



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

Statement of Intent

2015–2019



Presented to the House of Representatives pursuant to Section 39 of the Public Finance Act 1989.

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Minister's foreword

The government is working to build a stronger economy where businesses have more confidence to invest and expand, and New Zealanders have more opportunity to succeed.

We are building a better New Zealand by improving competitiveness and productivity in New Zealand businesses. We are supporting the Canterbury rebuild, delivering better public services, and increasing investment in affordable housing. At the same time, we are placing a stronger focus on regional and Māori economic development while responsibly managing the government's finances. Taken together, these things foster economic growth.

The Ministry takes a lead role on many key projects that contribute to these goals. It is the lead business-facing government agency.

With a large service delivery function, the Ministry has substantial scope to link policy and operational activity to drive change across the business system.

I expect the Ministry to continue to utilise these opportunities to the full. This involves building closer relationships and partnerships with stakeholders, particularly with businesses. The Ministry must continue to demonstrate leadership and keep key players moving in the same direction.

The priorities set out in this Statement of Intent represent ambitious goals for our economy. I expect the Ministry to continue its focus on achieving a prosperous future for all New Zealanders.



Hon Steven Joyce

Minister Responsible for the Ministry of Business, Innovation and Employment

Chief Executive's introduction

As an organisation, our purpose is bold – to *Grow New Zealand for all*. We know that to deliver our full potential for New Zealand we need to build a high-performing Ministry that is joined up and integrated – where the whole is greater than the sum of its parts.

Since 2012, we have made significant progress towards building a stronger Ministry. We can take a lot of pride in what we have achieved, while recognising that we still have a great deal more to do. To continue the momentum of change towards building a high-performing Ministry, we will focus on four key areas: leadership, business strategy, stakeholder engagement and being more business-like.

To keep ahead of our changing environment, we are investing in the development of our senior leaders and have in place a broader organisational leadership and engagement programme. We need leaders who have the skills to lead in this dynamic environment.

To strengthen our business strategy and drive performance, we have aligned our operating model and overall Senior Leadership Team governance around a 90-day reporting cycle. Stronger decision making and better information will ensure progress is sustained on the delivery of Ministers' priorities and our initiatives.

To be successful in achieving our ambitious goals, we will broaden and deepen our relationship with our partners and stakeholders. By leveraging

the insights generated from regular stakeholder interactions, we have identified several high impact areas we will focus on over 2015/16 and beyond.

To be more business-like, we need to function cohesively as a Ministry. This means taking a customer-centric approach and being more responsive to changing priorities. We will also continue to strive for efficiencies.

Our role is diverse. We operate in a dynamic and demanding environment. Change and complexity provide us with opportunities to find better ways to achieve our goals. As the Ministry of Business, Innovation and Employment is maturing, we are becoming clearer about our purpose and role, and we are building an open, constructive and collaborative work culture. We are committed to building an organisation where everyone can contribute to its high performance. Together with our many stakeholder partners we will help build New Zealand's prosperity.



Andrew Crisp

Acting Chief Executive
Ministry of Business, Innovation and Employment

Statements of responsibility

Chief Executive's statement

In signing this statement, I acknowledge that I am responsible for the information on the strategic intentions for the Ministry of Business, Innovation and Employment. This information has been prepared in accordance with sections 38 and 40 of the *Public Finance Act 1989*.



Andrew Crisp

Acting Chief Executive
Ministry of Business, Innovation and Employment
25 September 2015

Minister's statement

I am satisfied that the information on strategic intentions provided by my Ministry, the Ministry of Business, Innovation and Employment, in this Statement of Intent is consistent with the policies and performance expectations of the government.



Hon Steven Joyce

Minister Responsible for the
Ministry of Business, Innovation and Employment
25 September 2015

Nature and scope of functions

OUR PURPOSE

The Ministry of Business, Innovation and Employment (the Ministry) is the government’s primary business-facing agency. Our purpose is to *Grow New Zealand for all*. ‘Grow’ relates to the economy – to achieve the standard of living and quality of life New Zealanders aspire to, we need a stronger performing economy that delivers sustainable growth. ‘For all’ captures growth for New Zealanders now and in the future – growth that does not compromise our environment or the safety of our workplaces.

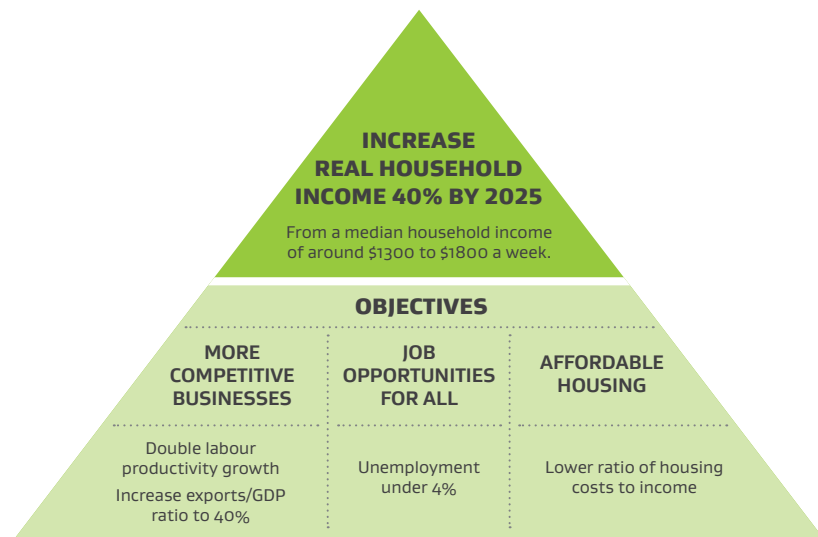
This purpose is underpinned by our aim to support an increase in real median household income of 40 per cent by 2025, from \$1,300 (in 2012) to \$1,800 per week. Supporting this target, we have three objectives:

- › more competitive businesses – doubling labour productivity growth and increasing the real exports to gross domestic product (GDP) ratio to 40 per cent
- › job opportunities for all – achieving an ongoing unemployment rate below 4 per cent

- › affordable housing – a lower ratio of housing cost to income, including social housing – growing and regulating the Community Housing sector.

These are ambitious objectives, and many factors will impact on their ultimate achievement. As a ministry, we are committed to reflecting that ambition in both the advice we provide and the quality of our execution of the regulatory, ownership, purchase and provision roles the government has asked us to perform.

Grow New Zealand for all



OUR ROLE AND FUNCTIONS

The Ministry is responsible for extensive policy and service delivery functions that impact on the business environment. This includes responsibility for key legislative and regulatory frameworks, managing public services onshore and offshore, managing the Crown's interest in some economically important natural resources, and overseeing ownership interests in business-critical Crown agencies. In particular, we:

- › co-lead the government's Business Growth Agenda in support of ministers
- › advise on business, enterprise, sector and regional development policies and programmes
- › lead the public sector's procurement functional leadership programme
- › advise on housing affordability, social housing and Community Housing Provider regulators, the built environment, residential tenancy and weathertightness
- › deliver immigration services and policy
- › lead the government's health and safety reform programme
- › advise on accident compensation policy
- › regulate the supply and use of the radio spectrum, electricity and gas
- › oversee the roll-out of high-speed broadband nationwide
- › provide and enforce consumer, commercial and occupational regulatory frameworks that support well-functioning markets
- › invest in science and innovation, and build the skills needed to support business growth
- › provide company registration, intellectual property and insolvency services
- › advise on and support employment relations and enforce minimum employment standards
- › lead the Government Centre for Dispute Resolution
- › lead the government's Result 9 Programme – Better for Business
- › co-lead He kai kei aku ringa – the Crown–Māori Economic Growth Partnership.

OUR SCOPE

Our role is diverse. We operate in a complex working environment, including in partnership with 27 Crown entities whose services are central to strong economic performance. The work that Crown entities do has a major impact on the business environment. Our Crown entity partners are listed in the appendix.

■ Our Votes and ministers

From 1 July 2015, we are operating under a new three-Vote structure (previously 10) and support the following 14 portfolio ministers:

VOTES WE ADMINISTER (FROM 1 JULY 2015)	PORTFOLIO MINISTERS WE SUPPORT
Vote Building and Housing	Minister for Social Housing Minister for Building and Housing Minister Responsible for Housing New Zealand Corporation
Vote Business, Science and Innovation	Minister of Tourism Minister for Economic Development Minister of Science and Innovation Minister for Communications Minister of Energy and Resources Minister for Small Business Minister of Commerce and Consumer Affairs
Vote Labour Market	Minister for Tertiary Education, Skills and Employment Minister for ACC Minister of Immigration Minister for Workplace Relations and Safety

In addition to the 14 portfolio ministers, we also support the following 6 ministers:

OTHER MINISTERS WE SUPPORT	
Minister for Canterbury Earthquake Recovery	Associate Minister for Economic Development
Minister for Regulatory Reform	Associate Minister for Tertiary Education, Skills and Employment
Minister of Broadcasting	Associate Minister for Canterbury Earthquake Recovery

Strategic direction

This section outlines our strategic direction over the next four years. It includes the economic context in which we operate and the government priorities we will focus on.

OUR OPERATING ENVIRONMENT

New Zealand's recent economic performance and medium-term prospects are sound. The ongoing challenge is to increase productivity and output growth to sustain higher economic growth. New Zealand's economic history, experiences of other small developed economies, and the global environment (including the growth of Asia) show that sustained higher growth is achievable.

■ Our challenges of size and distance

The combination of New Zealand's small size and distance from other markets creates particular challenges. It shields some businesses from the competitive pressures that would otherwise drive them to become more productive, constrains their scope to achieve economies of scale domestically, and makes it difficult for them to build scale by expanding into offshore markets. New Zealand needs to be able to position itself confidently in Asia–Pacific to take advantage of the region's strong growth. In particular, China and the Association of Southeast Asian Nations (ASEAN) are large and growing markets that present opportunities for New Zealand exporters.

■ Elements for a stronger performing economy

Our commitment to a stronger performing economy underpins the Ministry's purpose to *Grow New Zealand for all*. Our primary goal is to increase New Zealanders' real household income 40 per cent by 2025. For all households to enjoy this scale of increased income, New Zealand's economy will need to look very different from the way it looks today, with a greater emphasis on innovation and a more inclusive economy.

Businesses and the people they employ would be more innovative, producing and selling new and improved goods and services, using new and improved ways. New Zealand would build on its success in agricultural commodities, complementing this with more sophisticated processed food exports and larger world-class businesses selling higher-value products in niche markets.

To improve inclusiveness there would be an increase in skills across the workforce – increasing incomes, providing more employment opportunities, and producing secure and rewarding jobs for New Zealanders. People would be mobile across both jobs and regions and have access to high-quality affordable housing. Māori and Pacific peoples would be achieving their full economic potential both as owners and workers in a growing New Zealand economy.

GOVERNMENT PRIORITIES

Central to our operating landscape are the government's strategic priorities. To deliver a stronger and more prosperous New Zealand, the Ministry is focussed on supporting the government's strategic priorities over the next four years. We have a key role in three of these priorities, and these are:

- › building a more productive and competitive economy
- › supporting the rebuilding of Christchurch
- › delivering better public services within tight fiscal constraints.

■ Building a more productive and competitive economy

Supporting businesses to become more productive and competitive requires coordinated action across government. We coordinate the Business Growth Agenda (BGA) with the Treasury, focusing on six key elements that businesses need to succeed, grow and add jobs. Of the associated workstreams, we lead Building Investment, Innovation, and Skilled and Safe Workplaces and we contribute to Export Markets, Natural Resources and Infrastructure. Initiatives within the BGA that we are focusing on include:

- › improving building and housing outcomes
- › enabling regional economic development
- › fostering Māori economic development
- › maximising the impact and economic returns to New Zealand from our Science and Innovation systems.

Improving building and housing outcomes

We play an important role in the housing and construction markets, seeking to remove unnecessary regulatory barriers to housing supply and actively facilitating supply in areas of high demand where market responses are insufficient. In our roles as both major construction client and market regulator, we will work with the sector to open up more innovative building practices and enable technical and professional upskilling where gaps exist.

We will provide market participants with access to the information they need to make informed decisions and provide more certainty about the regulatory environment. This will encourage more affordable homes and buildings and construction markets that are more productive, responsive to demand, stable and transparent.

We will advise and support the development of a strong and sustainable Social Housing sector which meets the needs of vulnerable New Zealanders.

Enabling regional economic development

A successful future New Zealand economy will involve improved economic performance across all sectors, regions and groups of people. In partnership with other government agencies, iwi and business owners, we are using a combined sector and regions approach to identify opportunities for long-term growth. This involves leveraging comparative advantage within the economy and identifying potential barriers to such leveraging. Government investments in information and communications technology (ICT) infrastructure also support economic development.

We will continue to identify the opportunities to increase investment, employment and incomes with in-depth regional growth studies in particular regions, such as Manawatu–Whānganui. Recommendations from these studies and from previous studies in Northland and the East Coast will be used to develop policy advice to support growth in each region. The regional growth programme will work closely to support Māori, who are a key part of these regions' populations.

Fostering Māori economic development

Considerable opportunities exist to further harness the talents, resources and potential of the Māori economy, and we are committed to working across government and with other partners to support Māori-led efforts to improve economic outcomes for Māori. The Ministry is jointly responsible for coordinating and monitoring He kai kei aku ringa, the Crown-Māori Economic Growth Partnership, alongside Te Puni Kōkiri.

Maximising the impact and economic returns to New Zealand from our Science and Innovation systems

New ideas are key for growth. Innovative firms tend to be more productive and better-connected internationally. The ability to generate research and development (R&D) or to access it from other sources is often a vital ingredient in a firm's capacity to innovate, and the science and innovation system plays a critical role in raising firms' innovation levels.

Despite steady growth in recent years, business expenditure on R&D remains low compared to the OECD average. The Government's target is to lift business expenditure on R&D to one per cent of GDP. The Ministry as the Government's advisor on science policy, and administrator of most of Government's science spending, we have a significant degree of influence on outcomes in this area.

■ Supporting the rebuilding of Christchurch

We play an important role in the economic recovery of the Canterbury region. We support vertical and social infrastructure, including the safety of the rebuild, housing and strengthening building performance.

We facilitate opportunities for business growth in Canterbury and provide advice and services to support the efficient functioning of the labour market. This includes influencing the mix of workforce skills so the right skills are available.

■ Delivering Better Public Services

Better for Business (Result 9 – Better Public Services for Business) is a partnership led by the Ministry. We have worked with seven agency partners to deliver on the two challenging targets the government set for the public sector:

- › reducing the business cost of dealing with government 25 per cent by 2017 through a year-on-year reduction in effort required to work with agencies
- › government services having similar key performance ratings as leading private sector firms by July 2017.

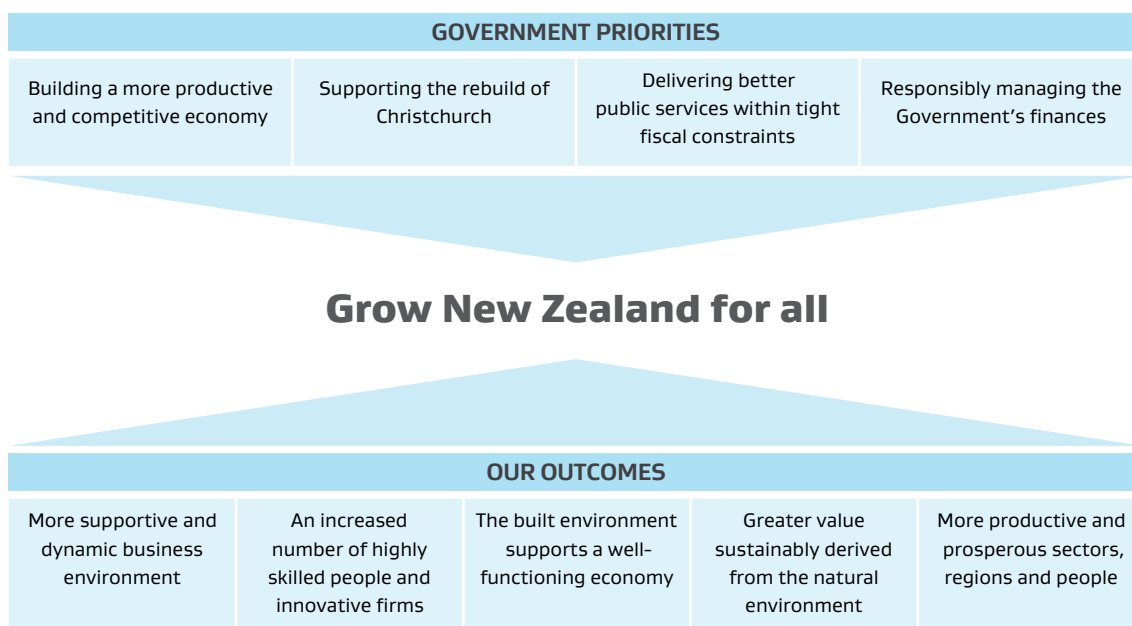
By achieving these targets we will also support the government's priorities, improve public services and build a more competitive and productive economy.

We also contribute to Better Public Services for Business (Result 10), where our focus is on ensuring New Zealanders can complete their transactions with government easily in a digital environment.

Operating intentions

This section outlines our strategic initiatives over the next four years to support government priorities and our purpose to *Grow New Zealand for all*.

To support both government priorities and our purpose, we have developed the outcome framework shown below to fully represent the determinants of economic growth and improve economic prosperity for all New Zealanders.

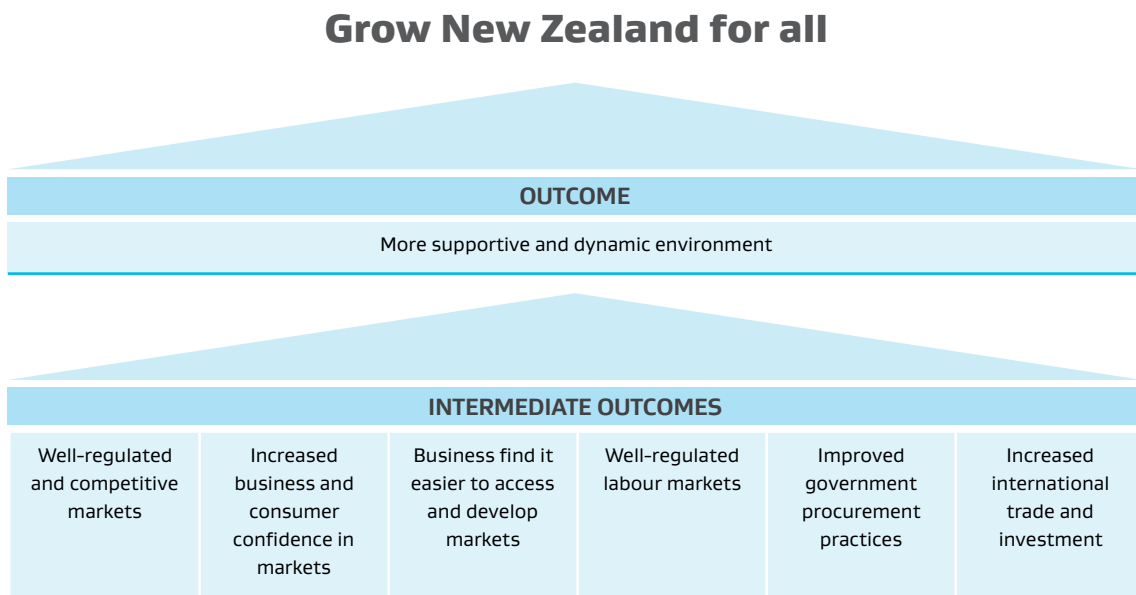


To support our outcomes, we have developed a middle layer of associated intermediate outcomes (outcomes that we have a more direct ability to influence) that are linked to the Ministry's specific interventions and to the performance framework that measures our progress towards these outcomes. These intermediate outcomes are discussed on the following pages.

OUTCOME ONE: MORE SUPPORTIVE AND DYNAMIC BUSINESS ENVIRONMENT

Our first outcome highlights the importance of creating a supportive environment in which firms can grow, while at the same time protecting the rights of workers and consumers.

Together with our Crown entity partners we shape the business environment and support businesses to be more productive through policy, regulatory and service interventions. To support and measure progress towards our outcome of fostering a more supportive and dynamic business environment, we have identified six intermediate outcomes, which are outlined in the diagram below:



■ Intermediate outcome: well-regulated and competitive markets

Our first intermediate outcome relates to having well-regulated and competitive markets. We have a large regulatory function, and our role is to ensure market regulations support a dynamic business environment by providing certainty and protection to market participants.

To maintain well-regulated and competitive markets, we will continue to design, implement, monitor and review legislative frameworks so they are achieving their stated objectives and promoting economic growth. We also work in partnership with Crown entities such as the Commerce Commission and Financial Markets Authority to ensure the regulatory systems they are responsible for both support business and protect consumers.

We will continue to work closely with the Small Business Development Group, a panel of experienced small business owners who advise the government on small business issues, to ensure the distinctive characteristics of small businesses and the challenges they face are considered in the development of regulation. Over the next four years, we will maintain a stable regulatory environment that places downward pressure on electricity, gas and transport fuel retail prices.

■ Intermediate outcome: increased business and consumer confidence in markets

Our second intermediate outcome relates to the need for business and consumer confidence in markets. We will achieve this by continuing to design, implement, monitor and review competition and consumer protection regimes such as the *Commerce Act 1986*, *Fair Trading Act 1986*, *Consumer Guarantees Act 1993* and *Credit Contracts and Consumer Finance Act 2003*.

Key initiatives in this area include:

- › developing a consumer protection framework to empower consumers with the knowledge and tools they need to transact with confidence, while also providing effective consumer protection for those who are unable to protect themselves
- › creating a digital environment that will provide improved and timely marketplace intelligence to regulators to enable greater risk-based, proportionate and effective government interventions
- › transitioning Standards New Zealand into the Ministry with a view to providing a service that is more responsive to user needs, is financially sustainable and makes a stronger contribution to productivity, innovation, international trade, and health and safety.

We will also work with our Crown entity partners so businesses and individuals are aware of their obligations and can be confident they are not being misled or exploited.

■ **Intermediate outcome: businesses find it easier to access and develop markets**

Our third intermediate outcome relates to making it easier for business to access and develop markets. As the lead Ministry for Better for Business (Better Public Services for Business – Result 9), we will work with our seven agency partners to deliver initiatives that make it easier for business to work with government. We will also help give New Zealand businesses a competitive edge in the global market place.

Key initiatives in this area are the Accelerated Delivery project, which will support Better for Business in accelerating processes for government projects, and supporting New Zealand Trade and Enterprise with the ongoing internationalisation of New Zealand firms.

We also facilitate the internationalisation of businesses by making it easier and less costly for them to access international markets. This intermediate outcome also relates to the sixth intermediate outcome ‘increased international trade and investment’.

■ **Intermediate outcome: well-regulated labour markets**

Our fourth intermediate outcome relates to having a well-regulated labour market. Workplace accidents and poor employment relations represent significant costs to both business and society and have the potential to negatively impact on a productive economy.

Our goal is to reduce the rate of serious injuries in the workplace at least 25 per cent by 2020. We will achieve this by supporting the passage of the Health and Safety Reform Bill and working with WorkSafe New Zealand to implement the regulations. We will also work with the Accident Compensation Corporation (ACC) and other agencies to make best use of investment in injury prevention initiatives and incentives.

When firms undercut minimum standards, it creates an unfair and unsustainable advantage that risks driving out more productive firms and reducing long-term growth. In support of this intermediate outcome we are implementing the *Employment Relations Amendment Act 2014*. Our work focuses on lifting the level of compliance with minimum employment standards and modernising the paid parental leave scheme to recognise modern working and family arrangements.

Over the next four years we will focus on updating relevant legislation and enhancing our enforcement and other regulatory activities to incentivise

compliance with employment standards. This will ensure employees are able to understand and receive their entitlements and employers do not face unnecessary costs and complexity.

■ **Intermediate outcome: improved government procurement practices**

Our fifth intermediate outcome relates to improving public services and enabling business growth. We lead the procurement functional leadership programme. We also support government agencies to become more commercial in their procurement activities and to deliver better value for money.

For firms, well-designed and implemented government procurement policy can encourage innovation, build business experience and capability, and increase their credibility with other customers, including foreign governments. The scale of impact will vary by market, but is substantial in areas such as infrastructure, health, construction, ICT and education. The Ministry is the programme lead for government procurement.

Over the next five years, we will focus on working with the business community to continue to develop a procurement environment. This will provide a level playing field and makes it easier for businesses to understand what they need to do to win government business.

■ **Intermediate outcome: increased international trade and investment**

Our sixth intermediate outcome relates to fostering an environment that supports increased international trade and investment. Strong international connections enhance competition, innovation and productivity through exposure to other markets. These connections will play an important role in achieving our high-level goal to increase exports to 40 per cent of GDP by 2025.

To improve international connectivity in our priority regions of Australia and China and with ASEAN we will:

- › implement free trade agreements
- › participate in international and regional forums that encourage free flows of trade and investment
- › facilitate regulatory cooperation and minimise constraints on trade
- › implement an all-of-government action plan to attract more investment to support business growth
- › work with the private sector and government partners to increase the quantity and quality of potential investment funds from investor migrants
- › work with the tourism sector to increase the value from tourism and diversify markets.

HOW WE WILL MEASURE OUTCOME SUCCESS

We will measure progress towards our outcome of a more supportive and dynamic business environment through the following performance measures:

MORE SUPPORTIVE AND DYNAMIC BUSINESS ENVIRONMENT			
INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	LATEST REPORTED RESULT ¹
Well-regulated and competitive markets	• Improve New Zealand’s position in the World Economic Forum (WEF) Global Competitiveness Report	↑	2014/15 – 17th out of 144 countries (Score 5.2 out of 7)
	• Improve New Zealand’s position in the WEF Global Competitiveness Index on the burden of government regulation ²	↑	2014/15 – 17th out of 144 countries (Score 4.1 out of 7)
Increased business and consumer confidence in markets	• Improve confidence of New Zealanders in financial markets	↑	2014 – 59% are confident
Businesses find it easier to access and develop markets	• More businesses that sought debt finance obtained it on acceptable terms	↑	2014 – 91.2%
	• More businesses that sought equity finance obtained it on acceptable terms	↑	2014 – 80.8%
	• A 25% reduction in the cost of doing business with government relative to other businesses by 2017	↓	2014/15 – 16% reduction since the 2012 baseline
	• Maintain New Zealand’s position in the World Bank Ease of Doing Business survey	↔	2014 – 2nd out of 189 countries
Well-regulated labour markets	• Improvement in New Zealand’s rank in the WEF Global Competitiveness Labour Market Efficiency Indicator	↑	2014/15 – 8th out of 144 countries
	• A 10% reduction in workplace serious injuries by 2016	↓	2010 – 16.09%
	• At least a 25% reduction in workplace serious injuries by 2020 ³		2013 – 15.8%
Improved government procurement practices	• Improvement in government procurement capability and performance leads to value-based procurement savings	↑	Between 2010 and 2013 there has been a 1.8% reduction in serious injuries per 100,000 workers
Increased international trade and investment	• Increasing value of exports to 40% of gross domestic product (GDP) by 2025	↑	2014/15 – \$252.7 million (cumulative)
	• An increase in the contribution to the economy from international students	↑	2015 – 29.2% of GDP
	• An increase in the contribution to the economy from tourists	↑	2014/15 – \$2.85 billion
	• An increase in the level of foreign direct investment	↑	2014/15 – \$10.311 billion
			2013/14 – \$322.3 billion

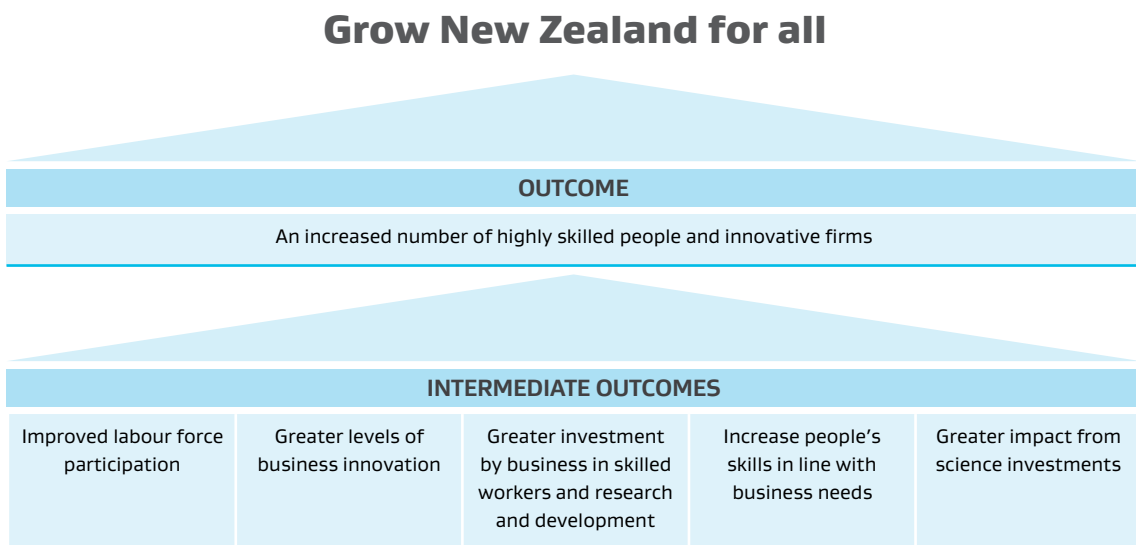
Note

- 1 This is a benchmark that we will measure ourselves against in the future.
- 2 This measure is one factor of the overall Global Competitiveness Index.
- 3 Workplace serious injuries baseline – A three year average is used for the baseline. This reduces the chance that the baseline year has an unusually high or low year. The baseline uses the most recent final data available. The average for serious injuries outcome indicators is between 2008 and 2010.

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

Our second outcome reflects the need for more highly skilled people and innovative firms to boost economic growth and profitability. We have a key BGA leadership role to shape the science, skills and innovation systems in support of economic growth.

Economic growth depends on an increase in labour force participation and the number of innovative businesses in New Zealand. About 20 per cent of the workforce lack skills such as numeracy and literacy, and this group is at higher risk of long periods of unemployment. To ensure businesses have access to the skills they need, we need to realise the potential of all New Zealanders and consider how best to use migration to supplement the labour market. To support and measure progress towards this outcome, we have identified five intermediate outcomes, which are outlined in the diagram below:



■ Intermediate outcome: improved labour force participation

Our first intermediate outcome relates to improving the labour force participation of all groups. While New Zealand has relatively high labour force participation overall, there is scope for improvement in some areas. The Ministry will continue to use a wide range of activities to support people to overcome barriers to participation and realise their potential.

We will continue to provide opportunities for young Māori and Pasifika through the Trades Training programme.

We are also working in partnership with local authorities, iwi, and communities in selected regions and in South Auckland to support economic development for businesses and communities (refer Outcome Five for further detail).

We will ensure fair and safe workplaces, thereby improving the rewards from work through our labour market regulation role (discussed under Outcome One).

■ Intermediate outcome: greater levels of business innovation

Our second intermediate outcome relates to the application of new business ideas (leading to new processes and technologies) as a key stimulus to boosting the number and growth of knowledge-intensive, internationally connected businesses. To address this over the short to medium term we will:

- › ensure Callaghan Innovation focuses on accelerating commercial innovations
- › roll out ultra-fast broadband and the rural broadband initiative
- › support Māori-owned businesses in engaging with the science, skills and innovation systems
- › undertake a range of work to improve our international connectivity (discussed under Outcome One).

To harness the full potential of a digital economy we will focus on:

- › growing New Zealand's ICT sector
- › encouraging better use of ICT by New Zealand businesses

- › ensuring the right balance between innovation, security and privacy protection
- › ensuring government supports the digital economy through the way that it operates.

■ **Intermediate outcome: greater investment by businesses in skilled workers and research and development**

Our third intermediate outcome relates to the BGA's Innovation workstream, which has the central goal of increasing New Zealand's rates of business expenditure on R&D. Business R&D drives productivity growth, leads to new technologies and more competitive industries, and enables a more diverse and resilient economy with higher paid jobs.

Despite strong growth in recent years, business expenditure on research and development is very low compared with the OECD average. Government has announced a target to increase business expenditure on R&D to 1 per cent of GDP by 2018. Achieving this target will require business R&D to grow around double the baseline growth rates (0.58 per cent in 2011/12).

The Ministry has implemented measures to support business R&D, including the establishment of Callaghan Innovation and the introduction of a simplified suite of business R&D grants. Over the next four years, we will continue to leverage from our existing initiatives and further implement a broad range of activities to continue lifting business R&D. This will include:

- › maximising the value from Callaghan Innovation, including increasing the uptake of business R&D grants
- › attracting multinational corporations to invest in R&D in New Zealand
- › developing a clear national strategy for innovation hubs and precincts.

We will also continue to work jointly with industry sectors to support them in setting strategies for meeting their future workforce needs, since most job-specific skills and many generic skills that contribute to high labour productivity are learned on the job. We also support initiatives that lead to effective engagement between employers and employees where both parties invest time and resources in effective skill development. Through our ongoing engagement with firms and industry groups, we are also investigating policy options that will support skill utilisation and acquisition in the workplace.

■ **Intermediate outcome: increase people's skills in line with business needs**

Our fourth intermediate outcome relates to increasing people's skills in the areas that businesses need. This is an important determinant for business growth. New Zealand has high levels of labour market participation at all skill levels, relatively stable outflows from the tertiary system, and high levels of migration – with around 25 per cent of the workforce being foreign-born.

Through our leadership of the Skilled and Safe Workplaces stream of the BGA, we will pursue policy changes that will increase the relevance of tertiary education to employers and the future needs of the economy. This includes working in partnership with the Ministry of Education and the Tertiary Education Commission to implement the Tertiary Education Strategy.

Through our immigration system we attract migrants to fill shortages in both high-skilled and low-skilled occupations to help a wide range of local firms become more productive and globally competitive. Many employers, particularly those in priority sectors (ICT and construction) that support the growth of New Zealand's economy, require skilled migrants to fill labour shortages and provide a stable and reliable workforce. Immigration is important for addressing skill shortages.

■ **Intermediate outcome: greater impact from science investments**

Our fifth intermediate outcome relates to achieving an active and dynamic science system that will make a visible and measurable contribution to New Zealand's productivity and economic objectives. It is vital that all parts of the science system continue to strive for greater excellence and impact in the science undertaken. Most public investment should have a line of sight to eventual impact on wellbeing, the environment, society and/or the economy.

Our science system also needs to connect internationally – to make the most of international developments and maximise our own resources. We are developing a new international science and innovation strategy to provide direction for improving the impact of internationalising our science and innovation system. The National Statement of Science Investment will outline what government expects the science system to achieve over the next 10 years, providing a vision and a plan for science and innovation in New Zealand.

To ensure our science investments generate the maximum benefit to the wellbeing, economy and environment of New Zealand, we will develop a robust information system. This will provide a better basis for policy and investment decisions and support high-impact science investment.

HOW WE WILL MEASURE OUTCOME SUCCESS

We will measure progress towards our outcome of an increased number of highly skilled people and innovative firms through the following performance measures:

AN INCREASED NUMBER OF HIGHLY SKILLED PEOPLE AND INNOVATIVE FIRMS			
INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	LATEST REPORTED RESULT ¹
Improved labour force participation	• Increasing labour participation of Pacific peoples	↑	2015 – 63.5%
	• Reducing the proportion of young people not in employment, education, and training (NEET)	↓	2015 – 11.4%
Greater levels of business innovation	• Increasing the percentage of firms reporting innovation activity	↑	2013 – 46%
	• Increasing profitability per employee of innovative firms compared with non-innovative firms	↑	2013 – \$13,000
Increase people's skills in line with business needs	• Increasing the percentage of workers in skilled jobs	↑	2015 – 61.7%
	• Decreasing the percentage of firms that find it harder to get skilled staff	↓	2015 – 30%
Greater investment by businesses in skilled workers and research and development	• Increasing business expenditure on research and development as a percentage of gross domestic product	↑	2014 – 0.54%
	• Increasing the percentage of Crown Research Institute revenue derived from the private sector	↑	2014 – 44.8%
	• Increasing the percentage of recent skilled principal migrants whose current job in New Zealand matches their skills and qualifications	↑	2014 – 84%
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	↑	2014 – 2.8%
	• Improving the quality ranking for New Zealand's scientific research institutions	↑	2014/15 – 19th out of 144 countries

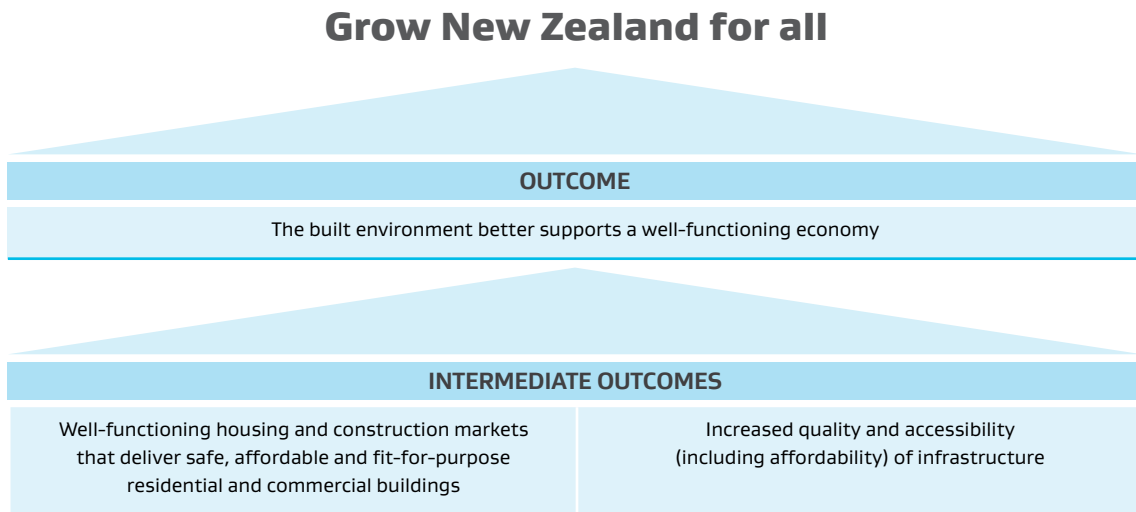
Notes

¹ This is a benchmark that we will measure ourselves against in the future.

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

Our third outcome reflects the importance of the built environment to a well-functioning economy.

A built environment refers to the buildings and infrastructure that provide the setting in which people live and work. It is important that New Zealand’s business environment allows businesses to connect with skilled people, access resources and reach their customers. To support and measure progress towards our outcome, a built environment that better supports a well-functioning economy, we have identified two intermediate outcomes, which are outlined in the diagram below:



■ **Intermediate outcome: well-functioning housing and construction markets that deliver safe, affordable and fit-for-purpose residential and commercial buildings**

Our first intermediate outcome relates to the functioning of the housing and construction markets. New Zealanders need housing that is affordable (reflected in a lower ratio of housing costs to income) and businesses need buildings that are safe and fit for purpose.

Significant challenges face well-functioning housing and construction markets, particularly in Auckland. We will prioritise actions to improve the affordability of housing, better manage risks arising from market volatility, lift sector productivity by boosting skills and innovation, and improve the quality and safety of buildings.

Over the next four years we will focus on:

- › improving housing supply and affordability by:
 - continuing to implement Special Housing Areas with regional and local councils
 - using surplus Crown land for housing development in Auckland
 - removing further barriers to competition
- › improving prospects for first home buyers by monitoring the operational performance of the new KiwiSaver HomeStart grant scheme
- › improving the quality of rental properties by implementing minimum quality standards
- › improving regulation of housing and construction markets:
 - investigate capping the liability of Building Consent Authorities and options for a national guarantee scheme
 - facilitate uptake of a more standardised consenting system

- review the regulation of all construction-related occupations
- raise the technical capability of building professionals
- improve standards and practices for the performance of new and existing building across the country, learning from the Canterbury earthquakes
- improve access to the Building Code and Standards
- fund ongoing development of Standards most important to the New Zealand Building Code
- › growing a sustainable Community Housing sector which provides social housing to meet the needs of vulnerable New Zealanders.

■ **Intermediate outcome: increased quality and accessibility (including affordability) of infrastructure**

Our second intermediate outcome relates to a well-functioning economy that focuses on better quality infrastructure in the energy and telecommunications markets. Our priorities include the continued roll-out and uptake of ultra-fast broadband and our rural broadband initiative, as well as ensuring telecommunications regulation effectively promotes competition and investment.

Over the next four years, we will focus on:

- › reviewing the policy framework for regulating telecommunications services beyond 2020
- › reviewing the *Radiocommunications Act 1989* in 2015 to address wireless technology
- › providing spectrum to enable innovation through new wireless technology
- › extending the roll-out of the ultra-fast broadband programme to reach 80 per cent of New Zealanders with a stronger focus on increasing the number of connections to this network
- › extending the rural broadband initiative to address gaps in coverage and increase connections to this network
- › implementing the Building Better Homes, Towns and Cities National Science Challenge
- › ensuring secure and efficient use of energy supply by market monitoring
- › building a strong, sustainable social housing sector.

HOW WE WILL MEASURE OUTCOME SUCCESS

We will measure progress towards our outcome of a built environment supporting a well-functioning economy through the following performance measures:

THE BUILT ENVIRONMENT BETTER SUPPORTS A WELL-FUNCTIONING ECONOMY			
INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	LATEST REPORTED RESULT ¹
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 ²	↑	Data will be published for the first time in 2015/16
	• Progress towards 890 social and affordable housing units that are completed by community housing providers ³	↑	2014/15 – 362
	• Three thousand more social housing places in areas of high demand by December 2017 ⁴	↑	New measure
	• Increasing the percentage of all social housing stock provided by community social housing providers	↑	New measure
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)	↑	2014 – 15th out of 34 OECD member countries
	• At least 90% of New Zealanders have access to a 4G network by 2019	↑	2014 – 63% to 66%
	• 100% of schools have access to fibre by the end of 2015 ⁵	↑	2014/15 – 96%
	• 75% of New Zealanders have access to ultra-fast broadband by the end of 2019 under phase 1 of Ultra-Fast Broadband initiative (UFB)	↑	2014 – 29.7%
	• 80% of New Zealanders have access to ultra-fast broadband by 2022 under Phase 2 of UFB	↑	New measure
	• An increase in New Zealand's average broadband download speed	↑	2015 – 8.4 Mbps
	• 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)	↑	2015 – 242,814 premises can access RBI wireless broadband 2015 – 93,348 premises can access RBI fixed line broadband ⁶
	• Increasing New Zealand's cellular mobile coverage	↑	New measure
	• Telecommunication Review to be completed by July 2016		New measure
	• Improving international ranking for New Zealand's broadband pricing	↑	2014 – 19th out of 39 countries
	• Reduction in electricity system interruptions ⁷	↓	2014 – 218 minutes per year

Notes

- 1 This is a benchmark that we will measure ourselves against in the future.
- 2 The indicator will show the residual income of New Zealand households after they have paid their housing costs. This will be displayed as a dollar value with separate measures for renters and owners.
- 3 The target of 890 is dependent on the final building and land costs.
- 4 The responsibility of this measure is shared with the Ministry of Social Development.
- 5 This excludes 57 remote schools that will have access to high-speed wireless broadband.
- 6 There will be some overlap in premises that through the Rural Broadband Initiative programme will be able to access both wireless and fixed-line broadband.
- 7 According to the system average interruption duration index.

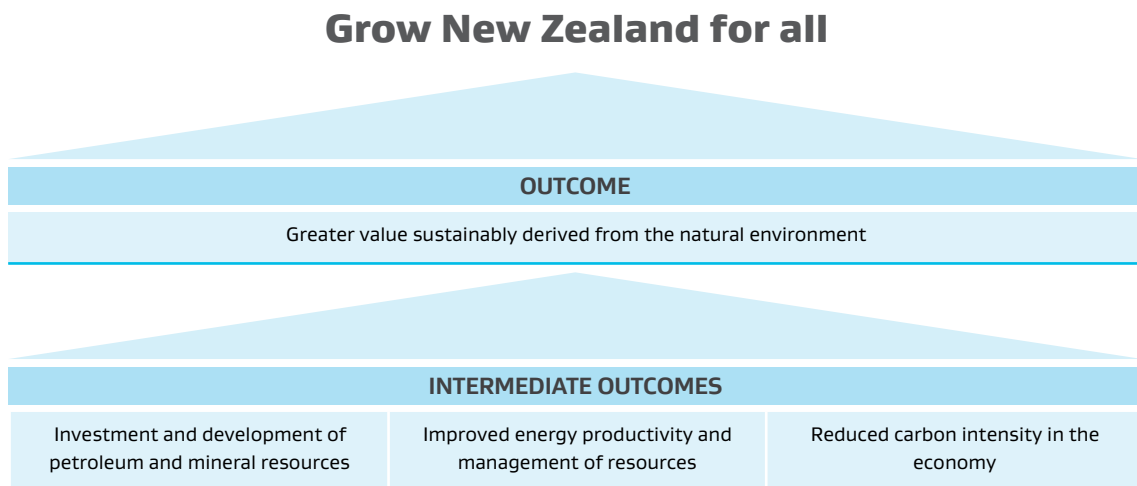
OUTCOME FOUR: GREATER VALUE SUSTAINABLY DERIVED FROM THE NATURAL ENVIRONMENT

Our fourth outcome aligns the Ministry’s effort to generate more value from New Zealand’s natural resources in a sustainable way. This is central to both New Zealand’s economic prosperity and national identity.

Our role is to ensure that understanding of environmental assets and natural capital meets New Zealand’s needs. It is also to support the utilisation of these assets for the achievement of a successful New Zealand through the Ministry’s extensive range of policy, regulatory and service interventions.

Ensuring the environmental protection regulatory system is fit for purpose will be an important part of our work going forward. We will work in collaboration with the Ministry for the Environment, local government, along with iwi and communities, and other stakeholders, to ensure that appropriate regulation is in place that will provide New Zealanders with a high level of assurance that natural resources are being managed sustainably and safely.

To support and measure progress towards our outcome of fostering greater value sustainably derived from the natural environment, we have identified three intermediate outcomes, which are outlined in the diagram below:



■ **Intermediate outcome: investment and development of petroleum and mineral resources**

Our first intermediate outcome relates to natural resources, which are fundamental to New Zealand’s export sector. Our work in the mineral, petroleum and renewable energy sector focuses on the responsible use of our natural resources. The investment and development of petroleum and mineral resources will boost employment and raise incomes.

Over the next four years, the Ministry will continue to promote quality and enduring investment in the responsible development of petroleum and mineral resources to maximise the economic benefit to New Zealanders.

■ **Intermediate outcome: improved energy productivity and management of resources**

Our second intermediate outcome recognises that advances in technologies have given New Zealanders the opportunity to better utilise our renewable resources. Over the next four years, our focus will be on ensuring our regulatory and policy settings do not create barriers to the adoption of new technology and practices that allow New Zealand households and firms to use New Zealand’s resources more efficiently.

We will consider low-cost programmes to raise business energy productivity, supporting the work of the Energy Efficiency and Conservation Authority, including reviewing its business programmes to ensure they are targeted at the greatest opportunities.

Given New Zealand's abundance of renewable resources a relatively low number of New Zealand firms are operating in domestic or international renewable energy markets. We will work to ensure New Zealand leverages its renewable resources by taking every opportunity to promote them internationally. We will also work to understand and address barriers to firms internationalising their renewable resource expertise.

■ Intermediate outcome: reduced carbon intensity in the economy

Our third intermediate outcome recognises that responding to climate change will continue to have a major impact on the energy sector. It is not simply about a transition to lower energy emissions, but about achieving a smart energy economy and maximising the economic benefits from this and New Zealand's renewables endowment. New technologies, behaviours and business models are bringing opportunities that offer the potential to reduce emissions and further improve energy productivity.

In the short term, the energy and transport sectors are likely to deliver the most domestic emissions abatement because, relative to the primary sector, they have greater technical ability to reduce emissions based on existing

technology. Over the longer term, the transition to a low emissions economy does not have to be at the expense of economic growth.

The transition to a low emissions economy will require economic activity to shift towards higher productivity and lower emissions sectors, while retaining primary sector strengths. A smooth transition with a stable regulatory environment is critical to minimising the short-term costs of adjustments by firms and households, while meeting the longer-term goals.

New Zealand has the potential to harness its renewable electricity generation capacity to support new transport fuels, including wide scale powering of electric vehicles. Scope also exists to increase the production of biofuels.

Initially, our focus will be on ensuring regulatory and policy settings promote efficient investment in renewable fuels and in renewable electricity generation to support the government target of 90 per cent renewable electricity by 2025. This will include ensuring there is a level playing field between different renewable electricity generation options – notably between distributed generation (photovoltaic and micro wind) and industry-generated electricity.

HOW WE WILL MEASURE OUTCOME SUCCESS

We will measure progress towards our outcome of greater value sustainability derived from the natural environment through the following performance measures:

GREATER VALUE SUSTAINABLY DERIVED FROM THE NATURAL ENVIRONMENT			
INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	LATEST REPORTED RESULT ¹
Investment and development of petroleum and mineral resources	• Increasing petroleum liquids production	↑	2015 – 13.93 million barrels
	• Increasing net natural gas production	↑	2015 – 177.4 billion cubic feet
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)	↓	2013 – 3.6 MJ/\$GDP
Reduced carbon intensity in the economy	• Carbon intensity of the New Zealand economy (tonnes of CO ₂ e equivalent per unit of real GDP (2009/10 prices))	↓	2013 – 164.4 tCO ₂ e / \$GDP (down 5.2% from 2012)
	• Increasing percentage of New Zealand's electricity is generated from renewable sources	↑	2014 – 80%
	• Reducing New Zealand's total greenhouse gas emissions	↓	2013 – 31,659 Gg CO ₂ e

Notes

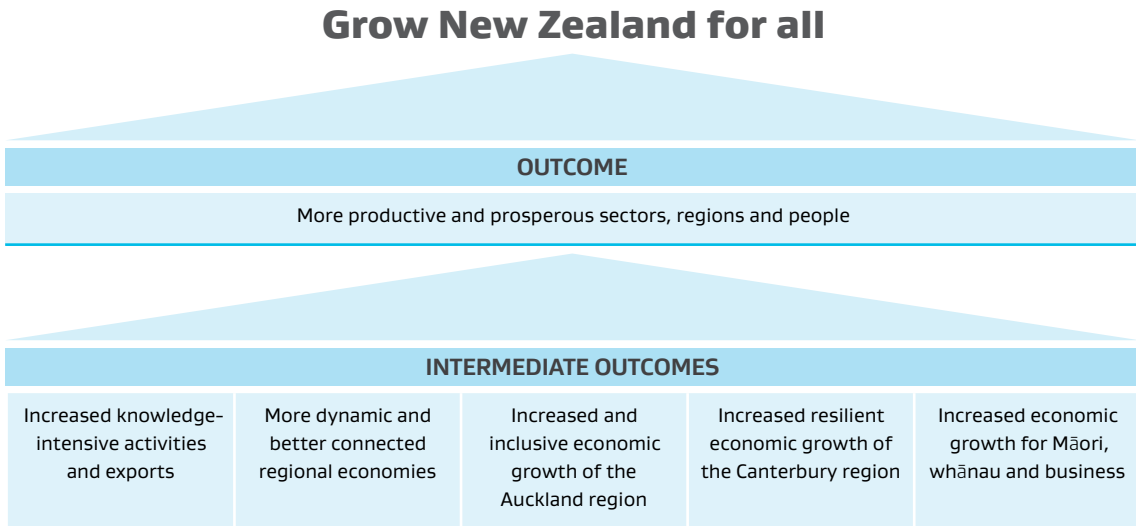
¹ This is a benchmark that we will measure ourselves against in the future.

OUTCOME FIVE: MORE PRODUCTIVE SECTORS, REGIONS AND PEOPLE

Our fifth outcome recognises the importance of taking a sector and regional perspective to help raise the overall performance of the New Zealand economy. This approach allows us to analyse economic activity, identify areas of competitive advantage and provide insights into where the greatest opportunities for economic growth might lie.

Working with our Crown entity partners, other government agencies, business, unions, local government, and Māori and Pasifika leaders we will continue to support, coordinate and deliver the government’s BGA and the rebuilding of Christchurch. We will continue to work across government and with our regional partners to support economic prosperity, provide immigration policies and services, and deliver on our commitment to Māori economic development.

To support and measure progress towards our outcome of fostering more productive sectors, regions and people, we have identified five intermediate outcomes, which are outlined in the diagram below:



Intermediate outcome: increased knowledge-intensive activities and exports

Our first intermediate outcome relates to supporting higher value-added, knowledge-intensive goods and services sectors to grow and export. Improved international connectivity will also bring in technology and skills to boost firms’ productivity and innovation and leverage private sector capability and commitment in specific markets.

We will engage with knowledge-intensive sectors from a strong evidence base and establish clear performance objectives.

As part of the Ministry’s work contributing to the Business Growth Agenda, we will support a digital economy work programme that focusses on:

- › growing New Zealand’s ICT sector
- › ensuring our firms have access to the ICT skills they need to grow and innovate
- › encouraging better use of ICT by New Zealand businesses

- › enhancing domestic and international connectivity
- › ensuring the right balance between innovation and security and privacy protection
- › ensuring New Zealanders can fully participate in a digital world
- › ensuring policies and regulations allow for digital innovation and respond to technological change
- › ensuring Government supports the digital economy through the way it operates.

We are engaging with the:

- › innovative foods sector, which offers significant export opportunities in Asia, and will focus on identifying barriers, particularly regulation, and opportunities such as science investment and links to the High Value Nutrition Science Challenge
- › ICT sector to identify barriers and opportunities for sector growth with a focus on skills and strengthening the supporting ecosystem.

We will use these sectoral engagements and our deepening understanding of building a more knowledge-intensive economy to help focus activity related to industry development. For example, we will engage with other sectors that have the potential to build the capability of the economy in the future and also help focus the business assistance provided through New Zealand Trade and Enterprise and Callaghan Innovation.

■ **Intermediate outcome: more dynamic and better connected regional economies**

Our second intermediate outcome relates to developing regions and identifying key sectors that have the ability to drive growth in these regions and identifying the actions needed to facilitate that growth. We are working with the Ministry for Primary Industries and local partners to identify opportunities to increase investment, employment and incomes in selected regions. We are also investigating the establishment of regional science institutes to support regional economic investments built on a unique comparative advantage.

Regional growth studies have been completed and launched for Northland, Bay of Plenty, the East Coast–Hawke’s Bay region and Manawatu–Whānganui. These studies help us to identify sector opportunities that have the potential to foster economic growth in these regions. We will work with these regions to develop and implement an economic action plan to leverage on the opportunities in the reports. The Ministry will focus on identifying how government can facilitate increased levels of international investment in these regions and foster economic opportunities for Māori.

■ **Intermediate outcome: increased and inclusive economic growth of the Auckland region**

Our third intermediate outcome relates to supporting the Auckland region, which represents a third of the national economy. We recognise that Auckland’s ability to grow, attract skilled workers and business investment, and diversify into high-value exports, is critical for the economic growth of New Zealand as a whole.

We are working closely with partners in Auckland to support the growth of New Zealand’s largest city. Our key strategic initiatives that support this intermediate outcome are outlined below.

We lead the cross-government work with Auckland Council to tackle barriers to greater housing affordability in the Auckland area. To lift supply to match demand for housing in Auckland, along with the Treasury, we will:

- › facilitate large-scale and innovative developments in partnership with the private sector
- › remove barriers to the supply of smaller, higher-density dwellings in existing urban areas
- › address short-term rental affordability for low to moderate income households.

South Auckland represents our single biggest opportunity to leverage our reach to lift economic outcomes for the large number of Māori and Pasifika peoples who live in this area. Our immediate priority is to develop a clear picture of how we can best support economic development for communities and businesses within South Auckland and then to implement appropriately tailored interventions.

We have developed the Ministry’s Pacific Economic Strategy and Action Plan to support Pacific peoples to contribute to and share in New Zealand’s economic success. The strategy identifies three areas (sustainable job opportunities, suitable and affordable housing, sustainable Pacific-owned businesses) the Ministry can focus on to accelerate improved Pacific economic outcomes. It also explicitly aligns Pacific economic outcomes with broader government goals (such as the BGA and Better Public Services targets) and tracks progress.

■ **Intermediate outcome: increased and resilient economic growth of the Canterbury region**

Our fourth intermediate outcome relates to our role in the economic recovery of Canterbury over the next four years. We will support recovery and regeneration of the region by:

- › facilitating the delivery of the innovation precinct, development of Lincoln Hub and supporting the development of the convention centre
- › facilitating the skills and labour needs of the region, through the Canterbury Skills and Employment Hub and the Canterbury Skills Shortage List
- › delivering immigration and labour inspectorate services, alongside WorkSafe New Zealand’s inspectorate, to support good employer practice
- › supporting the Canterbury Earthquake Recovery Authority in its implementation of the Greater Christchurch Transition Recovery Plan.

We will also continue to provide procurement expertise for the rebuild and support housing supply including temporary accommodation, Christchurch Housing Accord developments and affordable housing. We are continuing to enhance the Building Code and guidance to provide confidence in the structural performance of future buildings.

■ Intermediate outcome: increased economic growth for Māori, whānau and business

Our fifth intermediate outcome relates to our support of Māori to achieve their full economic potential. By looking at the characteristics of different groups of people, regions and sectors, we can identify the specific changes needed to make progress in these areas and customise our national policy to regional contexts where appropriate.

The Ministry has a leadership role in the delivery of the Māori economic development agenda, in partnership with Te Puni Kōkiri. We are responsible for the coordination and monitoring of He kai kei aku ringa – the Crown–Māori Economic Growth Partnership. The Ministry seeks the advice of the Māori Economic Development Advisory Board to help frame the agenda for the Crown contribution to Māori economic development.

These engagements contributed to the development of the Māori Innovation Fund to support the commercial activities of Māori collectives. The Ministry also brings together a wider group of stakeholders to examine Māori economic development opportunities across New Zealand.

Successful delivery of He kai kei aku ringa and Māori economic development goals will mean delivering activity in new and existing areas, including:

- › better matching of skills development to future skills needs for Māori groups
- › increased Māori participation in the labour market
- › improved Māori financial literacy, household savings and home ownership
- › better alignment of the science and innovation system with the needs and aspirations of Māori communities.

Success in these areas will require the Ministry to work across government and with regional partners to identify how to effectively deliver on our long-term commitment to Māori economic development.

HOW WE WILL MEASURE OUTCOME SUCCESS

We will measure progress towards our outcome of more productive and prosperous sectors, regions and people through the following performance measures:

MORE PRODUCTIVE SECTORS, REGIONS AND PEOPLE			
INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	LATEST REPORTED RESULT ¹
Increased knowledge-intensive activities and exports	• This indicator is under development ²		
More dynamic and better connected regional economies	• Positive trends in regional employment	↑	2013/14 – 11 out of 16 regions
	• Positive trends in regional gross domestic product (GDP) per capita	↑	2013/14 – 14 out of 16 regions
	• Positive trends in regional household incomes	↑	2013/14 – 15 out of 16 regions
Increased and inclusive economic growth of the Auckland region	• Increase in productivity in the Auckland region (GDP per hours worked)	↑	2014 – \$60.60
	• Increase in innovation in the Auckland region (patents per million population)	↑	2010 – 54.2 patents per million population ³
Increased and resilient economic growth of the Canterbury region	• Increasing Canterbury region GDP	↑	2014 – \$30,204 million
	• Increasing Canterbury region GDP per capita	↑	2014 – \$53,054 per capita
	• Improving performance against the Canterbury Region Manufacturing Index	↑	2015 – 59.8
	• Improving performance against the Canterbury Region Construction Index	↑	2015 – 207.9
	• Increasing numbers of skilled jobs in the Canterbury region as a proportion of total employment	↑	2015 – 59.8%
Increased economic growth for Māori, whānau and business	• Increasing median weekly income for Māori as a percentage of the national median	↑	2014 – 87.5%
	• Increasing Māori participation in the workforce	↑	2015 – 65.7%

Notes

- 1 This is a benchmark that we will measure ourselves against in the future.
- 2 This indicator was previously called 'Increasing percentage of innovative businesses that have external linkages' and collected by Statistics New Zealand. However, the data underlying this metric is no longer collected.
- 3 This indicator is based on Auckland European Patents Office data. However, this indicator will be improved over the next year by utilising data from the Intellectual Property Office of New Zealand.

Managing in a changing environment

Our Senior Leadership Team (SLT) developed an operating model that sets out how we will organise around our priorities. SLT will regularly review our priorities and revise them according to learnings derived from our operating environment, stakeholder engagement and external environment. We will prepare for and respond to changes in our environment by discussing progress and priorities with ministers, and adjusting our organisational performance and financial position to flexibly allocate resources to meet those changes.

GOVERNANCE

The Chief Executive is supported by five Deputy Chief Executives, the Chief Financial Officer and the Head of Office of the Chief Executive. Together they make up the Ministry's SLT, providing Ministry-wide direction and leadership. SLT meets weekly and holds quarterly performance reviews.

Since the Ministry was established, SLT has modified its approach to governance as the organisation has evolved. The current operating model allows the collective attention of SLT across key strategic areas and work programmes.

Three subcommittees have been established to support the work of SLT. These are the:

- › Finance Sub Committee – supports the proper functioning of short to long-term finance management processes
- › HR Sub Committee – ensures the Ministry delivers pragmatic, fit-for-purpose human resources strategies and programmes of work
- › Audit and Risk Committee – an external governance body operating independently of SLT. It provides expert advice directly to the Chief Executive.

We expect the Ministry's approach to governance will change as the organisation continues to grow and mature.

PROVIDING ASSURANCE

The Ministry's Internal Assurance team provides independent assurance advice to the Audit and Risk Committee and the Chief Executive. It advises on the systems, processes and controls that we rely on to deliver effective and efficient services to all New Zealanders. The team also provides assurance on matters of integrity by investigating allegations or incidents of staff fraud, corruption and dishonesty.

MANAGING RISK

The Risk team continues to support the Ministry in building a risk-aware culture. This involves enhancing the already established risk management framework and supporting all levels of management to have open and transparent conversations about risk. The aim of this work is to support informed decision making and ensure risks are managed effectively in the achievement of the Ministry's objectives.

OPERATING MODEL

To help us manage our changing environment we have refined our operating model to reflect both our new outcomes framework, as well as SLT’s desire for a mechanism to assist in driving improved performance.

Our operating model allows active input from SLT, providing more control over the priorities that may require their engagement. In practice, there are three levels of activity:

- › 90-day review – SLT has an in-depth focus on initiatives in this category over a 90-day period
- › Watching brief – Initiatives in this category are not reviewed as frequently as those in the 90-day review category
- › In the line/by exception – Initiatives in this category represent a large proportion of work delivered throughout the organisation ‘through the line’ and would be brought to SLT’s attention by exception only.

The cohort of initiatives running through the model is not static, so initiatives move in and out of the three categories as progress is made on them. This may mean some items remain in the 90-day category for multiple periods while others drop out and are replaced with new initiatives.

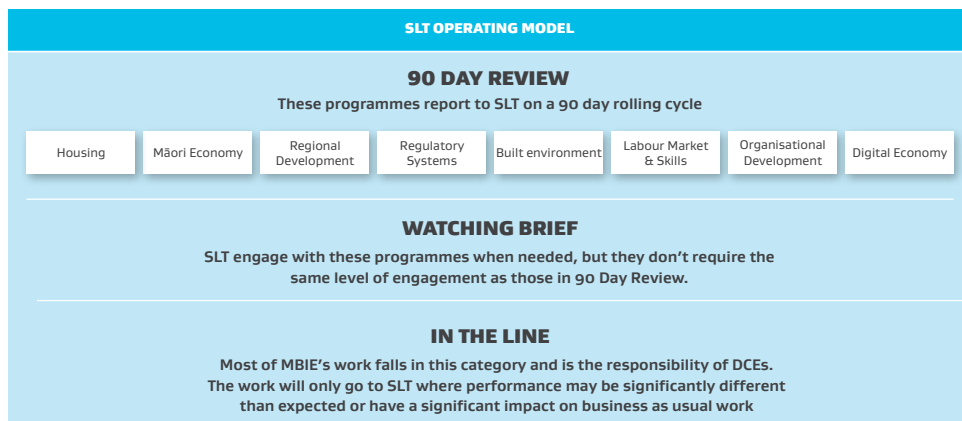
The Ministry has a broad scope of government responsibilities. However, at any time there are priorities where we are focusing our resources and effort to see an improvement in our outcomes. To identify our priorities, we consider the following:

- › Government and ministerial priorities
- › the Ministry’s narrative as to where we need to focus to achieve our purpose and objective
- › meeting our stewardship obligations
- › our legislative requirements.

Grow New Zealand for all



INFORMS SLT FOCUS



LEADING PROCUREMENT

As procurement functional leader for government procurement, our aim is to shape better delivery of public services and obtain greater value for every taxpayer dollar spent across the public sector.

We will continue to improve our procurement of goods and services using a Ministry-wide approach to maximise our purchasing power. Opportunities include property, fleet, travel, telecommunications, information systems, utilities, postal services, and other administration costs.

Our capability

The Ministry was created in 2012 to strengthen government's leadership of the New Zealand economy. Since the Ministry was formed, we have achieved a great deal to be proud of, but at the same time we recognise we have much to do.

The Building a High-Performing MBIE programme was set up in January 2015 to help us meet these challenges and ensure the Ministry operates in the way that will best enable it to achieve its purpose to *Grow New Zealand for all*. We need to focus on improving our performance, becoming customer-centric, flexible, responsive and lean. We have identified two priorities to build our capability to achieve these objectives: building leadership capability and building workforce capability. These priorities will be supported by implementing our strategic property plan and enhancing our ICT services.

LEADERSHIP CAPABILITY

SLT identified the development of our leadership as one of its objectives in its four-year excellence horizon with a focus on building more visible senior leadership that operates better as a team with joint responsibility for our outcomes. The Ministry will reset expectations for senior leaders to explicitly require purposeful cross-Ministry objectives and goals. These will cascade through the organisation, and supporting behaviours will be recognised and reinforced.

■ Building a High Performing MBIE

The Building a High Performing MBIE programme highlights the importance of developing our leadership capability. To become a consistently high performing organisation, our leaders need to work purposefully across functions and teams towards our goals. We are looking at a variety of actions to build leadership capability in this way, for example:

- › increase collaboration and breaking down silos
- › implementing stronger incentives to work across the Ministry
- › continuing People Leaders Forums
- › using suitable 360 degree feedback tools that integrate into our performance and development cycle.

WORKFORCE CAPABILITY

The Ministry has a large and complex workforce, with 2,822 full-time equivalent staff onshore and 374.5 offshore as at 30 June 2015. The Ministry employs people from 46 occupational groups. To build the workforce capability needed to meet the Ministry's strategic challenges a People Strategy has been created. In addition to leadership, our strategy focuses on three key outcomes:

- › role model employer – attracting and retaining talent
- › culture and engagement – having a unifying and innovative culture with high levels of engagement
- › talent management – staff performing to their full potential.

To enable the Ministry to meet our People Strategy outcomes we have launched the Human Resources Transformation Project. The outcome of the project is to transform our human resource information, tools and services to deliver better human resource outcomes at a lower cost.

■ Role model employer

Attracting and retaining talent by having a rigorous selection and promotion process will support our goal of the Ministry being known as a role model employer.

■ Culture and engagement

To improve our contribution to *Grow New Zealand for all* will require our leaders and staff to consistently model the behaviours and build the culture that will underpin a high performing Ministry. We are supporting this by developing ways of embedding a set of recently refined behavioural competencies in the organisation. In addition, we are putting an emphasis on increased collaboration across the Ministry, celebrating success, actively following through on initiatives aimed at increasing engagement levels and reviewing delegations and processes.

Our Ministry's second staff engagement survey in June 2015 had an 83 per cent response rate. The results show a meaningful improvement compared to last year and are shown in the following table:

ENGAGEMENT PROFILE		
YEAR	ENGAGED%	AMBIVALENT%
MBIE 2014	16	62
MBIE 2015	19	60
State Sector Benchmark	20	60

Source: Ministry of Business, Innovation and Employment IBM Kenexa Staff Engagement Survey

Engaged staff are motivated to contribute to organisational success and willing to accomplish tasks that are important to achieving organisational outcomes. The Ministry is focused on lifting engagement over the next four years and we have set challenging targets in our People Strategy. Our strategy includes supporting a team of engagement champions throughout the Ministry.

■ Talent management

Managing people's performance and development in a career context is a key focus for the Ministry over the next four years. We will do this by having development programmes that support careers, continuity and succession with talent management in various forms being applied across the Ministry.

STRATEGIC PROPERTY PLAN

We have developed a Strategic Property Plan approved by the Property Management Centre of Expertise (PMCoE). Over the next four years, this Plan will guide the management of our property related projects and assist us in implementing new ways of working within our building fit outs and reducing our overall footprint per full-time equivalent in accordance with PMCoE's workplace standards and guidelines. We are also committed to ensuring our facilities support a safe and secure environment for both our people and our visitors through the management of safety and security risks.

The conclusion of our Wellington National Office consolidation in 2014 is expected to deliver cost savings of \$40–\$50 million over the next 20 years. We have commenced a review of our Auckland property footprint, which has not yet had any consolidation occur across the former foundation agency locations. This review will consider our ongoing property requirements in Auckland and will aim to deliver improved, fit-for-

purpose workplaces along with financial benefits for the Ministry. Property projects to deliver new Auckland locations are expected to be completed in late 2018 to 2019 to coincide with the majority of leases expiring in Auckland.

The Ministry is one of four lead agencies for the Christchurch Integrated Government Accommodation (CIGA) programme and some of our people will return to the Christchurch CBD during 2016. When we move back into the CBD the Ministry will be running the building that will also house the Ministry of Social Development and the Department of Conservation. CIGA is changing the way government agencies co-locate and share resources which will form the basis for future regional co-locations.

INFORMATION AND COMMUNICATIONS TECHNOLOGY SERVICES

We will continue to enhance our ICT services, including the immigration modernisation programme. We will work closely with and support the Government Chief Information Officer (GCIO) to shape and develop government ICT, taking the lead role on some of the government's ICT Strategy and Action Plan initiatives. The Ministry will be gradually replacing its legacy information systems over the next four years to reduce the commercial and technical risks associated with our external facing services.

Significant progress has been made since the Ministry's formation in 2012, and we intend to continue to leverage ICT as a strategic enabler for delivery of our core customer-facing services. The digital services we plan to deliver over the next four years involve:

- › delivering foundational capabilities such as the New Zealand Business Number to contribute to the Better for Business programme
- › rolling out Vision 2015 online services and border security solutions for visa applicants globally for further efficiencies to the border management and visa administration functions.

The Ministry will further develop its data and analytics capability for improved decision making across policy and operational business units. This includes further contribution to the government open data programme and consent-based information sharing with other agencies.

We will continue to enhance our resiliency against cyber threats through our ongoing security programme in collaboration with Government Communication Security Bureau and GCIO. We will actively participate in government digital innovation programmes such as Result 9 Accelerator to improve the agility of our ICT solution delivery capability.

Asset management

The Ministry revised its asset management plan during 2014/15. Our internal capital expenditure forecasts for 2014/15 to 2018/19 are summarised in the table below:

ASSETS	ACTUAL BOOK VALUE ¹	FORECAST CAPITAL ADDITIONS				
	30 June 2014 \$m	2014/15 \$m	2015/16 \$m	2016/17 \$m	2017/18 \$m	2018/19 \$m
Buildings and leasehold fit-outs	17.481	11.942	15.724	2.724	2.724	2.724
Information technology	132.410	57.463	93.366	32.317	29.579	28.068
Vehicles	1.612	0.034	1.162	1.162	1.162	1.162
Other assets	10.215	4.035	2.811	2.753	2.753	2.753
Total	161.718	73.475	113.063	38.956	36.218	34.707

Note:

1 The figures in this column are the Ministry's fixed assets at their net book value.

BUILDINGS AND LEASEHOLD

Building and leasehold improvements relates to the rebuild of the Mangere Refugee Centre in 2014/15, but will extend into 2015/16.

INFORMATION TECHNOLOGY

In 2014/15, information technology expenditure is forecasted to be approximately \$57.4 million, of which \$29 million will be spent on the Immigration Global Management System implementation. The implementation will continue into 2015/2016 where a further \$35 million has been allocated.

The remainder relates to many smaller projects within the Ministry from under \$50,000 to over \$5.0 million. These projects continue a refresh of systems as part of the formation of the Ministry and continuation of a move to an online shared space when dealing with government as part of Result 9.

ASSETS






■ Vehicles

After a significant motor vehicle replacement programme during 2013/14, 2014/15 will see us back to a business-as-usual replacement programme.

■ Other assets

Other assets relate to asset categories such as furniture and fittings and plant and equipment. The current forecasts relate to business-as-usual replacements.

Appendix: Contributing Crown entities and Crown organisations associated with the Ministry

MBIE OUTCOMES					
PORTFOLIOS	 The built environment better supports a well-functioning economy	 More supportive and dynamic business environment	 Greater value sustainably derived from the natural environment	 More productive and prosperous sectors, regions and people	 An increased number of highly skilled people and innovative firms
ACC					Accident Compensation Corporation (ACC)*
COMMERCE & CONSUMER AFFAIRS		Commerce Commission			
		External Reporting Board			
		Financial Markets Authority			
		Retirement Commissioner			
		Takeovers Panel			
		Testing Laboratory Registration Council			
COMMUNICATIONS	Crown Fibre Holdings*				
ECONOMIC DEVELOPMENT		New Zealand Trade and Enterprise			
		New Zealand Venture Investment Fund			
TERTIARY EDUCATION, SKILLS & EMPLOYMENT				Education New Zealand**	
ENERGY AND RESOURCES		Electricity Authority			Tertiary Education Commission**
		Energy Efficiency and Conservation Authority			
HOUSING		Housing New Zealand Corporation*			
		Tamaki Redevelopment Company Ltd*			
WORKPLACE RELATIONS & SAFETY					WorkSafe New Zealand
SCIENCE & INNOVATION		Callaghan Innovation			
		REANNZ (Research & Education Advanced Network NZ Ltd - KAREN)			<ul style="list-style-type: none"> Landcare Research National Institute of Water & Atmospheric Research Plant and Food Research Scion
TOURISM					New Zealand Tourism Board

* Monitored by the Treasury ** Monitored by the Ministry of Education

