominal values based on accrued entitlements at current rates of pay. These include: salaries and wages accrued up to balance date; annual leave earned but not yet taken at balance date; retiring and long service leave entitlements expected to be settled within 12 months; sick leave; and performance payments.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that MBIE anticipates it will be used by staff to cover those future absences.

A liability for performance payments is recognised where MBIE has a contractual obligation or where there is a past practice that has created a constructive obligation.

Non-current employee entitlements

Non-current employee entitlements, such as long service leave and retiring leave, are calculated on an actuarial basis. The calculations are based on:

- › likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlements information
- › the present value of the estimated future cash flows.

Termination benefits

Termination benefits are recognised in the surplus or deficit only when there is a demonstrable commitment to either terminate employment prior to normal employment date or to provide such benefits as a result of a position becoming redundant. Termination benefits settled within 12 months are reported at the amount expected to be paid.

	2018			2017		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000
Annual leave	19,735	–	19,735	19,100	–	19,100
Long service leave	1,197	2,602	3,799	1,340	2,477	3,817
Accrued salary	2,443	–	2,443	2,462	–	2,462
Retirement leave	946	4,105	5,051	784	4,212	4,996
Performance incentives	–	–	–	500	–	500
Sick leave	214	–	214	196	–	196
Total employee entitlements	24,535	6,707	31,242	24,382	6,689	31,071

An independent actuarial valuation was undertaken by Linda Caradus of Melville Jessup Weaver as at 30 June 2018 to estimate the present value of retirement leave and long service leave. The key assumptions used in determining the present values were:

- › term specific discount rates derived from yields on Treasury Bills and Government Bonds, and
- › salary growth rate 2.5 per cent per annum

Sensitivity analysis

If the discount rate were to increase or decrease by 1 per cent more than MBIE’s estimates, with all other factors held constant, the carrying amount of the liability would be \$0.544m lower and \$0.627m higher respectively (2017: \$0.541m lower and \$0.626m higher).

If the salary inflation factor were to increase or decrease by 1 per cent more than MBIE’s estimates, with all other factors held constant, the carrying amount of the liability would be \$0.623m higher and \$0.550m lower respectively (2017: \$0.623m higher and \$0.549m lower).

The current liability represents the amount due for potential settlement within the next 12 months.

LONG-TERM ASSETS THAT SUPPORT OUR OPERATIONS

In order to efficiently carry out its operations, MBIE invests in both physical and intangible assets with a useful life of more than one year. These long-term assets are capitalised and the cost is spread over multiple financial years.

NOTE 16: PROPERTY AND EQUIPMENT

P Property and equipment consist of land, buildings, equipment, leasehold improvements, furniture and fittings, computer hardware and motor vehicles.

Measurement

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Additions

Items of property and equipment are recognised at cost if it is probable that future economic benefits or service potential will flow to MBIE. Where an item of property and equipment is acquired at no cost (or for a nominal amount), it is recognised at its fair value on the date of acquisition.

Costs incurred subsequent to the initial recognition of an item of property and equipment are only recognised where it can be demonstrated that there has been an increase in the future economic benefits or service potential that will flow to MBIE. Costs relating to the servicing or maintenance of items of property and equipment are recognised in net surplus or deficit when incurred.

Work in progress is recognised at cost less impairment losses.

Depreciation

Depreciation is charged on a straight-line basis, at rates that will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives. Land and work in progress are not depreciated. The useful lives of major categories of property and equipment have been estimated as follows:

<i>Asset class</i>	<i>Useful life</i>
Buildings	30–50 years
Computer hardware	3–6 years
Furniture and fittings	3–7 years
Leasehold improvements (shorter of lease period or estimated useful life)	2–12 years
Motor vehicles	4–6 years
Equipment	3–10 years

Revaluation

Land and buildings are revalued at least once every three years, by an independent registered valuer, to ensure that their carrying amount does not differ materially from their fair value. The net revaluation results are included in other comprehensive revenue and expense and a property revaluation reserve in equity for that class of asset. However, if this would result in a debit balance in the property revaluation reserve, then it is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously recognised, and then recognised in other comprehensive revenue and expense.

The useful life of an asset is reassessed following revaluation.

Impairment

Property and equipment is reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impaired asset's carrying amount is written down to its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised immediately in the surplus or deficit.

Disposals

Gains and losses on disposal of an item of property and equipment represent the difference between disposal proceeds, if any, and the carrying value of the asset at the time of disposal and are recognised in net surplus or deficit.

If a previously revalued asset is disposed of, the relevant amount held in the asset revaluation reserve is transferred to taxpayers' funds.

Work in progress (WIP)

Is capital expenditure that at balance date the assets are not in use or completed. During the year items are transferred from WIP into asset classes as completed.

NOTE 16: PROPERTY AND EQUIPMENT (CONTINUED)

	LAND \$000	BUILDING \$000	EQUIPMENT \$000	LEASEHOLD IMPROVEMENTS \$000	FURNITURE & FITTINGS \$000	COMPUTER HARDWARE \$000	MOTOR VEHICLES \$000	WIP \$000	TOTAL \$000
Year ended 30 June 2017									
Cost	9,878	23,514	6,065	42,293	8,610	28,985	3,461	3,348	126,154
Accumulated depreciation	-	(1,100)	(4,547)	(25,394)	(2,899)	(20,077)	(2,469)	-	(56,486)
Opening net book value	9,878	22,414	1,518	16,899	5,711	8,908	992	3,348	69,668
Additions	-	-	-	264	454	2,258	50	27,892	30,918
Transfers from WIP	-	-	176	7,201	2,196	2,036	321	(11,930)	-
Disposals	-	(1,000)	(143)	(456)	(219)	(283)	(1,319)	-	(3,420)
Depreciation	-	(763)	(313)	(3,757)	(1,400)	(4,968)	(260)	-	(11,461)
Depreciation released on disposals	-	1,000	143	333	167	1	1,114	-	2,758
Closing net book value	9,878	21,651	1,381	20,484	6,909	7,952	898	19,310	88,463
Cost	9,878	22,514	6,098	49,302	11,041	32,996	2,513	19,310	153,652
Accumulated depreciation	-	(863)	(4,717)	(28,818)	(4,132)	(25,044)	(1,615)	-	(65,189)
Closing net book value	9,878	21,651	1,381	20,484	6,909	7,952	898	19,310	88,463
Year ended 30 June 2018									
Additions	-	-	518	7	3,882	3,493	-	14,244	22,144
Transfers from WIP	-	-	1,044	13,599	1,153	5,991	531	(22,318)	-
Disposals	-	-	(397)	(8,436)	(747)	(4,991)	(399)	-	(14,970)
Depreciation	-	(758)	(425)	(4,759)	(2,240)	(4,780)	(266)	-	(13,228)
Depreciation released on disposals	-	-	397	7,846	721	4,991	346	-	14,301
Closing net book value	9,878	20,893	2,518	28,741	9,678	12,656	1,110	11,236	96,710
Cost	9,878	22,514	7,263	54,472	15,329	37,489	2,645	11,236	160,826
Accumulated depreciation	-	(1,621)	(4,745)	(25,731)	(5,651)	(24,833)	(1,535)	-	(64,116)
Closing net book value	9,878	20,893	2,518	28,741	9,678	12,656	1,110	11,236	96,710

The most recent valuation of land and buildings was performed by an independent registered valuer, Kane Sweetman, of Colliers International, as at 30 June 2016.

Land is valued at fair value based on its highest and best use with reference to comparable land values.

Buildings are valued at fair value using market-based evidence. Market rents and capitalisation rate methodologies were applied in determining the fair value of buildings.

There are no other restrictions over the title of MBIE's property, plant and equipment, nor are any property, plant and equipment pledged as security for liabilities.

i Explanation of major variances against estimates

Please refer to the explanation of major variances against estimates in Note 17.

Main and Supplementary Estimates for the 2017/18 financial year are disclosed in the Statement of Financial Position on page 93.

NOTE 17: INTANGIBLE ASSETS**P Measurement**

Intangible assets are measured at cost, less accumulated amortisation and any impairment losses.

Additions

Purchased computer software licences are capitalised on the basis of the costs incurred to acquire and bring the software into use. Internally generated intangible assets are recognised at the cost associated with bringing the asset into use, including the cost of all materials used in construction, employee costs and an appropriate proportion of overheads. Costs relating to the maintenance of intangible assets are recognised in net surplus or deficit when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. The amortisation charge for each year is recognised in net surplus or deficit.

The useful lives of major classes of intangible assets have been estimated as follows:

<i>Asset class</i>	<i>Useful life</i>
Purchased computer software	3–8 years
Internally generated computer software	4–10 years

Impairment

Intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable service amount. The recoverable service amount is the higher of the fair value less costs to sell and value in use.

If an intangible asset's carrying amount exceeds its recoverable service amount, the intangible asset is regarded as impaired and the carrying amount is written down to the recoverable service amount.

	2018				2017			
	PURCHASED \$000	INTERNALLY GENERATED \$000	WIP \$000	TOTAL \$000	PURCHASED \$000	INTERNALLY GENERATED \$000	WIP \$000	TOTAL \$000
Cost	133,198	164,066	31,852	329,116	137,173	132,653	26,148	295,974
Accumulated amortisation	(106,107)	(37,660)	–	(143,767)	(105,816)	(21,692)	–	(127,508)
Opening net book value	27,091	126,406	31,852	185,349	31,357	110,961	26,148	168,466
Additions	1,882	21,107	26,913	49,902	796	16,680	28,964	46,440
Transfers from WIP	11,508	15,712	(27,220)	–	8,361	14,899	(23,260)	–
Disposals	(65,772)	(10,139)	–	(75,911)	(13,132)	(166)	–	(13,298)
Amortisation	(12,486)	(19,550)	–	(32,036)	(12,946)	(16,134)	–	(29,080)
Amortisation released on disposals	65,751	10,134	–	75,885	12,842	166	–	13,008
Impairment	–	–	–	–	(187)	–	–	(187)
Closing net book value	27,974	143,670	31,545	203,189	27,091	126,406	31,852	185,349
Cost	80,816	190,746	31,545	303,107	133,198	164,066	31,852	329,116
Accumulated amortisation	(52,842)	(47,076)	–	(99,918)	(106,107)	(37,660)	–	(143,767)
Closing net book value	27,974	143,670	31,545	203,189	27,091	126,406	31,852	185,349

*Included in internally generated intangible assets is \$14.332m of contractor costs capitalised in 2018 (2017: \$15.118m).

MBIE develops and maintains internally generated software, which is classified as an asset under construction and capitalised at the in-service date.

There are no restrictions over the title of MBIE's intangible assets, nor are any intangible assets pledged as security for liabilities.

NOTE 17: INTANGIBLE ASSETS (CONTINUED)

i Explanation of major variances against estimates

MBIE forecasts movements in total long-term assets, the aggregate of property and equipment and intangibles, and not by their component parts.

The actual increase in long-term assets for the year to 30 June 2018 of \$25.483m is comparable with the forecast.

Main and Supplementary Estimates for the 2017/18 financial year are disclosed in the Statement of Financial Position on page 93.

NOTE 18: FINANCE LEASE

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of an asset to MBIE, even if actual ownership is not transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the Statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether MBIE will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

There are no restrictions placed on MBIE by any of the finance leasing arrangements.

Finance lease liabilities are effectively secured, as the rights to the leased assets revert to the lessor in the event of default in payment.

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
TOTAL MINIMUM LEASE PAYMENTS PAYABLE		
Not later than one year	288	-
Later than one year and not later than five years	384	-
Total minimum lease payments	672	-
Future finance charges	(68)	-
Present value minimum lease payments	604	-
	ACTUAL 2018 \$000	ACTUAL 2017 \$000
PRESENT VALUE OF MINIMUM LEASE PAYMENTS		
Not later than one year	259	-
Later than one year and not later than five years	345	-
Total present value minimum lease payments	604	-

Critical accounting estimates, assumptions and critical judgements in applying accounting policies

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to MBIE. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance

lease means the asset is recognised in the Statement of financial position as property, plant and equipment, whereas with an operating lease no such asset is recognised.

MBIE has exercised its judgement on the appropriate classification of equipment leases and has determined that one of these arrangements for the provision of telecommunications services includes an embedded finance lease. The leased items are included within the net carrying amount of computer hardware (refer to Note 16).

FINANCIAL RISK MANAGEMENT

MBIE is exposed to various financial risks. This section discusses how financial risks can affect MBIE's financial position and net surplus and deficit and how MBIE manages these risks.

NOTE 19: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Balances denominated in foreign currencies are translated to New Zealand dollars at the foreign exchange rate at balance date. MBIE is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

Derivative financial instruments

Derivative financial instruments are used to manage the exposure to foreign exchange risk arising from MBIE's operational activities. MBIE does not hold or issue derivative financial instruments for trading purposes. MBIE has not adopted hedge accounting.

Derivative financial instruments are initially recognised at their fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in net surplus or deficit.

MBIE has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

MBIE's largest direct foreign exchange exposure arises from the offshore branch and agency network that provides immigration services. Application fees are collected in more than 20 currencies through this network. The offshore branch network incurs significant local expenses, providing a natural hedge for the branch revenue. MBIE's convention is for branches to retain buffers in foreign currency accounts up to the value of an average month's expenditure.

Under MBIE's foreign exchange management policy MBIE returns excess funds to New Zealand and converts them to New Zealand dollars.

Application fees are set by regulation in New Zealand dollars and updated annually. Foreign currency equivalent fees are set by MBIE to reflect the New Zealand amount. Foreign currency transaction exposure is also mitigated to some extent by the ability of MBIE to initiate updates of foreign currency fees to bring them into line with prevailing market conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of, or cash flows from, a financial instrument will fluctuate due to changes in market interest rates. MBIE has no exposure to interest-bearing financial instruments.

Credit risk

Credit risk is the risk that a third party will default on its obligations to MBIE, resulting in a loss. In the ordinary course of MBIE's business, it is exposed to credit risk in association with financial assets held. MBIE is not exposed to significant concentrations of credit risk. MBIE is potentially exposed to credit risk for undrawn credit card facilities equal to the undrawn balance. The credit card facilities limit as at 30 June 2018 was \$5.64m (2017: \$6.140m).

MBIE's maximum credit exposure is the carrying value of its financial assets. MBIE does not hold collateral as security against its financial assets.

NOTE 19: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that MBIE will encounter difficulty raising liquid funds to meet its commitments as they fall due. In meeting its liquidity requirements, MBIE closely monitors its forecast cash requirements with expected cash drawdowns from the Treasury's New Zealand Debt

Management Office. MBIE maintains a target level of available cash to meet liquidity requirements.

MBIE expects to settle all of its financial liabilities within six months of balance date.

The carrying amounts of financial assets and financial liabilities in each financial instrument category are as follows:

	NOTES	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Loans and receivables			
Cash and cash equivalents		97,171	27,342
Debtors and other receivables	10	98,956	100,299
Derivative financial instruments			
Foreign exchange forward contracts		36	–
Total financial assets		196,163	127,641
Financial liabilities measured at amortised cost			
Creditors and other payables	11	62,300	48,818
Derivative financial instruments			
Foreign exchange forward contracts		–	111
Total financial liabilities		62,300	48,929

The notional principal amount of outstanding foreign exchange forward contracts at 30 June 2018 was 4.260m Australian dollars, 0.050m Euro and 7.242m US dollars (2017: 4.909m Australian dollars, 0.112m Euro and 3.196m US dollars).

Sensitivity analysis

Impact of a 5 per cent movement, both up and down, in the New Zealand dollar against various other currencies held by MBIE in its foreign currency account with all other variables held constant at 30 June 2018 is not material for MBIE's net surplus (2017: not material)

OTHER DISCLOSURES

NOTE 20: EQUITY

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Equity

Equity is the Crown's investment in MBIE and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers' funds, memorandum accounts and revaluation reserves.

Revaluation reserves

Revaluation reserves relate to the revaluation of land and buildings to their fair value.

Memorandum accounts

Memorandum accounts reflect the cumulative surplus or deficit of those departmental services that are intended to be fully cost recovered from third parties through fees, levies or charges. The balance of each memorandum account is expected to trend towards zero or a repayable capital injection from the Crown over time.

Taxpayers' funds

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Taxpayers' funds		
Balance at 1 July	199,252	205,769
Surplus	6,397	13,135
Capital contributions	70,320	7,030
Capital withdrawal	–	(14,515)
Equity transfer	(3,535)	–
Transfer from revaluation reserve	–	1,303
Transfer of net memorandum account accumulated (surpluses)/deficits for the year	17,553	(11,577)
Return of operating surplus to the Crown	(23,294)	(1,893)
Balance at 30 June	266,693	199,252

MBIE pays a capital charge to the Crown on its taxpayers' funds at 31 December and 30 June each financial year (refer to Note 9).

Memorandum accounts

	NOTE	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Memorandum accounts			
Balance at 1 July		82,736	63,584
Net memorandum accounts surplus/(deficit) for the year	5	(17,553)	11,577
Capital contribution	5	–	7,675
Capital withdrawal	5	–	(100)
Equity transfer	5	3,535	–
Balance at 30 June		68,718	82,736

NOTE 20: EQUITY (CONTINUED)

Revaluation reserves

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Revaluation reserves		
Balance at 1 July	9,853	11,156
Revaluation reserve transferred to taxpayers' funds on disposal of assets	–	(1,303)
Balance at 30 June	9,853	9,853

NOTE 21: CAPITAL MANAGEMENT

The objective of managing MBIE's equity is to ensure that MBIE achieves its goals and objectives efficiently, while remaining a going concern. Where MBIE identifies that it does not have sufficient resources to achieve this objective a capital injection is sought.

As general government policy, with the exception of the balances retained in memorandum accounts and unrealised foreign exchange gains less losses, MBIE is not permitted to retain any operating surplus.

Statement of departmental capital injections

	ACTUAL 2018 \$000	ACTUAL 2017 \$000	APPROPRIATION VOTED 2018 \$000
Vote Business, Science and Innovation			
Ministry of Business, Innovation and Employment – Capital injection	70,320	7,030	69,650

i Explanation of major variances against estimates

Capital injections were \$0.607m above Main Estimates as a result of a funding increase in the Supplementary Estimates of \$7.670m, relating to

new buildings for the Mangere Refugee Centre. \$7.000m of this has subsequently been transferred to 2018/19.

NOTE 22: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

All related party transactions have been entered into on an arm’s-length basis.

MBIE is a wholly-owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect MBIE would have adopted in dealing with the party at arm’s-length in the same circumstances. Further, transactions with other government agencies are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

The Treasury has advised that the responsible Ministers – Hon David Parker, Hon Clare Curran, Hon Kelvin Davis, Hon Kris Faafoi, Hon Willie Jackson, Hon Shane Jones, Hon Iain Lees-Galloway, Hon Stuart Nash, Hon Jenny Salesa, Hon Phil Twyford and Hon Dr Megan Woods – have certified that there have been no related party transactions for the year ended 30 June 2018 (2017: nil).

Related party transactions involving key management personnel or their close family members

There are no related party transactions involving key management personnel or their close family members.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Key management personnel compensation

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Leadership Team, including the Chief Executive		
Remuneration	3,274	3,335
Full-time equivalent staff	9	8

The above key management personnel disclosure excludes Ministers’ remuneration. Ministers’ remuneration and other benefits are set by the Remuneration Authority under the *Members of*

Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority, and not paid by MBIE.

NOTE 23: ESTABLISHMENT OF THE MINISTRY OF HOUSING AND URBAN DEVELOPMENT

In May 2018, Cabinet agreed to establish a Ministry of Housing and Urban Development (MHUD) with the commencement of initial functions from 1 October 2018. The following functions will be initially transferred from MBIE:

- › Housing and urban policy functions
- › KiwiBuild Unit
- › Community Housing Regulatory Authority

This change will result in changes to Vote Building and Housing appropriations transferring to the new Vote

Housing and Urban Development from 1 October 2018. There are a number of appropriations that will be transferred to MHUD on 1 October, including Administering the Legacy Social Housing Fund, Community Housing Regulatory Authority, Special Housing Areas, Redevelopment of Surplus Crown Land, KiwiBuild Unit and Policy Advice and Related Outputs MCA.

Some MBIE assets and liabilities will be transferred to MHUD, mainly relating to employee-related provisions and some computer equipment.

NOTE 24: EVENTS AFTER BALANCE DATE

No significant events, which may have an impact on the actual results, have occurred between year-end and the signing of the financial statements. Refer to Note 12 for information on the May 2018 Cabinet decision to establish MHUD and the subsequent impact for MBIE.

NON-DEPARTMENTAL STATEMENTS AND SCHEDULES

Why do we include non-departmental statements and schedules

MBIE administers non-departmental activities on behalf of the Crown. As such, MBIE is responsible for the effective and efficient administration of contracts or payments for non-departmental activities or of non-departmental revenue or receipts. The *Public Finance Act 1989* makes the Chief Executive of MBIE accountable for the financial management of non-departmental activities.

We include the non-departmental statements and schedules in our annual report to provide information on the financial extent of these activities.

What are non-departmental statements and schedules

The non-departmental statements and schedules are prepared in accordance with Treasury Instructions and disclose non-departmental activities in the form of six separate schedules for revenue, expenses, assets, liabilities, commitments and contingencies.

The non-departmental statements and schedules do not, and are not intended to, constitute a set of financial statements and therefore do not include elements that would be expected to be found in financial statements such as details of the surplus/(deficit) or a balance sheet.

What principles apply for non-departmental statements and schedules

The measurement and recognition rules applied to the non-departmental statements and schedules are consistent with NZ GAAP.

SCHEDULE OF NON-DEPARTMENTAL REVENUE

For the year ended 30 June 2018

ACTUAL 2017 \$000		NOTES	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
Non-departmental revenue				
574,467	Non-tax revenue	4	598,019	491,991
37,076	Sale of radio spectrum		36,698	35,767
24,082	Tax		26,377	29,860
7,079	Crown entities return of funding		3,023	–
642,704	Total non-departmental revenue	3	664,117	557,618

A discussion of major variances against Main Estimates can be found in Note 3.

SCHEDULE OF NON-DEPARTMENTAL EXPENDITURE

For the year ended 30 June 2018

ACTUAL 2017 \$000		NOTES	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
Non-departmental expenditure				
2,462,917	Output expenses – annual appropriations		2,609,733	2,623,739
240,852	Output expenses – multi-year appropriations		283,264	356,093
86,863	Other expenses – annual appropriations		92,495	144,743
140,161	Other expenses – multi-year appropriations		178,672	193,458
136,417	Benefits and other unrequited expenses		153,406	175,283
2,058	Depreciation	7	2,128	2,000
(2,262)	Doubtful debts		(672)	145
422,218	GST expense		466,018	519,098
46,477	Remeasurement of provision for Financial Assistance Package		29,815	–
356	Other		(581)	–
3,536,057	Total non-departmental expenditure	3	3,814,278	4,014,559

A discussion of major variances against Main Estimates can be found in Note 3.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2018.

The accompanying notes form part of these financial statements.

SCHEDULE OF NON-DEPARTMENTAL ASSETS

As at 30 June 2018

ACTUAL 2017 \$000		NOTES	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
Non-departmental assets				
Current assets				
309,116	Cash and cash equivalents	11	677,867	106,516
106,290	Debtors and other receivables	5, 11	132,586	200,961
	– Land and dwellings intended for sale	6	193,909	–
16,710	Assets held for sale		892	24,694
1,340	Prepayments		8,838	4,206
	– Derivative assets	11	629	124
1,631	Loans	11	1,682	4,978
435,087	Total current assets		1,016,403	341,479
Non-current assets				
20,512	Debtors and other receivables	5, 11	10,256	3,031
39,814	Property and equipment	7	5,013	285,078
3,102	Loans	11	3,120	–
63,428	Total non-current assets		18,389	288,109
498,515	Total non-departmental assets		1,034,792	629,588

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

As at 30 June 2018

ACTUAL 2017 \$000		NOTES	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
Non-departmental liabilities				
Current liabilities				
157,816	Creditors and other payables	8, 11	246,722	162,159
197,796	Provisions	11	198,863	107,999
38,954	Unearned income	9	36,970	417,196
259	Employee entitlements		295	192
133	Derivative liabilities	11	–	–
394,958	Total current liabilities		482,850	687,546
Non-current liabilities				
399,654	Unearned income	9	362,970	–
52,195	Provisions	10	51,830	7,521
10	Employee entitlements		–	–
451,859	Total non-current liabilities		414,800	7,521
846,817	Total non-departmental liabilities		897,650	695,067

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2018.

The accompanying notes form part of these financial statements.

SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2018

ACTUAL 2017 \$000	ACTUAL 2018 \$000
Quantifiable contingent liabilities	
249 Guarantees and indemnities	249
– Legal proceedings and disputes	25
249 Total quantifiable contingent liabilities	274

Quantifiable contingent liabilities**Guarantees and indemnities**

In the event that New Zealand Post does not agree to pay the annual membership contribution (Swiss Francs 196,800) to the Universal Postal Union then the Crown would be obliged to pay. This is unchanged from the 2016/17 financial year.

Legal proceedings and disputes

Legal proceedings and disputes represent amounts claimed by plaintiffs in relation to the performance of MBIE on behalf of the Crown. MBIE was defending one claim as at 30 June 2018 (2017: nil).

Unquantifiable contingent liabilities

Funding or part funding of rehabilitation of mine sites that were subject to mining licences under the *Mining Act 1971* or the *Coal Mines Act 1979* is also a contingent liability. Although this is primarily the responsibility of local authorities there are limited circumstances where there may be a residual liability for the Crown.

The following contingent liabilities in relation to indemnities are unquantifiable:

- › indemnities under section 63 of the *Corporations Act 1989*
- › indemnities under section 59 of the *Public Finance Act 1989*.

The Crown has a liability under an indemnity in a confidentiality agreement relevant to reserve generation capacity for the electricity system.

There is a historical claim for breaches of fiduciary duties and for a constructive trust. A decision on the allocation of any potential liability rests with Cabinet. Both the extent of the potential liability and the proportion MBIE would be responsible for are unknown.

Contingent assets

MBIE on behalf of the Crown has no non-departmental contingent assets (2017: nil).

SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS

As at 30 June 2018

MBIE on behalf of the Crown holds a loan commitment of \$10m (2017: nil) which has a contractual cash flow of less than one year.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2018.

The accompanying notes form part of these financial statements.

NOTE 1: REPORTING ENTITY

The non-departmental statements and schedules present financial information on public funds managed by MBIE on behalf of the Crown.

The non-departmental balances are consolidated into the Financial Statements of the Government for the year ended 30 June 2018. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should be made to the Financial Statements of the Government.

NOTE 2: BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The non-departmental statements and schedules have been prepared in accordance with Crown accounting policies, Treasury Instructions, and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with New Zealand generally accepted accounting practice (Tier 1 Public Sector Benefit Entity Accounting Standards) as appropriate for public benefit entities.

Changes in accounting treatment

The KiwiBuild Unit came into effect in December 2017. The main purpose of the unit is to facilitate the development, purchase and sale of dwellings for eligible first home buyers. Prior to this date MBIE was not undertaking these activities within the 'ordinary course of operations'. Accordingly, MBIE has changed its accounting treatment with respect to the accounting for land held for the purpose of future sale. Since the KiwiBuild Unit inception, this land is classified as inventory 'land and dwellings intended for sale' or 'land and dwellings under development' under PBE IPSAS 12 Inventories. This change does not impact comparative amounts, as the change is due to a change in operations rather than a change in accounting policies.

Significant accounting policies

The following significant accounting policies have been applied. Where an accounting policy is specific to one note, the policy is described in the note to which it relates, and marked with a symbol (P).

Certain non-departmental accounting policies are substantially the same as those disclosed in the departmental financial statements. The following accounting policies can be found in Note 2 to the departmental financial statements:

- › Functional and presentation currency
- › Changes in accounting policies
- › Foreign currency transactions
- › Contingent liabilities
- › Critical accounting estimates, assumptions and critical judgements in applying accounting policies

Additionally, where an accounting policy that is/would be disclosed in a specific note is substantially the same as that disclosed in the departmental financial statements, reference is provided as to where that accounting policy can be found in the departmental financial statements.

Sale of radio spectrum

Revenue from sale of radio spectrum is recognised as revenue evenly over the term of the management rights.

Grant expenditure

Where grants are deemed discretionary until the payment is made, the expense is recognised when the payment is made.

Where grants are discretionary, but have no binding terms, conditions or achievement milestones, or there are no substantial acts for the recipient to complete, MBIE recognises the entire expense and liability as soon as the grant is approved.

Where grants are discretionary and there is an exchange contract MBIE recognises the expense and liability to the extent that the terms, conditions and achievement milestones have been met and a present obligation exists, using the normal accounting rules, unless a specific accounting standard applies. Where grants are discretionary and there is a grant agreement which is not an exchange contract, MBIE recognises the expense and liability to the extent that the terms, conditions and achievement milestones have been met and a present obligation exists. Where grants are non-discretionary MBIE recognises the entire expense and liability as soon as claimants who meet the grant criteria are known. If it is not clear what the entire expense might be, MBIE creates a provision for it.

Commitments

Expenses yet to be incurred on non-cancellable contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations. These are measured at the lower of remaining contractual commitments and the value of penalty or exit costs. Commitments relating to employment contracts are not disclosed.

Goods and Services Tax (GST)

All items in the non-departmental statements and schedules are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the Financial Statements of Government.

Critical accounting estimates, assumptions and critical judgements in applying accounting policies

In preparing these financial statements, estimates, assumptions and critical judgements have been made concerning the future and may differ from the subsequent actual results. Estimates, assumptions and critical judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- › Provisions refer to Note 10
- › Land and dwellings intended for sale refer to Note 6.

Budget figures

The 2018 budget figures are for the year ended 30 June 2018, which are consistent with the best estimate financial information submitted to Treasury for the inclusion in Budget 2018 for the year ended 30 June 2018.

NOTE 3: REVENUE AND EXPENSES BY OUTCOME

	2018		2017	
	REVENUE \$000	EXPENDITURE \$000	REVENUE \$000	EXPENDITURE \$000
More supportive and dynamic business environment	235,252	(1,536,187)	263,334	(1,395,765)
An increased number of highly skilled people and innovative firms	26,170	(1,026,114)	28,791	(951,464)
The built environment better supports a well-functioning economy	42,802	(132,491)	39,857	(134,784)
Greater value sustainably derived from the natural environment	355,210	(117,526)	303,643	(115,725)
More productive and prosperous sectors, regions and people	–	(507,380)	–	(471,544)
Total revenue/expenditure by outcome	659,434	(3,319,698)	635,625	(3,069,282)
Other revenue				
Return of surplus from Crown entities	3,023	–	7,079	–
Other	1,660	–	–	–
Other expenses				
GST expense	–	(466,018)	–	(422,218)
Foreign exchange loss	–	540	–	(443)
Other	–	713	–	2,363
Remeasurement of provision				
Remeasurement of provision for financial assistance package	–	(29,815)	–	(46,477)
Total other revenue/expenditure	4,683	(494,580)	7,079	(466,775)
Total	664,117	(3,814,278)	642,704	(3,536,057)

i Explanation of major variances against Main Estimates

Non-Tax revenue is \$106.028m greater than budget largely due to an increase in the price of Crown mineral royalties and safety levies and proceeds of crime being above expected levels.

Appropriated expenditure was \$175.618m less than budget mainly within multi-year appropriations where there has been slower than expected timing of grant funding especially in the National Science Challenges MYA.

NOTE 4: NON-TAX REVENUE

P

Revenue – exchange transactions

Dividends

Revenue from dividends is recognised as revenue when the right to receive the payment is established.

Crown mineral royalties

Revenue from Crown mineral royalties is recognised as revenue when they become receivable.

Revenue – non-exchange transactions

Levies

Revenue from levies is recognised as revenue when the obligation to pay is incurred.

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Crown mineral royalties	217,964	176,613
Health and Safety in Employment levy	97,706	93,199
Electricity Authority levy	84,871	84,530
Proceeds of crime	32,331	57,467
Telecommunications development levy	50,058	50,000
Immigration levy	25,078	26,148
Financial Markets Authority levy	23,586	18,995
Energy safety levy	25,998	18,418
Commerce Commission levy	10,925	27,182
Telecommunications regulation levy	9,848	5,499
External Reporting Board levy	3,580	5,842
Penalties	1,435	1,460
Rental income	1,151	771
Migrant levy	174	1,211
Immigration Advisers Authority levy	918	998
Remuneration Authority levy	458	307
Dividend revenue	–	2,594
Other revenue	11,938	3,233
Total non-tax revenue	598,019	574,467
Total revenue from exchange transactions	218,838	181,693
Total revenue from non-exchange transactions	379,181	392,774
Total non-tax revenue	598,019	574,467

NOTE 5: DEBTORS AND OTHER RECEIVABLES

P Refer to Note 10 to the departmental financial statements for accounting policies relevant to debtors and other receivables. The following policy is specific to the non-departmental statements.

Spectrum rights

Sales of spectrum rights may be by deferred settlement, which are secured by a table mortgage over the spectrum licences. Payments are due in five equal instalments commencing on the date of advance and annually thereafter. Interest is recognised in the period payment is received.

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Overclaimed income-related rent subsidy		
Overclaimed income-related rent subsidy	23,248	24,151
Less provision for impairment	(22,019)	(22,760)
Net overclaimed income-related rent subsidy	1,229	1,391
Receivables from exchange transactions		
Other receivables	72,874	70,861
Less provision for impairment	–	–
Net receivables from exchange transactions	72,874	70,861
Receivables from non-exchange transactions		
Fine, levy & penalties receivables	68,837	54,627
Less provision for impairment	(98)	(77)
Net receivables from non-exchange transactions	68,739	54,550
Total debtors and other receivables	142,842	126,802

The carrying value of debtors and other receivables approximates fair value.

As at 30 June 2018, debtors and other receivables of \$139.766m were not past due (2017: \$125.411m). All debtors and other receivables greater than 30 days in age are considered to be past due. The provision for impairment of debtors and other receivables consists of specific individual impairment provisions based on a

review of overdue receivables, and a collective impairment provision based on an analysis of past collection history and debt write-offs. The collective provision for impairment of \$22.019m (2017: \$22.760m) and the individual provision for impairment of \$0.098m (2017: \$0.077m) relates to debts between 61 and 90 days.

MBIE does not hold the collateral for debts greater than 90 days.

Movements in the provision for impairment of receivables are as follows:

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Balance at 1 July	22,837	14,556
Increase in the provision made during the year	98	9,109
Provision reversed during the year	(818)	(760)
Receivables written off during the year	–	(68)
Balance at 30 June	22,117	22,837

The provision for impairment is based on a review of specific overdue receivables and a collective assessment.

The collective impairment provision is based on an analysis of past collection history and debt write-offs.

NOTE 6: LAND AND DWELLINGS INTENDED FOR SALE

<p>P Land and dwellings intended for sale in the ordinary course of business are classified as inventory.</p> <p>Land and dwellings intended for sale are recorded at the lower of the carrying amount and fair value less costs to sell. Any write-downs to net realisable value are charged to net surplus/(deficit) for the year.</p>	<p>Any write-downs to net realisable value are charged to net surplus/(deficit) for the year, with net realisable value being the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.</p>
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Land and dwellings intended for sale consist of parcels of land held for the KiwiBuild programme.

Change in accounting treatment

During the year MBIE changed its accounting treatment with respect to accounting for land held for the purpose of future sale. MBIE now applies PBE IPSAS 12 Inventories, due to the KiwiBuild Unit coming into effect in December 2017, as the main purpose of the unit is to facilitate the development, purchase and sale of dwellings for eligible first home buyers. Prior to this date MBIE was not undertaking these activities within the ‘ordinary course of operations’.

Land and dwellings held with the purpose of future sale are now classified as inventory ‘land and dwellings intended for sale’ or ‘land and dwellings under development’.

This change does not impact prior years, as the change is due to a change in operations rather than a change in application.

Rights of First Refusal for sale of land

The Right of First Refusal (RFR) restricts the disposal of Crown properties except in accordance with legislation. Iwi/hapū granted RFR have the right to refuse to purchase properties held for disposal first, before they can be disposed of to anyone else. The following is an example of Acts that grant RFR over those Crown lands set aside for a state housing purpose and administered by MBIE:

- › *Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act 2014*, Minister of Housing exemption is available for the sale of Crown land for housing. If housing is to be built on the land by a third party (and no exemptions apply), the Limited Partnership is to be offered the opportunity to submit a proposal to be the developer.

NOTE 7: PROPERTY AND EQUIPMENT

P Property and equipment consist of land, buildings, Canterbury earthquake buildings and ground work, textphone and infrastructure.

Measurement

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Additions

Items of property and equipment are recognised at cost if it is probable that future economic benefits or service potential will flow to MBIE. Where an item of property and equipment is acquired at no cost (or for a nominal amount), it is recognised at its fair value on the date of acquisition.

Costs incurred subsequent to the initial recognition of an item of property and equipment are only recognised where it can be demonstrated that there has been an increase in the inflow of future economic benefits or service potential. Costs relating to the servicing or maintenance of items of property and equipment are recognised in the schedule of non-departmental expenditure when incurred.

Depreciation

Depreciation is charged on a straight-line basis, at rates that will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives. Land is not depreciated. The useful lives of major categories of property and equipment have been estimated as follows:

<i>Asset class</i>	<i>Useful life</i>
Buildings – permanent	50 years
Buildings – Canterbury earthquake building and ground work	2–4 years
Infrastructure	10 years
Textphone equipment	4 years

Revaluation

Land and buildings are revalued at least once every three years, by an independent registered valuer, to ensure that their carrying amount does not differ materially from their fair value. The net revaluation results are included in the schedule of non-departmental revenue or expenditure and a property revaluation reserve in equity. Where that results in a debit balance in the revaluation reserve the balance is recognised in the schedule of non-departmental expenditure.

Impairment

Property and equipment are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impaired asset’s carrying amount is written down to its recoverable amount which is the higher of an asset’s fair value less costs to sell and value in use. For assets not carried at a revalued amount, the total impairment loss is recognised in the schedule of non-departmental expenditure.

Disposals

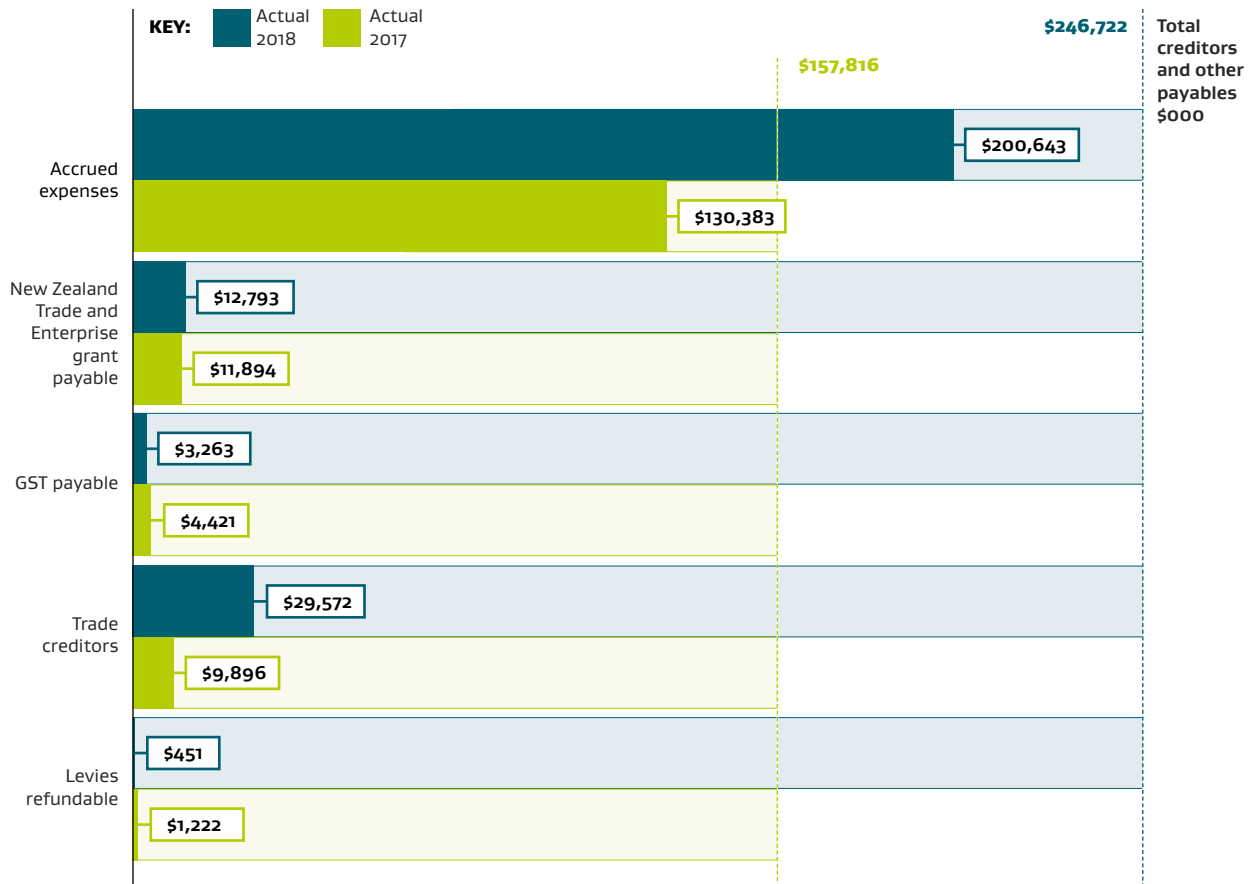
Gains and losses on disposal of an item of property and equipment represent the difference between disposal proceeds, if any, and the carrying value of the asset at the time of disposal and are recognised in the schedule of non-departmental expenditure. If a previously revalued asset is disposed of, the relevant amount held in the asset revaluation reserve is transferred to taxpayers’ funds.

NOTE 7: PROPERTY AND EQUIPMENT (CONTINUED)

	CANTERBURY EARTHQUAKE BUILDING AND GROUND WORK \$000	INFRASTRUCTURE ASSETS \$000	TEXTPHONE \$000	LAND \$000	BUILDINGS \$000	WORK IN PROGRESS \$000	TOTAL \$000
Year ended 30 June 2017							
Cost	12,441	20,000	1,734	4,003	9,800	–	47,978
Accumulated depreciation	(10,315)	(12,000)	(1,681)	–	(9,800)	–	(33,796)
Opening net book value	2,126	8,000	53	4,003	–	–	14,182
Additions	–	–	–	–	–	–	–
Disposals	(11,112)	–	–	(4,003)	–	–	(15,115)
Other adjustment (cost)	–	–	–	33,755	–	–	33,755
Depreciation	(6)	(2,000)	(52)	–	–	–	(2,058)
Depreciation released on disposals	9,050	–	–	–	–	–	9,050
Closing net book value	58	6,000	1	33,755	–	–	39,814
Year ended 30 June 2018							
Cost	1,329	20,000	1,734	33,755	9,800	–	66,618
Accumulated depreciation	(1,271)	(14,000)	(1,733)	–	(9,800)	–	(26,804)
Opening net book value	58	6,000	1	33,755	–	–	39,814
Additions	960	–	–	–	–	268	1,228
Disposals	(1,329)	–	–	–	–	–	(1,329)
Transfers to land intended for sale	(88)	–	–	(33,755)	–	–	(33,843)
Depreciation	(127)	(2,000)	(1)	–	–	–	(2,128)
Depreciation released on disposals	1,271	–	–	–	–	–	1,271
Closing net book value	745	4,000	–	–	–	268	5,013
Cost	872	20,000	1,734	–	9,800	268	32,674
Accumulated depreciation	(127)	(16,000)	(1,734)	–	(9,800)	–	(27,661)
Closing net book value	745	4,000	–	–	–	268	5,013

NOTE 8: CREDITORS AND OTHER PAYABLES

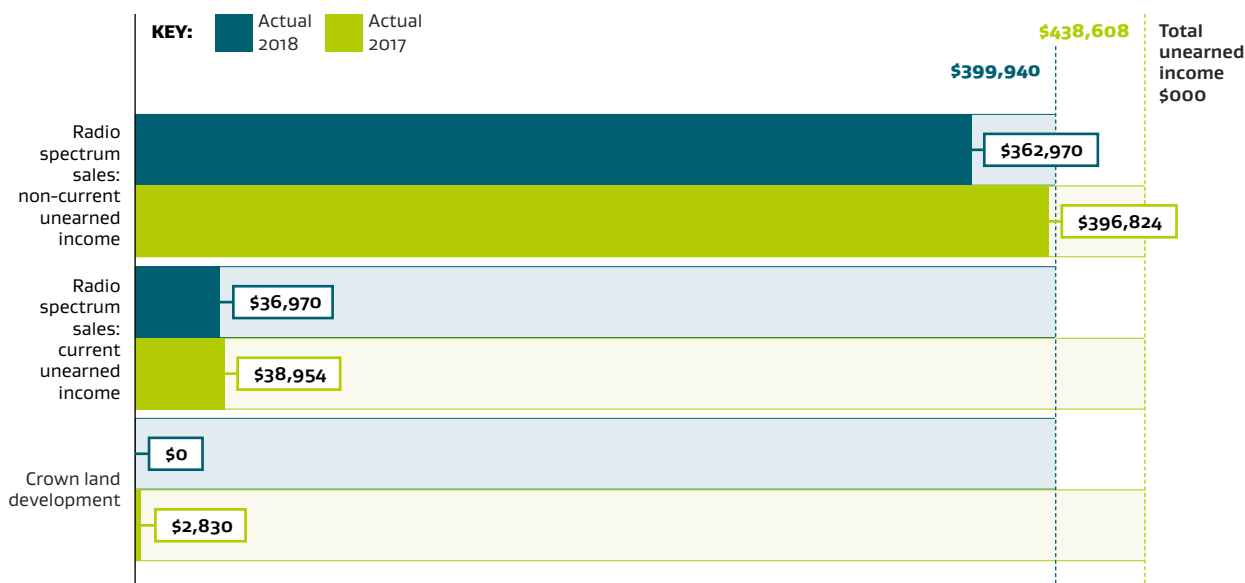
Creditors and other payables (\$000)



Creditors and other payables are non-interest bearing. The carrying value of creditors and other payables approximates their fair value.

NOTE 9: UNEARNED INCOME

Unearned income (\$000)



Under the *Radiocommunications Act 1989*, sales of management rights over portions of the radio spectrum occur from time to time. The rights extend for varying periods and carry implementation requirements.

Once these requirements have been fulfilled, the holder retains the rights through to the end of the specific term, after which they revert to the Crown and may be reoffered for sale.

NOTE 10: PROVISIONS

Critical accounting estimates, assumptions and critical judgements in applying accounting policies

The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of provisions within the next financial year are disclosed below:

Provision for weathertight services financial assistance package (FAP)

There are three critical assumptions: The remediation cost estimate, the discount rate, and the discontinuance transition rate.

New Zealand Screen Production Grant provision

Actual expenditure is sensitive both to the number and size of qualifying productions. The approximate amount of the grants and timing of payments are estimated in advance.

NOTE 10: PROVISIONS (CONTINUED)

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Current provisions are represented by:		
New Zealand Screen Production Grant	165,616	167,496
Weathertight services financial assistance package	32,306	28,628
Make-good provision	941	1,672
Total current	198,863	197,796
Non-current provisions are represented by:		
Weathertight services financial assistance package	51,830	52,195
Total non-current	51,830	52,195
Total provisions	250,693	249,991

	WEATHERTIGHT SERVICES FINANCIAL ASSISTANCE PACKAGE \$000	NEW ZEALAND SCREEN PRODUCTION GRANT \$000	MAKE-GOOD PROVISION \$000	TOTAL \$000
Balance at 1 July 2016	64,721	128,877	2,718	196,316
Additional provisions made	46,477	134,671	–	181,148
Provision utilised during the year	(31,475)	(83,291)	(1,046)	(115,812)
Unutilised provision reversed	–	(12,761)	–	(12,761)
Unwind of discount rate and effect of the changes in discount rate	1,100	–	–	1,100
Balance at 30 June 2017	80,823	167,496	1,672	249,991
Additional provisions made	29,815	158,645	–	188,460
Provision utilised during the year	(27,502)	(149,266)	(731)	(177,499)
Unutilised provision reversed	–	(11,259)	–	(11,259)
Unwind of discount rate and effect of the changes in discount rate	1,000	–	–	1,000
Balance at 30 June 2018	84,136	165,616	941	250,693

Provision for weathertight services financial assistance package (FAP)

This provision represents the government's obligation to contribute 25 per cent of agreed repair costs to eligible owners of leaky homes under the FAP.

Description of weathertight services FAP

The package offers qualifying homeowners a share of the agreed actual repair cost of repairing leaky homes. The government and the territorial authority (if the territorial authority is participating in the FAP) each pay 25 per cent of the agreed repair cost and the homeowner pays the remaining 50 per cent. Under the FAP the homeowner agrees not to sue contributing territorial authorities and the government, although homeowners can still pursue other liable parties such as builders, developers or manufacturers of defective products.

The scheme became available to homeowners on 29 July 2011 and eligible homeowners were required to lodge

claims with MBIE prior to 29 July 2016. The 10-year limitation on lodging a weathertight claim means that over time the forecast eligible claims will reduce.

Key assumptions

There is still considerable uncertainty surrounding the estimate of the government's likely contribution. There are three critical assumptions: the remediation cost estimate, the discount rate, and the discontinuance transition rate.

Uncertainties

There are several reasons why the estimates are subject to a high level of uncertainty:

- › the ultimate costs of leaky buildings claims is inherently uncertain
- › the financial projection model is a simplification of the complex reality of the actual claims processes and, to the extent that hidden or unmodelled relationships are present, the model will be unreliable

NOTE 10: PROVISIONS (CONTINUED)

- › the past experience may not be a good guide as to what will happen in the future
- › the data on which the analysis is based, and from which the assumptions are derived, is limited.

Sensitivity analysis

If the remediation cost estimate were to increase/decrease by 10 per cent compared to MBIE’s estimates, with all other factors held constant, the estimate would be \$0.9m higher and \$0.9m lower respectively.

If the discount rate were to increase/decrease by 2 per cent compared to MBIE’s estimates, with all other factors held constant, the estimate would be \$5.5m higher and \$5.1m lower respectively.

If the discontinuance transition rate (the rate at which applicants cease to progress their application) were to double/halve compared to MBIE’s estimates, with all other factors held constant, the estimate would be \$5.6m higher and \$7.4m lower respectively.

New Zealand Screen Production Grant

The New Zealand Screen Production Grant scheme provides grants for high profile film productions, such as *Ghost in the Shell*, to film in New Zealand.

Under the scheme, productions may receive a cash grant equivalent to 20 per cent of their New Zealand based expenditure. The grants are non-discretionary, applicants cannot be refused if they meet the criteria and the scheme is uncapped. To be eligible, feature films must spend \$15m or more in New Zealand.

The productions which will make claims under the scheme typically signal their intention to apply to the New Zealand Film Commission, as administrator of the scheme, in advance of any application. The approximate amount of the grants and timing of payments are estimated in advance.

Actual expenditure is very sensitive both to the number and size of qualifying productions. The provision is MBIE’s best assessment of projects that will qualify for a grant rebate and the expenditure patterns of the individual productions. It is only once applications have been received and verified that the exact expenditure can be confirmed.

NOTE 11: FINANCIAL INSTRUMENTS

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Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in transit and bank accounts.

Categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows:

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Loans and receivables		
Cash and cash equivalents	677,867	309,116
Debtors and other receivables	142,842	126,802
Loans	4,802	4,733
Derivative financial instruments		
Foreign exchange forward contracts – oil contracts	629	–
Total financial assets	826,140	440,651
Financial liabilities measured at amortised cost		
Creditors and other payables	246,722	157,816
Derivative financial instruments		
Foreign exchange forward contracts – oil contracts	–	133
Total financial liabilities	246,722	157,949

NOTE 11: FINANCIAL INSTRUMENTS (CONTINUED)

MBIE's activities expose it to a variety of financial instrument risks, including market risk, currency risk, credit risk and liquidity risk. MBIE has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from contracts for the supply of future goods and services, which are denominated in a foreign currency. MBIE, on behalf of the Crown, purchases capital expenditure and goods and services internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the US dollar, Australian dollar and Euro. MBIE's foreign exchange management policy requires MBIE to manage direct foreign currency exposure by ensuring these contracts for supply of goods and services are naturally hedged with the receipts received through the departmental accounts and therefore foreign exchange forward contracts are not generally required.

Contractual maturity analysis of financial liabilities, excluding derivatives

MBIE's financial liabilities, excluding derivatives, consist solely of creditors and other payables. At balance date, the remaining periods to the contractual maturity dates were less than three months for all creditors and other payables. The amounts, disclosed above, are the contractual undiscounted cash flows.

Credit risk

Credit risk is the risk that a third party will default on its obligation to MBIE, causing MBIE to incur a loss.

In the normal course of its business, credit risk arises from debtors and other receivables, deposits with banks, and derivative financial assets.

MBIE generally deposits funds with Westpac (Standard and Poor's credit rating of AA-), a registered bank, and enters into foreign exchange forward contracts with the New Zealand Debt Management Office (Standard and Poor's credit rating of AA). These entities have high credit ratings. For its other financial instruments, MBIE does not have significant concentrations of credit risk.

MBIE's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, debtors and other receivables, and derivative financial assets.

NOTE 12: ESTABLISHMENT OF THE MINISTRY OF HOUSING AND URBAN DEVELOPMENT

In May 2018, Cabinet agreed to establish a Ministry of Housing and Urban Development (MHUD) with the commencement of initial functions from 1 October 2018. The following functions will be initially transferred from MBIE:

- › Housing functions
- › KiwiBuild Unit

This change will result in changes to Vote Building and Housing appropriations transferring to the new Vote Housing and Urban Development from 1 October 2018. There are a number of appropriations that will be transferred to MHUD on 1 October, including Housing New Zealand Corporation Support Services, KiwiBuild Housing MYA, KiwiBuild Operations, Management of Crown Properties held under the Housing Act 1955, Kiwisaver Homestart Grant, Housing Assistance, Social Housing Provider Development and KiwiBuild Capital MYA.

NOTE 13: EVENTS AFTER BALANCE DATE

No significant events, which may have an impact on the actual results, have occurred between year-end and the signing of the financial statements. Refer to Note 12 for information on the May 2018 Cabinet decision to establish MHUD and the subsequent impact for MBIE.

MULTI-YEAR APPROPRIATIONS

VOTE BUSINESS, SCIENCE AND INNOVATION

Multi-year appropriations that started on 1 April 2018, as approved in the Supplementary Estimates

ACTUAL 2017 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2018 \$000	SUPPLEMENTARY ESTIMATES 2018 \$000
	Infrastructure: Broadband Investment (2018-2021)		
	- Original appropriation	582,500	582,500
	- Cumulative adjustments	-	-
	- Total adjusted appropriation	582,500	582,500
	- Cumulative expenditure 1 July	-	-
	- Current year expenditure	100,000	100,000
	- Cumulative expenditure 30 June	100,000	100,000
	- Appropriation remaining 30 June	482,500	482,500

Multi-year appropriations that started on 1 July 2017

ACTUAL 2017 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
	Energy and Resources: Managing the Security of New Zealand's Electricity Supply (2017-2022)		
	- Original appropriation	6,000	6,000
	- Cumulative adjustments	-	-
	- Total adjusted appropriation	6,000	6,000
	- Cumulative expenditure 1 July	-	-
	- Current year expenditure	-	1,200
	- Cumulative expenditure 30 June	-	1,200
	- Appropriation remaining 30 June	6,000	4,800
	Repayable Grants for Start-Ups (2017-2019)		
	- Original appropriation	27,992	27,992
	- Cumulative adjustments	-	-
	- Total adjusted appropriation	27,992	27,992
	- Cumulative expenditure 1 July	-	-
	- Current year expenditure	4,220	13,996
	- Cumulative expenditure 30 June	4,220	13,996
	- Appropriation remaining 30 June	23,772	13,996
	Research and Development Growth Grants (2017-2022)		
	- Original appropriation	802,860	802,860
	- Cumulative adjustments	-	-
	- Total adjusted appropriation	802,860	802,860
	- Cumulative expenditure 1 July	-	-
	- Current year expenditure	172,268	153,902
	- Cumulative expenditure 30 June	172,268	153,902
	- Appropriation remaining 30 June	630,592	648,958

VOTE BUSINESS, SCIENCE AND INNOVATION (CONTINUED)

ACTUAL 2017 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
	Targeted Business Research and Development Funding (2017–2022)		
	– Original appropriation	187,500	187,500
	– Cumulative adjustments	–	–
	– Total adjusted appropriation	187,500	187,500
	– Cumulative expenditure 1 July	–	–
	– Current year expenditure	24,624	37,500
	– Cumulative expenditure 30 June	24,624	37,500
	– Appropriation remaining 30 June	162,876	150,000
	Communications: Telecommunications Development Levy Funded Procurement – Telecommunications Infrastructure Investment (2017–2022)		
	– Original appropriation	150,000	150,000
	– Cumulative adjustments	–	–
	– Total adjusted appropriation	150,000	150,000
	– Cumulative expenditure 1 July	–	–
	– Current year expenditure	9,877	30,000
	– Cumulative expenditure 30 June	9,877	30,000
	– Appropriation remaining 30 June	140,123	120,000
	Economic Development: Major Events Development Fund (2017–2022)		
	– Original appropriation	52,000	52,000
	– Cumulative adjustments	–	–
	– Total adjusted appropriation	52,000	52,000
	– Cumulative expenditure 1 July	–	–
	– Current year expenditure	8,836	13,000
	– Cumulative expenditure 30 June	8,836	13,000
	– Appropriation remaining 30 June	43,164	39,000
	Economic Development: New Zealand Screen Production Grant – International (2017–2021)		
	– Original appropriation	323,112	323,112
	– Cumulative adjustments	–	–
	– Total adjusted appropriation	323,112	323,112
	– Cumulative expenditure 1 July	–	–
	– Current year expenditure	147,386	120,000
	– Cumulative expenditure 30 June	147,386	120,000
	– Appropriation remaining 30 June	175,726	203,112

VOTE BUSINESS, SCIENCE AND INNOVATION (CONTINUED)

Multi-year appropriations starting before 2017 and have not yet expired

ACTUAL 2017 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
Economic Regulation of Electricity Line Services (2014–2019)			
28,311	Original appropriation	28,311	28,311
782	Cumulative adjustments	782	782
29,093	Total adjusted appropriation	29,093	29,093
11,501	Cumulative expenditure 1 July	16,086	16,086
4,585	Current year expenditure	5,274	5,280
16,086	Cumulative expenditure 30 June	21,360	21,366
13,007	Appropriation remaining 30 June	7,733	7,727
Economic Regulation of Gas Pipeline Services (2014–2019)			
9,684	Original appropriation	9,684	9,684
182	Cumulative adjustments	182	182
9,866	Total adjusted appropriation	9,866	9,866
3,545	Cumulative expenditure 1 July	6,665	6,665
3,120	Current year expenditure	1,998	1,430
6,665	Cumulative expenditure 30 June	8,663	8,095
3,201	Appropriation remaining 30 June	1,203	1,771
Economic Regulation of Specified Airport Services (2014–2019)			
2,763	Original appropriation	2,763	2,763
127	Cumulative adjustments	127	127
2,890	Total adjusted appropriation	2,890	2,890
1,012	Cumulative expenditure 1 July	1,275	1,275
263	Current year expenditure	1,290	677
1,275	Cumulative expenditure 30 June	2,565	1,952
1,615	Appropriation remaining 30 June	325	938
National Science Challenges (2013–2018)			
252,722	Original appropriation	252,722	252,722
6,520	Cumulative adjustments	6,520	6,520
259,242	Total adjusted appropriation	259,242	259,242
46,107	Cumulative expenditure 1 July	118,685	118,685
72,578	Current year expenditure	73,367	140,557
118,685	Cumulative expenditure 30 June	192,052	259,242
140,557	Appropriation remaining 30 June	67,190	–
Resource Data Acquisition and Management (2015–2018)			
7,700	Original appropriation	7,700	7,700
–	Cumulative adjustments	–	–
7,700	Total adjusted appropriation	7,700	7,700
2,419	Cumulative expenditure 1 July	4,814	4,814
2,395	Current year expenditure	223	1,551
4,814	Cumulative expenditure 30 June	5,037	6,365
2,886	Appropriation remaining 30 June	2,663	1,335

VOTE BUSINESS, SCIENCE AND INNOVATION (CONTINUED)

ACTUAL 2017 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
Venture Investment Fund (2014–2018)			
37,453	Original appropriation	37,453	37,453
(12,000)	Cumulative adjustments	(12,000)	(12,000)
25,453	Total adjusted appropriation	25,453	25,453
15,000	Cumulative expenditure 1 July	15,000	15,000
–	– Current year expenditure	10,453	10,453
15,000	Cumulative expenditure 30 June	25,453	25,453
10,453	Appropriation remaining 30 June	–	–
Economic Development: Regional Growth Initiatives (2016–2021)			
44,000	Original appropriation	44,000	44,000
11,000	Cumulative adjustments	11,000	11,000
55,000	Total adjusted appropriation	55,000	55,000
–	– Cumulative expenditure 1 July	822	822
822	Current year expenditure	654	11,000
822	Cumulative expenditure 30 June	1,476	11,822
54,178	Appropriation remaining 30 June	53,524	43,178
Energy & Resources: Home Insulation (2016–2018)			
16,500	Original appropriation	16,500	16,500
178	Cumulative adjustments	178	178
16,678	Total adjusted appropriation	16,678	16,678
–	– Cumulative expenditure 1 July	2,728	2,728
2,728	Current year expenditure	7,847	13,678
2,728	Cumulative expenditure 30 June	10,575	16,406
13,950	Appropriation remaining 30 June	6,103	272
Infrastructure: Broadband Investment (Crown Fibre Holdings Capital Costs) (2016–2021)			
210,000	Original appropriation	210,000	210,000
–	– Cumulative adjustments	(210,000)	–
210,000	Total adjusted appropriation	–	210,000
–	– Cumulative expenditure 1 July	–	–
–	– Current year expenditure	–	–
–	Cumulative expenditure 30 June	–	–
210,000	Appropriation remaining 30 June	–	210,000
Communications: Broadband Investment (Crown Fibre Holdings Capital Costs) (2016–2021)			
417,500	Original appropriation	417,500	417,500
–	– Cumulative adjustments	(372,500)	–
417,500	Total adjusted appropriation	45,000	417,500
–	– Cumulative expenditure 1 July	–	–
–	– Current year expenditure	45,000	145,000
–	Cumulative expenditure 30 June	45,000	145,000
417,500	Appropriation remaining 30 June	–	272,500

VOTE BUSINESS, SCIENCE AND INNOVATION (CONTINUED)

Multi-year appropriations that expired on 30 June 2017

ACTUAL 2017 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
New Zealand Screen Production Grant – International (2014–2017)			
252,780	Original appropriation	–	–
107,389	Cumulative adjustments	–	–
360,169	Total adjusted appropriation	–	–
228,236	Cumulative expenditure 1 July	–	–
126,963	Current year expenditure	–	–
355,199	Cumulative expenditure 30 June	–	–
4,970	Appropriation remaining 30 June	–	–
Research and Development Growth Grants (2013–2017)			
393,000	Original appropriation	–	–
8,221	Cumulative adjustments	–	–
401,221	Total adjusted appropriation	–	–
260,882	Cumulative expenditure 1 July	–	–
134,550	Current year expenditure	–	–
395,432	Cumulative expenditure 30 June	–	–
5,789	Appropriation remaining 30 June	–	–
Security Management (2012–2017)			
6,000	Original appropriation	–	–
–	Cumulative adjustments	–	–
6,000	Total adjusted appropriation	–	–
–	Cumulative expenditure 1 July	–	–
–	Current year expenditure	–	–
–	Cumulative expenditure 30 June	–	–
6,000	Appropriation remaining 30 June	–	–
Targeted Business Research and Development Funding (2013–2017)			
173,000	Original appropriation	–	–
(35,417)	Cumulative adjustments	–	–
137,583	Total adjusted appropriation	–	–
90,387	Cumulative expenditure 1 July	–	–
23,361	Current year expenditure	–	–
113,748	Cumulative expenditure 30 June	–	–
23,835	Appropriation remaining 30 June	–	–

VOTE BUILDING AND HOUSING

Multi-year appropriations that started on 1 April 2018, as approved in the Supplementary Estimates

ACTUAL 2017 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
	KiwiBuild Housing (2018–2022)		
	– Original appropriation	210,000	210,000
	– Cumulative adjustments	–	–
	– Total adjusted appropriation	210,000	210,000
	– Cumulative expenditure 1 July	–	–
	– Current year expenditure	–	–
	– Cumulative expenditure 30 June	–	–
	– Appropriation remaining 30 June	210,000	210,000
	KiwiBuild Capital (2018–2022)		
	– Original appropriation	1,865,755	1,865,755
	– Cumulative adjustments	–	–
	– Total adjusted appropriation	1,865,755	1,865,755
	– Cumulative expenditure 1 July	–	–
	– Current year expenditure	–	50,000
	– Cumulative expenditure 30 June	–	50,000
	– Appropriation remaining 30 June	1,865,755	1,815,755

Multi-year appropriations that started on 1 July 2017

ACTUAL 2017 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
	Vacant or Underutilised Crown Land Programme (2017–2022)		
	– Original appropriation	167,104	167,104
	– Cumulative adjustments	51,050	–
	– Total adjusted appropriation	218,154	167,104
	– Cumulative expenditure 1 July	–	–
	– Current year expenditure	162,800	167,104
	– Cumulative expenditure 30 June	162,800	167,104
	– Appropriation remaining 30 June	55,354	–

VOTE BUILDING AND HOUSING (CONTINUED)

Multi-year appropriations starting before 2017 and have not yet expired

ACTUAL 2017 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
Tenant Health and Safety Information (2015–2020)			
2,740	Original appropriation	2,740	2,740
56	Cumulative adjustments	56	56
2,796	Total adjusted appropriation	2,796	2,796
	– Cumulative expenditure 1 July	865	–
865	Current year expenditure	890	400
	– Cumulative expenditure 30 June	1,755	400
1,931	Appropriation remaining 30 June	1,041	2,396

Multi-year appropriations that expired on 30 June 2017

ACTUAL 2017 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2018 \$000	UNAUDITED MAIN ESTIMATES 2018 \$000
Social Housing Fund (2015–2017)			
29,142	Original appropriation	–	–
5,708	Cumulative adjustments	–	–
34,850	Total adjusted appropriation	–	–
	– Cumulative expenditure 1 July	–	–
9,648	Current year expenditure	–	–
9,648	Cumulative expenditure 30 June	–	–
25,202	Appropriation remaining 30 June	–	–
Auckland Vacant or Underutilised Crown Land Programme (2016–2017)			
100,000	Original appropriation	–	–
(45,000)	Cumulative adjustments	–	–
55,000	Total adjusted appropriation	–	–
	– Cumulative expenditure 1 July	–	–
3,950	Current year expenditure	–	–
3,950	Cumulative expenditure 30 June	–	–
51,050	Appropriation remaining 30 June	–	–

STATEMENT OF EXPENSES AND CAPITAL EXPENDITURE INCURRED WITHOUT, OR IN EXCESS OF, APPROPRIATION OR OTHER AUTHORITY

For the year ended 30 June 2018

	ACTUAL 2018 \$000	APPROPRIATION VOTED 2018 \$000	UNAPPROPRIATED 2018 \$000
VOTE BUILDING AND HOUSING			
Multi-Category Appropriation			
Temporary Accommodation Services MCA	6,018	6,616	880
Temporary Accommodation Services MCA	6,018	6,616	3,340
VOTE BUSINESS, SCIENCE AND INNOVATION			
Non-departmental output expense			
Communications: Emergency Telecommunications Services	4,374	3,108	1,200
Communications: Emergency Telecommunications Services	4,374	3,108	66
Non-departmental other expense			
Communications: Telecommunications Development Levy Funded Procurement – Non-Urban Infrastructure	328	312	16
Non-departmental capital expense			
Communications: Broadband Investment (Crown Fibre Holdings Capital Costs) 2016–2021	45,000	45,000	45,000

Temporary Accommodation Services MCA

The Temporary Accommodation Services MCA was in breach at two points in the financial year:

- › MBIE requested an in-principle expense transfer of \$4.530m from 2016/17 to 2017/18 transferring funds to the Temporary Accommodation Services MCA. However, MBIE continued to spend against this appropriation in 2017/18 before the transfer was approved as part of the 2017 October Baseline Update.

On 28 of August 2017 an Imprest Supply of \$1.249m was approved by Joint Ministers for this appropriation. Therefore between 1 July 2017 and 28 August 2017 the incurred expenses totalling \$0.880m resulted in a breach of appropriation.

- › MBIE requested an in-principle expense transfer of \$4.530m from 2016/17 to 2017/18 transferring funds to the Temporary Accommodation Services MCA. October Baseline Update 2017 was approved by the Minister of Finance on 27 November 2017. In April, on advice from the Treasury, it was noted that the in-principle expense transfer was incorrectly approved.

On 28 of August 2017, by Joint Minister approval, \$1.249m was approved to transfer funds from Hurunui/Kaikōura Recovery: Accommodation Services. MBIE incurred additional spend taking the total up to \$4.589m, thus incurring a breach of \$3.340m.

Communications: Emergency Telecommunications Services

The Communications: Emergency Telecommunications Services was in breach at two points in the financial year:

- › On 16 May 2018, Cabinet approved the increase in baseline, funded from the Telecommunications Development Levy, to support implementation of Phase 2 of the Emergency Caller Location Information (ECLI) project. Cabinet agreed that the additional expense of \$1.200m for 2017/18 be included in the *Appropriation (2017/18 Confirmation and Validation) Bill* for validation by Parliament and that, in the interim, the expense be met by Imprest Supply. Cabinet authorised MBIE to progress procurement as soon as practicable. The increase in the baseline met through Imprest Supply allows MBIE to agree implementation contracts including the funding of payment milestones in 2017/18.

- › Following the increase in baseline approved by Cabinet MBIE continued spending against the appropriation exceeding the additional authority by \$0.066m as at 30 June 2018.

Communications: Telecommunications Development Levy Funded Procurement – Non-Urban Infrastructure

A contract between MBIE and TeamTalk Limited has been in place for the delivery of broadband services to the Chatham Islands under the RBI 1 programme since 2014, and due to expire 31 July 2018. An agreement was made to extend the contract to ensure continuity of broadband services. A variation agreement was entered into on 1 May 2018 where an increase of funding of \$8,200 per month would occur to coincide with TeamTalk's obligation to ensure that the link meet the higher target capacity effective from 2 May 2018. The initial appropriation for this was deemed to be in the Telecommunications Development Levy Funded Procurement – Infrastructure Investment MYA. It was later confirmed that it was the Telecommunications Development Levy Funded Procurement – Non-Urban Infrastructure appropriation. Two payments were made in 2017/18.

Communications: Broadband Investment (Crown Fibre Holdings Capital Costs) 2016–2021

In September 2017, Crown Fibre Holdings Limited changed its name to Crown Infrastructure Partners Limited. This name change was not reflected in the scope statement of the appropriation, which only authorised payments to Crown Fibre Holdings Limited.

In December 2017, a payment of \$45m was made to Crown Infrastructure Partners for the rollout of ultra-fast broadband.

APPENDIX 1: STATEMENT OF TRUST MONIES

For the year ended 30 June 2018

MBIE operates trust accounts as an agent under section 66 of the *Public Finance Act 1989*. They are not included in MBIE's own financial statements. In addition to funds held in trust accounts operated by MBIE, the Official Assignee holds a significant number and value of assets in relation to the administration of bankruptcies, liquidations and assets restrained or forfeited under criminal proceeds legislation. Movements in these accounts during the year ended 30 June 2018 were as follows:

	OPENING BALANCE 1 JULY 2017 \$000	CAPITAL INCREASE \$000	DISTRIBUTIONS MADE \$000	RECEIPTS \$000	EXPENDITURE \$000	CLOSING BALANCE 30 JUNE 2018 \$000
Coal and Minerals Deposits Trust Account	291	–	–	–	–	291
Criminal Assets Management and Enforcement Regulators Association Trust Account	16	3	–	–	–	19
Employment Relations Act Security of Costs Trust Account	–	–	–	–	–	–
Employment Relations Service Trust Account	456	1,073	(748)	9	(114)	676
New Zealand Immigration Trust Account	1,089	143	(314)	14	(236)	696
Official Assignee's Office Trust Account	24,683	28,742	(15,781)	724	(13,649)	24,719
Patent Co-operation Treaty Fees Trust Account	107	811	(650)	1	(21)	248
Petroleum Deposits Trust Account	96	13	(29)	–	–	80
Criminal Proceeds (Recovery) Trust Account	135,303	37,617	(32,411)	2,333	(6,580)	136,262
Residential Tenancies Trust Account	509,097	245,211	(208,358)	20,197	(20,197)	545,950
Weathertight Financial Assistance Package Trust Account	–	7,514	(7,514)	–	–	–

Coal and Minerals Deposits Trust Account

This trust account was established in its present form following the introduction of the *Crown Minerals Act 1991*. Pursuant to the *Mining Act 1971*, the *Coal Mines Act 1979* or the *Crown Minerals Act 1991*, all existing mining and exploration licences are required to lodge a bond with MBIE. These bonds are returned with interest once the licence has expired, cancelled or declined provided that all licence conditions have been complied with.

Criminal Assets Management and Enforcement Regulators Association Trust Account

This trust account was established to hold contributions from member nations of the Criminal Assets Management and Enforcement Regulators Association.

Employment Relations Service Trust Account

This trust account was established in September 1988 for monies received by labour inspectors on behalf of workers.

New Zealand Immigration Trust Account

This trust account was established in 1999 for bonds paid by visitors with a higher risk profile.

Official Assignee's Office Trust Account

This trust account was established to hold monies for individuals or companies subject to bankruptcy or liquidation proceedings. All financial matters of declared bankrupts and companies in liquidation are handled by the Official Assignee's Office. All distributions and settlements are processed through this account. This trust account combines the No Asset Procedure Account, Summary Instalment Order Account and Official Assignee Account.

Patent Co-operation Treaty Fees Trust Account

This trust account was established in December 1992 to collect and distribute fees under the Patent Co-operation Treaty Rules. The fees are collected from International Patent Authorities and remitted to the World Intellectual Property Organization, which administers the Treaty.

Petroleum Deposits Trust Account

This trust account was established in the 1970s for deposits pursuant to sections 8, 16 and 47(h) of the *Petroleum Act 1937*. Applicants are required to lodge bonds for all petroleum prospecting and mining licences issued under the Act. These bonds are returned with interest once the licence has ended, provided that all conditions of the licence have been met.

Criminal Proceeds (Recovery) Trust Account

This trust account has been established to manage the financial arrangements of restraining and forfeiture orders made by the Courts under the *Criminal Proceeds (Recovery) Act 2009*. Under the Act, the Court has the power to order seizure of assets of individuals and companies that have been derived directly or indirectly from criminal offending, and place the assets into the custody and control of the Official Assignee. These assets can then be ordered to be sold or disposed of by the Official Assignee and the resulting monies transferred to the approved other parties and the Crown.

Radio Frequencies Tender Trust Account

This trust account was established in February 1990 for deposits paid by bidders for radio frequencies and monies held pending assessments of resource rentals for radio frequency licences. Once a successful tender is established, the deposit is then deemed to be Crown money and is transferred to the Crown. All unsuccessful tenderers have their deposits refunded with interest.

Residential Tenancies Trust Account

This trust account was established to hold bonds lodged under the *Residential Tenancies Act 1986*. A full set of audited financial statements for the Residential Tenancies Trust Account, prepared on an accrual accounting basis in conformity with generally accepted accounting practice, is provided in Appendix 2.

Weathertight Homes Financial Assistance Package Trust Account

This trust account is used to temporarily hold the building consent authorities' 25 per cent share of repair costs claimed by eligible leaky home owners under the Weathertight Homes Financial Assistance Package Trust Account, once approved, but prior to payment to the eligible home owners.

APPENDIX 2: RESIDENTIAL TENANCIES TRUST ACCOUNT

For the year ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Residential Tenancies Trust Account's financial statements for the year ended 30 June 2018

The Auditor-General is the auditor of Residential Tenancies Trust Account (the Trust). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on his behalf.

OPINION

We have audited the financial statements of the Trust on pages 156 to 160, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of movement in bondholders' funds and the statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Trust on pages 156 to 160:

- › present fairly, in all material respects:
 - its financial position as at 30 June 2018, and
 - its financial performance and cash flows for the year then ended, and
- › comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive of the Ministry of Business, Innovation and Employment and our responsibilities, and we explain our independence.

BASIS FOR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE CHIEF EXECUTIVE OF THE MINISTRY OF BUSINESS, INNOVATION AND EMPLOYMENT FOR THE FINANCIAL STATEMENTS

The Chief Executive is responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Chief Executive is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Chief Executive intends to wind up the Trust or to cease operations, or have no realistic alternative but to do so.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- › We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- › We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- › We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- › We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- › We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 2 to 88, 92 to 152 and 161 to 165, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Trust.



Ajay Sharma
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2018

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Revenue		
Interest earned from bank deposits	20,197	20,629
Expenditure		
Interest to Ministry of Business, Innovation and Employment	20,197	20,629
Net surplus	-	-
Other comprehensive revenue and expenses	-	-
Total comprehensive revenue and expenses	-	-

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	NOTES	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Current assets			
Cash and cash equivalents		11,446	11,965
Investments	4	145,500	157,500
Interest receivable		25,668	27,259
Total current assets		182,614	196,724
Non-current assets			
Investments	4	390,500	342,500
Total non-current assets		390,500	342,500
Total assets		573,114	539,224
Current liabilities			
Interest payable to the Ministry of Business, Innovation and Employment		26,974	29,931
Other current liabilities		190	196
Total current liabilities		27,164	30,127
Total liabilities		27,164	30,127
Net assets		545,950	509,097
Bondholders' funds			
Opening balance		509,097	467,666
Net increase		36,853	41,431
Total bondholders' funds		545,950	509,097

The accompanying notes form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS

For the year ended 30 June 2018

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Bondholders' funds at 1 July	509,097	467,666
Bonds lodged	245,211	239,931
Bonds refunded	(208,358)	(198,500)
Unclaimed bonds paid to The Treasury	–	–
Bondholders' funds at 30 June	545,950	509,097

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Cash flows from operating activities		
Interest received	21,787	26,696
Interest payments to Ministry of Business, Innovation and Employment	(23,153)	7,532
Net cash flows from operating activities	(1,366)	34,228
Cash flows from investing activities		
Proceeds from maturity of investments	157,000	180,500
Disposal of goods	–	–
Purchase of investments	(193,000)	(255,500)
Net cash flows from investing activities	(36,000)	(75,000)
Cash flows from financing activities		
Lodgement bonds	245,211	239,931
Refund of bonds	(208,358)	(198,500)
Unclaimed bonds paid to The Treasury	–	–
Return of forfeitures	(6)	(80)
Net cash flows from financing activities	36,847	41,351
Net increase in cash held	(519)	579
Cash at the beginning of the year	11,965	11,386
Cash at the end of the year	11,446	11,965

RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

For the year ended 30 June 2018

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Net surplus	–	–
Add/(less) movements in working capital		
Decrease/(increase) in interest receivable	1,591	6,067
Increase/(decrease) in interest payable	(2,957)	28,161
Net cash flows from operating activities	(1,366)	34,228

The accompanying notes form part of these financial statements.

NOTE 1: REPORTING ENTITY

The Ministry of Business, Innovation and Employment (MBIE) was established and commenced operations on 1 July 2012, and manages the Residential Tenancies Trust Account (RTTA) pursuant to the *Public Finance Act 1989* (PFA) and the *Residential Tenancies Act 1986*.

The financial statements of the RTTA are for the year ended 30 June 2018 and were authorised for issue by the Chief Executive of MBIE on 28 September 2018.

NOTE 2: BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation****Statement of compliance**

The financial statements of the RTTA have been prepared in accordance with the requirements of the *Residential Tenancies Act 1986* and the PFA, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with, and comply with, Tier 2 PBE accounting standards on the basis that expenditure exceeds \$2m, but is less than \$30m with Reduced Disclosure Regime concessions applied.

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the RTTA is New Zealand dollars.

Changes in accounting policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with the previous year.

Significant accounting policies

The following significant accounting policies have been applied consistently to all periods presented in these financial statements. Where an accounting policy is specific to a note, the policy is described in the note to which it relates and marked with a symbol **P**.

Revenue – exchange transactions

The RTTA derives revenue from interest on investments. Interest on investments is accrued on a monthly basis.

Taxation

The RTTA is exempt from income tax in terms of the *Income Tax Act 2007*.

NOTE 3: FINANCIAL INSTRUMENTS**P Financial instruments**

The RTTA is party to financial instruments as part of its normal operations. These financial instruments include accounts payable and receivable, cash and cash equivalents and investments. Revenue and expenditure in relation to all financial instruments is recognised in the Statement of Comprehensive Revenue and Expense.

All financial instruments are shown at estimated fair value except for those items covered by a separate accounting policy.

Cash

Cash is defined as coins, notes and demand deposits in the RTTA bank accounts and other deposits held on call or with maturities less than three months.

Receivables

Receivables are stated at estimated realisable value.

NOTE 3: FINANCIAL INSTRUMENTS (CONTINUED)**Credit risk**

Financial instruments that are potentially subject to credit risk principally consist of cash and cash equivalents, accounts receivable and investments.

Credit risk is the risk that a third party will default on its obligations. The maximum exposures to credit risk at balance date were:

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Cash held	11,446	11,965
Accounts receivable	25,668	27,259
Investments	536,000	500,000
Total financial assets	573,114	539,224

There are no major concentrations of credit risk for accounts receivable.

Currency risk

Currency risk is the risk that the value of debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates.

The RTTA has no currency risk, given that any financial instruments it deals with are denominated in New Zealand dollars.

Interest rate risk

Interest rate risk is the risk that the return on the funds invested will fluctuate due to changes in market interest rates. As all investments are held to maturity, the RTTA has no interest rate risk other than at the point of maturity and reinvestment of individual deposits. Deposits are held with authorised New Zealand banks.

Fair value

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

NOTE 4: INVESTMENTS**P Investments**

Investments are not generally traded and are held to maturity. Investments in bank deposits are initially measured at fair value plus transaction costs (if any).

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest rate, less any provision for impairment.

Book value of investments

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Bank deposit	536,000	500,000
Total book value of investments	536,000	500,000

NOTE 4: INVESTMENTS (CONTINUED)**Investments by counterparty**

Investments are undertaken in line with MBIE's investment policy. Investments were held with the following counterparties as at 30 June 2018 (investment values at book value).

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Short-term deposits		
ANZ	34,000	25,000
ASB	13,500	59,000
BNZ	33,000	40,500
Kiwibank	–	16,000
Westpac	65,000	17,000
Total short-term deposits	145,500	157,500
Long-term deposits		
ANZ	103,500	105,500
ASB	36,000	31,500
BNZ	70,000	76,000
Kiwibank	50,000	34,000
Westpac	131,000	95,500
Total long-term deposits	390,500	342,500
Total investments by counterparty	536,000	500,000
Weighted average interest rates:		
Short-term deposits	3.60%	4.80%
Long-term deposits	3.88%	3.75%

NOTE 5: CAPITAL MANAGEMENT

The RTTA's capital is its bondholders' funds and is represented by net assets.

NOTE 6: AUDIT FEES

Audit fees are paid by MBIE (refer to Note 7 in MBIE's financial statements).

NOTE 7: COMMITMENTS AND CONTINGENT LIABILITIES

There were no commitments or contingent liabilities as at 30 June 2018 (2017: nil).

NOTE 8: EVENTS AFTER THE BALANCE DATE

No events have occurred between the balance date and date of signing these financial statements that materially affect the financial statements.

APPENDIX 3: EMPLOYEE INFORMATION

The table below presents information on the gender, age and remuneration banding (in \$10,000 bands) of all permanent and fixed-term staff, employed under New Zealand terms and conditions, at 30 June 2018. The allocation of a remuneration band is based on employees' base salary only (and is not FTE adjusted); it does not include allowances or employer superannuation contributions. The following employees are not included: casuals, contractors, and employees on leave without pay as at 30 June 2018. All these employees are included in the current onshore total on page 6.

Salary bands above \$300,000 have been combined to protect the privacy of those employees.

Employee count by age, gender and salary bracket – 30 June 2018

AGE BRACKET	UNDER 30		30–39		40–49		OVER 50		UNKNOWN		TOTAL
	F	M	F	M	F	M	F	M	F	M	
Salary band											
\$30,000–\$39,999	31	11	10	4	5	–	3	–	1	–	65
\$40,000–\$49,999	148	74	94	26	63	20	69	17	5	4	520
\$50,000–\$59,999	179	74	126	45	79	32	81	24	11	–	651
\$60,000–\$69,999	85	59	87	60	68	41	83	45	6	2	536
\$70,000–\$79,999	42	23	58	61	56	42	70	51	6	1	410
\$80,000–\$89,999	14	13	55	41	44	25	39	38	1	–	270
\$90,000–\$99,999	15	10	64	41	46	27	33	56	4	1	297
\$100,000–\$109,999	3	3	33	24	37	36	44	35	4	3	222
\$110,000–\$119,999	1	1	21	7	30	32	14	28	2	1	137
\$120,000–\$129,999	2	–	15	20	36	24	23	20	3	1	144
\$130,000–\$139,999	1	–	8	7	23	17	16	17	2	1	92
\$140,000–\$149,999	–	–	8	9	19	12	13	24	–	–	85
\$150,000–\$159,999	–	–	8	3	11	17	16	20	1	1	77
\$160,000–\$169,999	–	–	1	5	9	15	2	15	–	1	48
\$170,000–\$179,999	–	–	4	3	13	11	4	14	1	–	50
\$180,000–\$189,999	–	–	–	–	7	6	10	12	–	–	35
\$190,000–\$199,999	–	–	1	2	4	3	1	6	–	1	18
\$200,000–\$209,999	–	–	–	–	4	2	3	7	–	–	16
\$210,000–\$219,999	–	–	1	–	2	–	1	2	–	–	6
\$220,000–\$229,999	–	–	1	–	–	2	2	2	–	–	7
\$230,000–\$239,999	–	–	–	–	4	2	–	–	–	–	6
\$240,000–\$249,999	–	–	–	–	1	1	–	4	–	–	6
\$250,000–\$259,999	–	–	–	–	–	–	1	2	–	–	3
\$260,000–\$269,999	–	–	–	–	2	1	–	1	–	–	4
\$270,000–\$279,999	–	–	–	–	–	1	1	3	–	–	5
\$280,000–\$289,999	–	–	–	–	–	–	1	2	–	–	3
\$290,000–\$299,999	–	–	–	–	1	–	–	–	–	–	1
\$300,000–\$399,999	–	–	–	–	–	4	–	5	–	–	9
Total	521	268	595	358	564	373	530	450	47	17	3,723

APPENDIX 4: IMMIGRATION AND MIGRANT LEVIES

For the year ended 30 June 2018

ALLOCATION OF IMMIGRATION LEVY

VOTE	PROGRAMME	ACTUAL 2016 \$000	ACTUAL 2017 \$000	ACTUAL 2018 \$000	FORECAST 2019 \$000
Labour Market	Immigration Research Programme, including evaluation	1,283	1,200	2,200	2,200
Labour Market	Settlement services	1,038	1,780	–	–
Labour Market	Levy administration	181	310	–	–
Labour Market	Border security	2,628	4,625	4,505	4,505
Labour Market	Immigration compliance	2,694	4,998	4,868	4,868
Labour Market	Marketing and attraction	3,481	6,768	6,768	6,768
Labour Market	Global Impact Visas	–	2,024	854	792
Internal Affairs	Language Line	486	833	–	–
Education	English for Speakers of Other Languages (ESOL) for adults (home and community based)	249	426	426	426
Education	ESOL in the compulsory school sector	1,435	2,460	2,460	2,460
Education	ESOL in schools (material for parents and professional development)	130	222	–	–
Education	ESOL resources	103	177	–	–
Social Development	Migrant employment assistance	456	782	–	–
Labour Market	Regional skills matching and job assistance services	–	–	1,227	1,227
Labour Market	Multi-lingual settlement information programmes	–	–	650	650
Labour Market	National-level support for organisations that facilitate migrant participation in host communities	–	–	100	100
Labour Market	Migrant futures – Work Connect Programme	–	–	1,613	1,613
Education	Bilingual support Worker	–	–	514	514
Labour Market	2018 Approved Budget: Immigration Compliance and Border Activities to Combat Migrant Exploitation and People Trafficking	–	–	–	9,472
Labour Market	2018 Approved Budget: Immigration Visa Services Processing – Addressing Cost Pressures – Settlement	–	–	–	903
Labour Market	2018 Approved Budget: Immigration Visa Services Processing – Addressing Cost Pressures – Border Sector	–	–	–	354
Total Immigration Levy allocation		14,164	26,605	26,185	36,852

MEMORANDUM ACCOUNT – IMMIGRATION LEVY

PROGRAMME	ACTUAL 2016 \$000	ACTUAL 2017 \$000	ACTUAL 2018 \$000	FORECAST 2019 \$000
Balance at 1 July	–	1,282	825	(282)
Revenue	15,446	26,148	25,078	36,357
Allocations	(14,164)	(26,605)	(26,185)	(36,852)
Balance at 30 June	1,282	825	(282)	(777)

The Immigration Levy funds migrant settlement and migration research. It also contributes to Immigration New Zealand functions including marketing and attraction, border and compliance functions. It is charged to principal applicants on temporary (including visitor, student and work) and residence (including skilled migrant, family and some international/humanitarian) visa applications. Levy rates are differentiated based on the immigration functions each broad visa category generates the need for, or benefits from.

ALLOCATION OF MIGRANT LEVY

VOTE	PROGRAMME	ACTUAL 2014 \$000	ACTUAL 2015 \$000	ACTUAL 2016 \$000	ACTUAL 2017 \$000	ACTUAL 2018 \$000	FORECAST 2019 \$000
Labour Market	Immigration Research Programme, including evaluation	2,200	2,200	917	-	-	-
Labour Market	Settlement services	1,780	1,780	742	-	-	-
Labour Market	Levy administration	310	310	129	-	-	-
Labour Market	Immigration Research Programme: Longitudinal Survey of Immigrants to New Zealand	-	-	-	-	-	-
Internal Affairs	Language Line	833	833	347	-	-	-
Education	ESOL for adults (home and community based)	426	426	178	-	-	-
Education	ESOL in the compulsory school sector	2,460	2,460	1,025	-	-	-
Education	ESOL in schools (material for parents and professional development)	222	222	93	-	-	-
Education	ESOL resources	177	177	74	-	-	-
Social Development	Migrant employment assistance	782	782	326	-	-	-
	Sub-total Migrant Levy allocation	9,190	9,190	3,831	-	-	-
Labour Market	ESOL information tool	-	-	-	35	-	-
Justice	Tackling Casual Racism	-	-	100	100	-	-
Education	Migrant Futures (Careers NZ)	-	-	209	381	-	-
Labour Market	Cross-Government Cultural Capability	-	-	-	-	-	-
Labour Market	Welcoming Communities pilot	-	-	-	-	-	-
Labour Market	Language Assistance Project	-	-	-	200	-	-
Health	Stocktake of Migrant Health Information	-	-	-	-	-	-
Police	District Safety Patrols	-	-	-	210	-	-
	Total Migrant Levy allocation	9,190	9,190	4,140	926	-	-

MEMORANDUM ACCOUNT – MIGRANT LEVY

PROGRAMME	ACTUAL 2014 \$000	ACTUAL 2015 \$000	ACTUAL 2016 \$000	ACTUAL 2017 \$000	ACTUAL 2018 \$000	FORECAST 2019 \$000
Balance at 1 July	582	1,407	2,196	8,169	8,454	8,454
Revenue	10,015	9,979	10,113	1,211	-	-
Allocations	(9,190)	(9,190)	(4,140)	(926)	-	-
Balance at 30 June	1,407	2,196	8,169	8,454	8,454	8,454

APPENDIX 5: BUILDING ADVISORY PANEL

Building Advisory Panel

The Building Advisory Panel (BAP) is a statutory body that provides independent strategic advice to the Chief Executive of MBIE. The BAP is focused on strategic issues facing the construction sector and provides guidance, advice and direction on the ways MBIE can support an innovative and high-performing sector. The current members are:

- › Dr Helen Anderson (Chair)
- › Richard Aitken
- › Connal Townsend
- › David Kelly
- › Pamela Bell
- › Steve Evans
- › Geoff Hunt
- › Andrew Reding
- › Peter Fehl
- › Dean Kimpton
- › Janine Stewart

Meetings and advice

The BAP met five times in the 2017/18 financial year. The BAP considered matters relating to MBIE's building regulatory work programme and focused on getting agreement on the challenges and opportunities facing the construction sector. The BAP considered and provided feedback on MBIE's briefing to the incoming Minister and its work programme for 2017/18. This feedback was incorporated into MBIE's advice to Ministers.

The BAP encouraged MBIE to consider piloting different approaches to areas of work, particularly around improving the building consenting process. MBIE is developing options for pilots, working closely with Auckland Council. The focus of this work is on approaches that will support KiwiBuild objectives and enhance the overall effectiveness of the building consenting process for all users in the longer term.

MBIE has broadened the scope of its work on risk and liability in the building sector based on advice from the BAP. The BAP also provided advice on the skills the workforce will require in the future, which has been incorporated into the Construction Skills Action Plan.

Remuneration approach

The BAP is a statutory board for the purposes of the Fees and Travelling Allowances Act 1951. BAP members will be paid remuneration in fees, salaries or allowances, and travelling allowances and expenses, in accordance with the Fees and Travelling Allowances Act 1951.

The following fees have been agreed for the BAP:

- › Chairperson – \$810 per day or an hourly pro-rata rate as required.
- › BAP members – \$540 per day or \$123.75 per an hourly pro-rata rate as required.

In the 2017/18 financial year, the payments in the table below were made to BAP members.

Table of costs for the BAP 2017/18

	BOARD FEES	TRAVEL COSTS
Dr Helen Anderson	\$3,912.31	\$957.43
Richard Aitken	\$2,160.00	\$1,190.37
Connal Townsend	\$5,683.02	\$0.00
Pamela Bell	\$1,552.50	\$823.06
Geoff Hunt	\$2,160.00	\$669.30
Andrew Reding	\$776.25	\$500.70
Dean Kimpton	\$2,025.00	\$343.38
Janine Stewart	\$6,033.50	\$0.00

APPENDIX 6: OTHER DISCLOSURES

Immigration Act 2009

Changes to the Immigration Act 2009 have meant that from May 2016, immigration officers have certain powers to search employers' premises or employees who are not entitled to work in New Zealand or are in breach of their visas. There have been no instances this year where immigration officers have needed to exercise these new provisions.

Victims' Rights Act 2002

MBIE is a member of the Victims of Crime interagency group led by the Ministry of Justice. The Victims Code was released by the Ministry of Justice in September 2015 and explains 11 victims' rights contained in various Acts. The Code also explains how victims can make a complaint, and contains eight principles that guide how all agencies and organisations that provide a service to victims of crime should treat victims.

MBIE identified the units that might have obligations under the Victims' Rights Act 2002 so that it can comply with the reporting obligations under section 50A of the Act by including information about victims' complaints in the annual report. MBIE is able to report that it has not received any complaints during the reporting year.

New Zealand Business Number (NZBN)

MBIE continues to make progress with meeting its requirements with regards to NZBN, with a number of systems upgraded to be NZBN compliant. MBIE remains confident it will meet its obligations.

CROWN ENTITIES WE PARTNER WITH



GLOSSARY OF TERMS

Outcome

The outcome describes what we are trying to achieve and what this looks like.

Intermediate outcome

The intermediate outcome describes the outcome in more detail.

Gross domestic product (GDP)

The total value of goods produced and services provided in a country during one year.

Departmental expenses

Expenses incurred by MBIE in delivering services and functions on behalf of the government.

Non-departmental expenses

Expenses incurred by entities other than MBIE in delivering services and functions on behalf of the government.

Types of expenses:

Output

A term for goods, services or functions purchased by the government. Outputs include policy advice, administration of contracts, and the provision of specific services.

Other expense

A term for operating expenses that are not outputs, such as interest expenses and grants.

Appropriation

An appropriation is a sum of money allocated for a particular use and includes a description of what is being purchased, why it is being purchased and how performance will be assessed. It authorises Ministers to consume public resources, and ensures that Parliament knows how money will be spent and that government is held accountable for the spending.

Types of appropriations

Annual appropriation

This is the most common type of appropriation and is limited to one financial year, consistent with the annual Budget cycle.

MCA – multi-category appropriation

Multi-category appropriations consist of two or more categories of spending within a single appropriation that contribute to the same overarching purpose.

MYA – multi-year appropriation

Multi-year appropriations allow expenses or capital expenditure to be incurred during a specified period no more than five financial years. MYAs are generally used where uncertainties or dependencies are likely to affect when costs are incurred (eg, milestone payments for a multi-year project).

PLA – permanent legislative authority

Permanent appropriations are authorised by legislation other than an Appropriation Act and continue in effect for an indefinite period. Generally the authorising legislation will impose limits on the scope of the appropriation and not its amount.

Main Estimates

The Main Estimates are the government's approved set of appropriations for a year. They are approved and published before the start of the financial year to which they relate.

Supplementary Estimates

The Supplementary Estimates are the government's approved changes to appropriations within a financial year and supersede the information in the Main Estimates for that year.

