



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

# **ANNUAL REPORT**

2016



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

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**New Zealand Government**

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# Chief Executive's Foreword

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I am pleased to present the Ministry of Business, Innovation and Employment's 2015/16 Annual Report.

The surest way to ensure a better quality of life is by growing a more resilient and agile economy that leverages our existing strengths and opens the door to new ones. This is why the Ministry is focused on our purpose of Growing New Zealand for all. We bring together a portfolio of regulatory systems, services to businesses and economic policy functions to support a competitive and internationally connected economy.

The Ministry is using all our levers to foster an economy where businesses can innovate, and have access to the skilled people they need. An economy where New Zealanders have the opportunity to work in safe, fair and productive workplaces, and where people have safe, warm and affordable housing that meets their needs.

Change has continued at an accelerated pace over the past year, bringing new challenges and new opportunities.

Financial markets have remained volatile, commodity prices have softened and the rate of growth in world trade has slowed. Disruptive technology is creating new opportunities and changing the way we think about services.

And New Zealand is increasingly being viewed as a great place to live, work and do business. Our stable political and regulatory framework means that we have a great environment for businesses to thrive. This is attracting investment, migrants and returning New Zealanders, not to mention rapidly increasing numbers of tourists.

We continue to work towards a more responsive housing market, especially for the Auckland area, and to support diverse and sustainable growth in each of the regions.

We are a more responsive, leaner and more customer centric organisation. The last year has seen changes in how we deliver services, the way we organise ourselves, and a very deliberate approach to collaborating across the Ministry, focusing where we can make the most impact.

We have responded to increases in demand for a number of our services. We have taken on new responsibilities and have offered new services where that makes sense and where we can add the most value.

In the following pages are some great examples of how these changes are delivering results.

I want to acknowledge the capability and commitment of our people and our appreciation of the support we have had from a wide range of other organisations as we have worked together to ensure the best possible outcomes for the people of New Zealand.



**David Smol**  
Chief Executive

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# Our Senior Leadership Team

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From left to right

**David Smol**  
Chief Executive

**Paul Stocks**  
Deputy Chief Executive  
Labour, Science and Enterprise

**Greg Patchell**  
Deputy Chief Executive  
Market Services



**Bryan Chapple**  
Head of the Office of the Chief Executive

**Stewart McRobie**  
Chief Financial Officer

**Adrienne Meikle**  
Deputy Chief Executive  
Corporate, Governance and Information



**Nigel Bickle**  
Deputy Chief Executive  
Immigration New Zealand

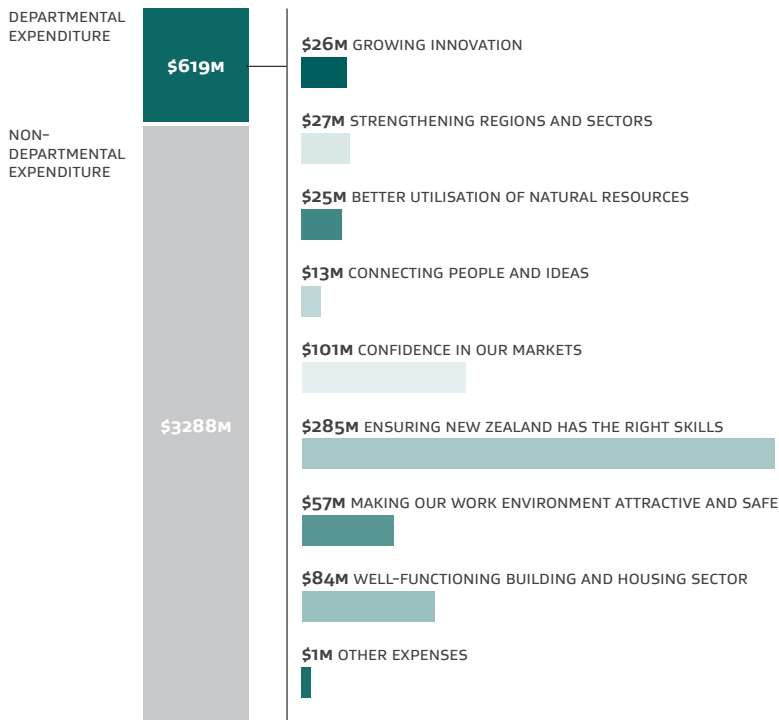
**Chris Bunny**  
Acting Deputy Chief Executive  
Building, Resources and Markets

# Our Year at a Glance

The Ministry's total expenditure in 2015/16 was over \$3.9 billion:

- › Of this, \$619 million was spent by the Ministry providing services directly to Ministers, consumers, businesses and other organisations (Departmental expenditure), and
- › The remaining \$3.3 billion was administered, on behalf of Ministers, for services provided by crown entities and research facilities (Non-departmental expenditure)

## FINANCIAL



### How we are funded (\$million)

Crown	\$302M
Immigration fees	\$201M
Other fees and charges	\$167M
Other revenue	\$8M

The majority of our funding comes from sources other than the Crown such as immigration fees and fees and charges for services like registering trademarks and personal property securities, and company annual returns.

## WE'RE A LARGE AND DIVERSE MINISTRY

52%

INCREASE IN THE NUMBER OF VISITS TO THE BUSINESS.GOV.T.NZ PORTAL FROM 1.2 MILLION TO 1.9 MILLION

OVER

\$467M

IN TENANCY BONDS MANAGED AND PROCESSED OVER 39,000 TENANCY DISPUTE APPLICATIONS

45,000

TRADE MARK CLASSES EXAMINED AND 55,000 NEW COMPANIES REGISTERED

MANAGED OVER

51,000

BUILDING PRACTITIONER AND ELECTRICAL WORKER LICENCES

PREVENTED

2,930

PEOPLE FROM BOARDING AIRCRAFT FOR NEW ZEALAND AND DENIED ENTRY TO 1,371 PEOPLE AT NEW ZEALAND'S BORDER

OVER

60,000

WEB SESSIONS ACCESSING OUR DATA RELEASES AND FORECASTS

## SOME OF OUR KEY ACHIEVEMENTS THIS YEAR

### Refresh of the Business Growth Agenda (BGA)

The BGA is central to the Government's priority of building a more productive and competitive economy. This year we have supported a refresh of the BGA and establishment of a BGA Leadership Group to help drive the next phase.

### National Statement of Science Investments (NSSI)

We completed the NSSI which sets out a clear strategic plan for the science and innovation system for the next 10 years, including identification of key priorities for investment.

**Health and Safety at Work Act 2015** – The Health and Safety at Work Act came into force on 4 April 2016. The law aims to provide a balanced framework to secure the health and safety of workers and workplaces. The Ministry worked with a wide range of agencies and businesses to lead the biggest reform of workplace health and safety legislation in 20 years.

### Major transformation of the Immigration Service

In June 2016 we completed the transformation of the immigration system. This transformation will enable us to more efficiently meet the changing demands of our customers and provide maximum value to New Zealand.

**We've created synergies with transferred functions** such as the Property Management Centre of Expertise, Standards New Zealand and some of the functions of the Canterbury Earthquake Recovery Authority. These services are a natural fit with our existing functions and enhance our ability to provide joined up services and system wide advice and regulations.

**Worked in new areas** such as the development of a new regulatory regime to enable safe, secure and responsible space launches from New Zealand and cyber security through the national Computer Emergency Response Team.

**We're operating in a more business-like manner** with innovative service design practices for development of solutions and services for New Zealanders, development of our people capability and leadership programmes and maturing risk management systems and practice.

**New refugee resettlement centre** – Completed in June 2016, the new facility will accommodate up to 220 people for each of the six quota intakes every year (compared with 160 in the old facility). In 2015/16 we resettled 876 refugees, including 252 Syrian refugees as part of New Zealand's response to the Syrian crisis.



52%

OF NEW ZEALANDERS HAVE ACCESS TO ULTRAFAST BROADBAND AND 84% HAVE ACCESS TO THE 4G NETWORK



MADE ALMOST

750,000

IMMIGRATION DECISIONS, INVOLVING MORE THAN 1 MILLION PEOPLE, AND RECEIVED 100,000 APPLICATIONS THROUGH IMMIGRATION ONLINE



OVER

1M

CUSTOMER CONTACTS ACROSS 33 SUBJECTS HANDLED BY OUR INTEGRATED SERVICE CENTRE



205

SPECIAL HOUSING AREAS CREATED WITH A POTENTIAL FOR 69,000 NEW HOMES

# We are here to Grow New Zealand for All

The Ministry of Business, Innovation and Employment is the Government's primary business-facing agency. Our goal is to create a strong and high performing economy.

We do this by creating an environment that supports businesses to become more productive and internationally competitive, by enabling all New Zealanders to participate in the economy through improved job opportunities and by ensuring quality housing is more affordable.

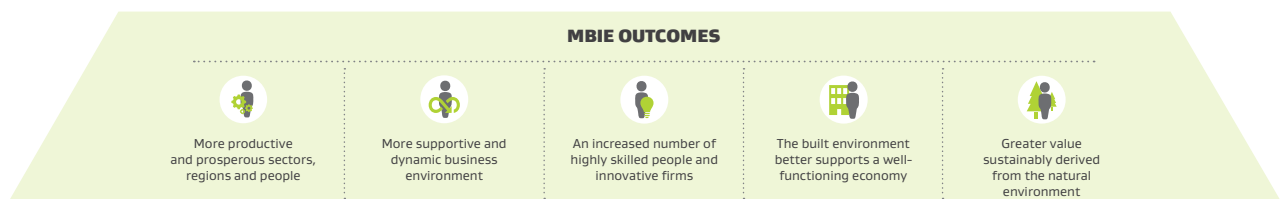
**i** We have specific measures that enable us to track our progress. These are located in the 'Overall Progress towards Growing New Zealand for all' section.



Supporting this target, we have three objectives



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



Improving the economy takes time. This annual report provides an update on our progress in 2015/16.



# Working together

Growing New Zealand for all is a motivating purpose and one that we cannot achieve on our own. One of our important functions is to coordinate, cooperate and partner with others to deliver for New Zealand. We monitor and work collaboratively with 27 Crown entities whose services are central to strong economic performance.

**i** As you read this annual report you will see examples of how we have worked with Crown entities and other partners to deliver on common goals.

It is businesses that drive economic growth and a more successful economy with more jobs for Kiwis.

The Business Growth Agenda (BGA) is how the Government is focusing its resources to create a more productive and competitive economy. It is a fundamental driver of our work and something that we co-lead with The Treasury.

He kai kei aku ringa, the Māori Economic Development Strategy, represents another key strategic driver that shapes our work. We work in partnership with Te Puni Kōkiri and the Māori Economic Development Advisory Board to develop Māori economic innovation and success. This strategy will be refreshed in 2016/17, including through a series of regional hui. The refresh will complement the Regional Growth Programme, with shared initiatives being identified through the regional economic action plans and He kai kei aku ringa.

## BETTER PUBLIC SERVICES

We are motivated to provide businesses and the New Zealand public with the best services possible.

The Ministry provides leadership across the State sector for procurement, dispute resolution, regulation and property management. We also have responsibility for leading cross-agency work to reduce the costs for businesses in dealing with government as part of the Government's Better Public Services (BPS) results programme (BPS Result Area 9).

We are focussed on improving online services so that they are more convenient and easier for customers, which is important because it is the channel of choice for most New Zealanders. This links to the work the Department of Internal Affairs leads under BPS Result Area 10, where New Zealanders can complete their transactions easily in a digital environment.

**i** What this means in practice is that we are constantly looking to reduce the complexity and cost to businesses of dealing with government agencies. Throughout this document we will be detailing where we have improved specific services and have worked to improve how businesses and government agencies interact.

## BUSINESS GROWTH AGENDA 2015

Launched in 2015, the Towards 2025 Report marks a full refresh of the BGA. It continues to focus on the six key ingredients that businesses tell us they need to grow and succeed: export markets, investment, innovation, skilled and safe workplaces, natural resources and infrastructure. The BGA also captures three important cross-cutting areas: Māori economic development, regional economic development and regulation. Each area has its own cross-agency programme of work. We are responsible for leading Innovation, Investment and Skilled and Safe Workplaces and for the cross cutting areas of Māori economic development and regional economic development. The BGA is reflected in the Ministry's purpose and outcomes framework.



**i** As you read this annual report you will see evidence of how the BGA has focussed our activities, investment and advice.

# Our Ministers

We work with the following Ministers:

VOTES	PORTFOLIO MINISTERS	ASSOCIATE MINISTERS
Vote Business, Science and Innovation	Minister of Commerce and Consumer Affairs	
	Minister for Communications	
	Minister for Economic Development	Associate Minister for Economic Development
	Minister of Energy and Resources	
	Minister for Small Business	
	Minister of Science and Innovation	
	Minister of Tourism	Associate Minister of Tourism
Vote Labour Market	Minister for ACC	Associate Minister for ACC
	Minister of Immigration	Associate Minister of Immigration
	Minister for Tertiary Education, Skills and Employment	Associate Minister for Tertiary Education, Skills and Employment
	Minister for Workplace Relations and Safety	
Vote Building and Housing	Minister for Building and Housing	
	Minister Responsible for Housing New Zealand Corporation	
	Minister for Social Housing	

In addition to our portfolio and associate Ministers, we also work to support the following Ministers

- › Minister of Broadcasting
- › Minister for Regulatory Reform
- › Minister supporting Greater Christchurch Regeneration
- › Associate Minister supporting Greater Christchurch Regeneration
- › Minister of State Services.



## SECTION A: Our achievements this year

In order to illustrate how our work integrates to deliver tangible results for New Zealand, we have organised this part of the annual report into eight sections. Each section shows how we are actively contributing to growing the economy, delivering effective services and creating the right legislative and regulatory settings.

The sections also describe how the services we provide are helping to achieve the objectives set out in BPS Result Areas 9 and 10, the BGA and the Ministry's outcomes. They also include financial and service performance information for the services grouped under each section.

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**ENSURING WE  
ARE FIT FOR  
PURPOSE**

# Growing Innovation

New Zealand is a small country that is geographically isolated with a unique environment and biodiversity. Our strength comes from our distinctive and inventive culture, mātauranga Māori, and world-leading concentrations of scientific expertise.

New ideas, processes and products are central to improving New Zealand's economy, environment and wellbeing. To grow New Zealand for all we have to be innovative and focus on becoming a fast-growing knowledge-intensive economy.



## CONNECTING WITH THE WORLD

Our relatively small domestic market and distance from world markets can make it challenging for businesses to scale-up good ideas and to compete successfully internationally. We need to ensure that we have enough people with the right skills and capability to support this growth and to access and apply the best ideas from around the world.

## WHAT WE DO

The Ministry leads the Innovation work programme within the BGA, provides policy advice and manages investments in public research. We make the conditions easier for innovation to occur, foster collaboration across sectors and encourage businesses to increase their research and development activity.



### Outcome link: An increased number of highly skilled people and innovative firms

Within this outcome our work contributes to the following intermediate outcomes:

- › Greater levels of business innovation
- › Greater investment by business in skilled workers and research and development
- › Increased people's skills in line with business needs
- › Greater impact from science investments.

## WHAT WE ACHIEVED THIS YEAR

### Sharper Investment in Science

Budget 2016 included the 'Innovative New Zealand' package, which encourages entrepreneurship, skills and economic growth. It formed the basis for one of the largest single Government investments in science and innovation in New Zealand's history.

In October 2015, we launched the National Statement of Science Investment (NSSI), which sets out a clear strategic plan for the science and innovation system. It creates the framework for the next 10 years and identifies key priorities for investment. The NSSI was developed collaboratively with the science and innovation community.

Our investment in science is based on two clear pillars: excellence and impact. It is important that the money we invest supports excellent world-class science and scientists, and the results have a real impact both in practical terms and in new, blue-sky discoveries.

One of our first key actions in implementing the NSSI was to redesign our contestable research funds into the new Endeavour Fund. Decisions for this fund are based on the pillars of excellence and impact, with value for money as an integrated consideration.

The Endeavour Fund will provide greater flexibility by allowing funding to shift across sectoral and disciplinary boundaries.

Scientists will be able to bid every year, and will not have to wait until money becomes available from expiring contracts in a particular field. We have also simplified the way applicants can apply for funding and made it more transparent on how much money is available.

### **NATIONAL SCIENCE CHALLENGES**

The National Science Challenges tackle some of the biggest science-based issues and opportunities facing New Zealand. They are designed to take a more strategic approach to our science investment by targeting a series of goals that, if they are achieved, would have a major and enduring benefit for New Zealand.

The Challenges provide an opportunity to align and focus New Zealand's research on large and complex issues by drawing scientists together from different institutions and across disciplines to achieve a common goal through collaboration.

The last five Challenges were launched in the 2015/16 year, taking the total number of Challenges to 11. The five Challenges launched this year were: 'Science for Technological Innovation', 'Healthier Lives', 'Our Land and Water', 'A Better Start' and 'Building Better Homes, Towns and Cities'.



Photo credit: Chris Williams

**SERVICE PERFORMANCE MEASURES FOR GROWING INNOVATION**

The following table sets out the services that the Ministry is funded to provide and how performance will be assessed for each of those services.

In 2015/16, the Ministry met or exceeded all of its performance measures except for two measures relating to the timeliness of providing information for responding to Parliamentary Questions and Ministerial Correspondence.

Eleven (out of 125) Parliamentary Questions and four (out of 60) Ministerial Correspondence were delivered outside of the specified timeframe. The Ministry is currently implementing improvements that will enable it to be faster and more efficient at responding to the requests for information. This includes the implementation of a centralised Ministerial Servicing tool.

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<b>Science and Innovation: Science and Innovation Contract Management</b>				
Applications are assessed in accordance with specific guidelines	100%	100%	100%	100%
Percentage of contracts assessed in accordance with the monitoring plan	100%	100% <sup>1</sup>	100%	100%
Maturing science contracts assessed against contract outputs	100%	100% <sup>1</sup>	100%	100%
<b>Policy Advice and Related Outputs MCA<sup>2</sup></b>				
Average satisfaction of Ministers as per the common satisfaction survey <sup>3</sup>	At least 70%	75% <sup>4</sup>	–	–
<i>Policy Advice – Science and Innovation</i>				
The satisfaction of the Minister of Science and Innovation with the policy advice service, as per the common satisfaction survey	70%	71%	73%	70%
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	74%	71%	73%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
<i>Related Services to Ministers – Science and Innovation</i>				
Ministers receive advice on entities' Statement of Intent, Annual Report and Quarterly Report, within four weeks of receipt <sup>3</sup>	100%	100%	–	–
Percentage of requests completed within either specified or statutory timeframes:				
Parliamentary Questions	95% or above	91%	100%	100%
Ministerial Correspondence	95% or above	93%	94%	91%
Ministerial Official Information Act 1982	95% or above	100%	100%	93%

1 The reported result reflects the assessment of 2014/15 contracts

2 MCA – Multi-Category Appropriation

3 New measure introduced in 2015/16

4 The Ministerial satisfaction survey is conducted twice a year and the June results have been used for all ministers other than the Minister for Communications, where we have used the December result

## STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR GROWING INNOVATION

Note performance information for the following appropriations is located in the Service Performance Measures table above.

2014/15 ACTUAL	DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE
\$000		\$000	\$000	\$000
	<b>Departmental Outputs</b>			
	– Science and Innovation: Science and Innovation Contract Management	17,654	19,438	20,205
	<b>Policy Advice and Related Outputs MCA<sup>5</sup></b>			
	– Policy Advice – Science and Innovation	5,180	5,148	4,948
	– Related Services to Ministers – Science and Innovation	2,703	2,608	2,808
26,620	<b>Advice and Support on Shaping the Science and Innovation System MCA<sup>5</sup></b>			
6,024	Policy Advice	–	–	–
11,547	Science and Innovation Contract Management	–	–	–
9,049	Strategic Leadership in the Science and Innovation Sector	–	–	–
<b>26,620</b>	<b>Total expenditure</b>	<b>25,537</b>	<b>27,194</b>	<b>27,961</b>
	<b>How we were funded</b>			
27,764	Crown	27,194	27,194	27,961
	– Departmental	–	–	–
35	Other Revenue	–	–	–
<b>27,799</b>	<b>Total funding</b>	<b>27,194</b>	<b>27,194</b>	<b>27,961</b>
<b>65,481</b>	<b>*Total Policy Advice and Related Outputs MCA<sup>5</sup></b>	<b>51,111</b>	<b>55,786</b>	<b>55,980</b>

### Significant Financial Variance

The Supplementary Estimate for Science and Innovation: Science and Innovation Contract Management appropriation includes costs relating to the improvement of information and contract management systems. The development of business cases for these improvements took longer than anticipated and has resulted in an underspend of \$1.784 million compared with the Supplementary Estimate.

.....

5 MCA – Multi-Category Appropriation

## SECTION A: OUR ACHIEVEMENTS THIS YEAR

2014/15 ACTUAL	NON-DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE	LOCATION OF YEAR END PERFORMANCE INFORMATION †
\$000		\$000	\$000	\$000	
<b>Non-Departmental Outputs</b>					
5,796	National Science Challenges – MYA <sup>6</sup>	40,311	48,200	69,617	1
93,774	Research and Development Growth Grants – MYA <sup>6</sup>	119,661	115,800	157,600	2
91,205	Science and Innovation: Biological Industries Research	94,892	97,997	92,153	1
25,078	Science and Innovation: Building Business Innovation <sup>7</sup>	24,095	24,095	32,378	2
11,208	Science and Innovation: Business Research and Development Contract Management	12,863	12,863	7,750	2
201,622	Science and Innovation: Crown Research Institute Core Funding	201,622	201,622	201,622	1
11,499	Science and Innovation: Energy and Minerals Research	12,127	12,127	13,818	1
7,649	Science and Innovation: Engaging New Zealanders with Science and Technology	10,627	11,569	11,169	1
32,396	Science and Innovation: Environmental Research	31,589	31,875	31,535	1
10,269	Science and Innovation: Fellowships for Excellence	10,253	10,379	11,570	1
14,182	Science and Innovation: Hazards and Infrastructure Research	11,845	11,845	11,392	1
82,586	Science and Innovation: Health and Society Research	83,571	83,946	87,066	1
57,223	Science and Innovation: High Value Manufacturing and Services Research	63,649	63,714	64,040	1
52,383	Science and Innovation: Marsden Fund	53,627	53,627	53,627	1
5,764	Science and Innovation: National Measurement Standards	5,082	5,082	5,764	2
13,716	Science and Innovation: Repayable Grants for Start-Ups	11,661	14,996	14,996	2
25,829	Science and Innovation: Research and Development Services and Facilities for Business and Industry <sup>8</sup>	23,375	23,375	19,523	2
6,060	Science and Innovation: Research Contract Management	5,883	6,227	6,227	1
3,947	Science and Innovation: Vision Mātauranga Capability Fund	6,554	6,567	6,567	1
30,714	Targeted Business Research and Development Funding – MYA <sup>6</sup>	22,804	30,000	45,650	2
<b>782,900</b>	<b>Total Non-Departmental Output Expenses</b>	<b>846,091</b>	<b>865,906</b>	<b>944,064</b>	

6 MYA – Multi-Year Appropriation

7 This is a new appropriation created in 2015/16. It is made up of the 'Building Innovation Potential' and 'Realising Benefits of Innovation' appropriations

8 Previously called 'Callaghan Innovation Strategic Investment'



2014/15 ACTUAL	NON-DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE	LOCATION OF YEAR END PERFORMANCE INFORMATION †
\$000		\$000	\$000	\$000	
<b>Non-Departmental Other Expenses</b>					
4,000	Science and Innovation: Advanced Network Capacity	4,000	4,000	4,000	3
983	Science and Innovation: Australian Synchrotron	983	983	7,500	1
85	Science and Innovation: Convention Du Metre	95	135	135	4
–	Science and Innovation: Genomics Research Infrastructure	–	12,084	12,725	1
8,327	Science and Innovation: International Relationships	11,123	11,251	10,251	1
428	Science and Innovation: Māori Innovation Fund	3,036	3,036	3,000	4
5,628	Science and Innovation: National eScience Infrastructure	7,182	7,182	7,182	1
500	Science and Innovation: Royal Society of New Zealand	500	500	500	4
7,869	Science and Innovation: Science Collections and Infrastructure	8,510	8,539	7,898	4
639	Science and Innovation: Square Kilometre Array	769	778	778	4
<b>28,459</b>	<b>Total Non-Departmental Other Expenses</b>	<b>36,198</b>	<b>48,488</b>	<b>53,969</b>	
<b>Non-Departmental Capital Expenditure</b>					
8,000	Science and Innovation: Callaghan Innovation <sup>9</sup>	4,300	4,300	63,710	2
<b>8,000</b>	<b>Total Non-Departmental Capital Expenditure</b>	<b>4,300</b>	<b>4,300</b>	<b>63,710</b>	
<b>819,359</b>	<b>Total Non-Departmental Annual and MYA<sup>10</sup> Expenses</b>	<b>886,589</b>	<b>918,694</b>	<b>1,061,743</b>	

† Location of year end performance information:

1. Minister of Science and Innovation's Vote Business, Science and Innovation Non-Departmental Appropriations report
2. Callaghan Innovation's annual report
3. Research and Education Advance Network New Zealand's annual report
4. Exemption granted under section 15D (2)(b) of the Public Finance Act 1989.

9 Previously called 'Advanced Technology Institute'

10 MYA – Multi-Year Appropriation

# Strengthening Regions, Sectors and Businesses

Improving the performance of regions, cities and sectors is central to achieving our purpose of Grow New Zealand for all. New Zealand's cities and regions face different challenges and have unique talents and resources. The Ministry works with regions, cities and sectors to ensure our policy advice is informed by issues they face. We work with other agencies to remove barriers, provide insight, connect businesses and support growth.

Our role through the BGA, and in improving how the government works with businesses, means we can help small to medium enterprises (SMEs) and other businesses, as well as whole sectors, connect and grow. Sectors such as tourism are already benefiting from the insights and information the government collects.

## CONNECTING WITH THE WORLD

New Zealand has an international brand as a must-visit destination. Many tourist sites and tourism businesses are based outside of cities. To build on our brand, we are focussed on creating a sustainable and strategic tourism sector.

We want to attract high quality international investors to New Zealand. Many international investors are often not aware of the full range of investment opportunities and the environment for investment that New Zealand offers. Our role, working with our partners across government and in our cities and regions, is to ensure that the opportunities for investment in New Zealand are firmly on their radar.

We hope to increase the quality of international investment in New Zealand by providing targeted and accurate information about our dynamic and innovative business sectors, and matching investors with opportunities across New Zealand. These opportunities exist across many parts of the economy, including tourism, agri-business, information and communications, food and beverage and Māori owned businesses, offering greater opportunities for the New Zealand economy to develop and diversify.

## WHAT WE DO

The Ministry is responsible for advising on sector, regional and business development policies and programmes, tourism and major events. Our work in this area will help maximise the contribution cities, regions and sectors make to New Zealand's economic development and prosperity.



Photo credit: Chris Williams



### **Outcome link: More productive and prosperous sectors, regions and people**

Within this outcome our work contributes to the following intermediate outcomes:

- › More dynamic and better connected regional economies
- › Increased and inclusive economic growth of the Auckland region
- › Increased resilient economic growth of the Canterbury region
- › Increased economic growth for Māori, whānau and business.

## **WHAT WE ACHIEVED THIS YEAR**

### **Attracting International Investment**

Launched in October 2015, the New Zealand Investment Attraction Strategy focuses on attracting high-quality investment into New Zealand businesses from foreign direct investment, research and development, or new skills. The new strategy was backed by research from the Ministry that shows the motivations of investor migrants and the benefits they bring for all New Zealanders.

The research showed 79 per cent of those surveyed were attracted by the climate and landscape, while 68 per cent cited the lifestyle. New Zealand residency itself was a draw for 65 per cent, on par with the 64 per cent who found New Zealand's political stability appealing.

The study also showed wealthy migrants came wanting to be involved in our society, with 85 per cent saying they expected to be capable of making a "significant contribution" to New Zealand.

### **Supporting Regions to Grow**

Regional Economic Development Action Plans were launched in four regions: Northland, Bay of Plenty, Hawke's Bay and Manawatu-Whanganui. Action Plans for Gisborne/East Coast and the West Coast are in development. The action plans are based on independent economic studies which provide a detailed summary of the economic opportunities and strengths of each region to increase jobs, investment and incomes. These action plans are supported by government agencies but are regionally led and owned by iwi, councils and businesses.

We have also been supporting local entities in Hawke's Bay, Waikato, Northland and Gisborne/East Coast to develop Regional Business Hubs. Co-locating and coordinating central government, local authorities and other business development services in hubs will help reduce transaction costs and lead to better outcomes for businesses engaging with public sector providers.

## **THE TOI MOANA BAY OF PLENTY REGIONAL ECONOMIC ACTION PLAN**

The Toi Moana Bay of Plenty Regional Economic Action Plan was launched in October 2015. The Action Plan covers nine areas; agribusiness, aquaculture, education and skills, forestry and wood products, geothermal, horticulture, Māori land utilisation, visitor economy, and water. It is an important step in building a stronger and more innovative Bay of Plenty economy and reflects the commitment and energy of regional leaders, local communities, businesses and iwi to collaborate for the betterment of their community. Some of the actions in the plan are supported by central government, some by regional stakeholders, and others by both.

One of the highlights of the Action Plan is the Ōpōtiki Harbour project, which aims to create a year-round navigable harbour entrance at Ōpōtiki and construct a new commercial wharf. This will support a range of industries, including processing facilities for a 3,800 hectares offshore marine farm. This project has the potential to bring in \$41-55 million per year in additional wealth, and to generate up to 220 new, longterm and skilled jobs.

## **REALISING OPPORTUNITIES IN SPACE – THE FINAL FRONTIER**

High tech, innovative New Zealand companies are starting to explore commercial opportunities in space. This is a great opportunity for New Zealand to become part of the space industry and provide launch services for small satellites and research projects. Regions, such as Southland, are already exploring the potential value of the space industry with initiatives led by the Centre for Space Science Technology and Venture Southland.

In response to these new opportunities, the Ministry has developed a new regulatory regime to enable safe, secure and responsible space launches from New Zealand. New Zealand has the advantage of a geographic location that enables a wide range of orbits with minimal interference to air traffic and shipping. We also have a highly skilled workforce.

This is another example of how the Ministry is helping to build a diversified, high-value economy.



**Boosting Tourism**

In late 2015, Ministers endorsed a tourism strategy and work programme aimed at better coordinating and focusing government efforts in relation to the tourism sector over the next 18 months and beyond.

The strategy aims to address the three biggest challenges that the sector, along with government, will need to address. These are:

- › Realising the maximum value out of our existing markets, while reducing the risk of over-reliance on any one market
- › Ensuring the sector continues to provide high-quality experiences in the face of increasing visitor numbers and a changing visitor mix
- › Supporting regions to be in a position to benefit from increasing visitor numbers – both those regions struggling to cope with increased numbers, as well as less-visited regions.

Tourism New Zealand’s targeted promotion of New Zealand as an all-year destination helps disperse visitor numbers across seasons and reduce peak pressures, which will enable these businesses to be more sustainable.

**Launched New Market Insights**

In February 2016, the Ministry launched the New Zealand Tourism Dashboard – a one-stop online shop for all information about tourism sector trends and forecasts.

This tool is useful for those in the tourism industry, policy makers and anyone who has an interest in this sector. The Dashboard helps businesses understand the tourism industry and identify new growth opportunities.

The Dashboard brings together a range of tourism datasets produced by the Ministry and Statistics New Zealand into a single interactive web-tool that is responsive and user-friendly. Information is presented using dynamic graphs and data tables that make it easy to look at trends in tourism by selecting and modifying interactive charts and tables.

**CHINA STORY**

Inbound tourism is one of our most important industries and is worth more than \$10 billion a year. China is now the second largest source of overseas visitors to New Zealand, after Australia, with more than 390,000 people coming here in 2015/16 – compared with 130,000 in the 2010/11 year. We need game changing ideas for New Zealand to deliver greater value to and from the Chinese market.

The China Visitor Insight Project has delivered extensive practical and fresh insights about our fastest growing visitor market. Tourism operators have been able to apply those insights directly to their businesses and thus deliver, and derive, greater value for their Chinese visitors.

**HOTEL INFRASTRUCTURE INVESTMENT PROGRAMME**

New Zealand Trade and Enterprise (NZTE), Tourism New Zealand and the Ministry commissioned research to provide the national and international investor community with an accurate and factual picture of the demand for hotel accommodation in Auckland, Christchurch, Rotorua and Queenstown over the next 10 years, together with information on known new hotel developments.

This is the first time we have had quantified data on the effect that the projected growth in tourism will have on hotel occupancy. The research is being used by NZTE as a basis for approaching local and international private investors and inviting them to consider when and where to invest in New Zealand’s fast-growing tourism accommodation industry.

## SERVICE PERFORMANCE MEASURES FOR STRENGTHENING REGIONS, SECTORS AND BUSINESSES

The following table sets out the services that the Ministry is funded to provide and how performance will be assessed for each of those services. In 2015/16, the Ministry met or exceeded all of its performance measures except the following:

- › The overall score for the technical quality for policy papers prepared for the Economic Development, Small Business, and Tourism portfolios were 69 per cent, 68 per cent and 70 per cent, respectively (compared with the target of 73 per cent). This was based on an assessment of 39 Economic Development, two Small Business and seven Tourism policy papers. The Ministry has adopted a whole of Ministry policy quality review process, which assesses the quality of papers and identifies where general improvements are required. Addressing the improvements will improve quality in future.
- › The Ministry did not achieve the timeliness target for providing information for responses to Ministerial Correspondence for the Economic Development portfolio where five (out of 60) responses were not provided within the target timeframe, leading to a result of 92 per cent compared with the target of 95 per cent. The Ministry is currently implementing improvements that will enable it to be faster and more efficient at responding to requests for information. This includes the implementation of a centralised Ministerial Servicing tool.
- › The Minister for Small Business rated his satisfaction with the Ministry's policy advice service at 67 per cent this year compared with a target of at least 70 per cent. This year's result is an improvement on the 2014/15 result of 52 per cent.
- › The timeliness target for responding to Parliamentary Questions for the Small Business portfolio was not achieved this year because one out of the eight answers was not provided within the target timeframe, leading to a result of 88 per cent compared with the target of 95 per cent. The small number of requests means that there is a high level of variability in results for this measure.
- › The target of securing \$7 million of Government to Government Partnership contracts was not achieved this year. This was due to key United Arab Emirates projects being put on hold due to low oil prices, and timeline slippage of two major projects.

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<b>Sector Analysis and Facilitation MCA<sup>11</sup></b>				
Hits on regional economic data <sup>12</sup>	Increasing	124% increase compared to previous year	–	–
<i>Sectoral and Regional Data and Analysis – Economic Development</i>				
Sector and regional data and analysis published on the Ministry of Business, Innovation and Employment website within agreed timeframes <sup>12</sup>	100%	100%	–	–
<i>Tourism Data and Analysis – Tourism</i>				
Meet Statistics New Zealand Official Statistics Standards for all core Tourism datasets published by the Ministry of Business, Innovation and Employment	Achieved	Achieved	Not achieved	Not achieved
Tourism data and analysis is published on the Ministry of Business, Innovation and Employment website within agreed timeframes <sup>12</sup>	100%	100%	–	–
<b>Policy Advice and Related Outputs MCA<sup>11</sup></b>				
Average satisfaction of Ministers as per the common satisfaction survey <sup>12</sup>	At least 70%	75% <sup>13</sup>	–	–
<i>Policy Advice – Economic Development</i>				
The satisfaction of the Minister for Economic Development with the policy advice service, as per the common satisfaction survey	70%	78%	74%	73%
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	69%	72%	72%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
<i>Related Services to Ministers – Economic Development</i>				
Ministers receive advice on entities' Statement of Intent, Annual Report and Quarterly Report, within four weeks of receipt <sup>12</sup>	100%	100%	–	–

<sup>11</sup> MCA – Multi-Category Appropriation

<sup>12</sup> New measure introduced in 2015/16

<sup>13</sup> The Ministerial satisfaction survey is conducted twice a year and the June results have been used for all ministers other than the Minister for Communications, where we have used the December result

## SECTION A: OUR ACHIEVEMENTS THIS YEAR

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
Percentage of requests completed within either specified or statutory timeframes:				
Parliamentary Questions	95% or above	97%	97%	76%
Ministerial Correspondence	95% or above	92%	99%	91%
Ministerial Official Information Act 1982	95% or above	95%	86%	73%
<i>Policy Advice – Small Business</i>				
The satisfaction of the Minister for Small Business with the policy advice service, as per the common satisfaction survey	70%	67%	52%	100%
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	68%	72%	95%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
<i>Related Services to Ministers – Small Business</i>				
Percentage of requests completed within either specified or statutory timeframes:				
Parliamentary Questions	95% or above	88%	92%	Not reported
Ministerial Correspondence	95% or above	95%	100%	Not reported
Ministerial Official Information Act 1982	95% or above	No requests received	100%	Not reported
<i>Policy Advice – Tourism</i>				
The satisfaction of the Minister of Tourism with the policy advice service, as per the common satisfaction survey	70%	83%	80%	90%
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	70%	71%	75%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
<i>Related Services to Ministers – Tourism</i>				
Ministers receive advice on entities' Statement of Intent, Annual Report and Quarterly Report, within four weeks of receipt <sup>14</sup>	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	99%	100%	92%
Ministerial Official Information Act 1982	95% or above	100%	100%	100%
<b>Support the Growth and Development of New Zealand Firms, Sectors and Regions MCA<sup>15,16</sup></b>				
The performance for this appropriation will be assessed by the total value of deals affected with New Zealand Trade and Enterprise's (NZTE) involvement <sup>14</sup>	Meets or exceeds the 2014/15 result	\$1.5b compared with \$1.1b in 2014/15	–	–
<i>Collaborative Activity and Special Events</i>				
Value of contracts secured through the Government to Government Partnership Office <sup>14</sup>	\$7 m	\$2.4m	–	–
<i>International Business Growth Services</i>				
Number of intensively account managed (F700) customers in NZTE's customer portfolio	675-725	705	621	525
Total number of customers in NZTE's customer portfolio (excluding those intensively managed)	3,000-3,500 (demand driven)	3,085	3,389	3,130
Number of international growth outcomes achieved with NZTE assistance <sup>14</sup>	Meets or exceeds the 2014/15 result	635 compared with 334 in 2014/15	–	–
Total potential Direct Economic Impact from Foreign Direct Investment deals <sup>14</sup>	Establish baseline	\$2b	–	–

<sup>14</sup> New measure introduced in 2015/16

<sup>15</sup> End of year performance reporting for this appropriation has been included in the main body, rather than as an appendix, to this Annual Report

<sup>16</sup> MCA – Multi-Category Appropriation

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<i>Services to Support the Growth and Development of New Zealand Businesses</i>				
Total net promoter score for the Regional Partner Network <sup>17</sup>	50	56	–	–
<b>Seed Co-Investment Fund MCA<sup>18,19</sup></b>				
The performance for this appropriation will be assessed by the number of new investments in companies from the Seed Co-Investment Fund <sup>17</sup>	Meets or exceeds 15	17 new investments	–	–
<b>Support New Market Opportunities to Grow Firms and Sectors for the Benefit of New Zealand MCA<sup>18,19</sup></b>				
The performance for this appropriation will be assessed by the potential direct economic impact ratio for approved International Growth Fund grants <sup>17</sup>	Exceeding 4:1	5.6:1	–	–
<i>International Growth Fund</i>				
Number of International Growth Fund grants awarded	60 (demand driven)	123	112	–
<i>Sector Strategies and Facilitation</i>				
Number of Strategic Investment Fund grants awarded	Up to 6 grants	2	3	–

## STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR STRENGTHENING REGIONS AND SECTORS

Note performance information for the following appropriations is located in the Service Performance Measures table above.

2014/15 ACTUAL	DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE
\$000		\$000	\$000	\$000
<b>Departmental Outputs</b>				
2,263	Canterbury Recovery	–	–	–
<b>Policy Advice and Related Outputs MCA<sup>19</sup></b>				
11,494	Policy Advice – Economic Development	12,393	15,430	14,657
6,555	Related Services to Ministers – Economic Development	5,327	5,613	4,463
1,177	Policy Advice – Small Business	1,097	1,234	1,234
172	Related Services to Ministers – Small Business	154	217	217
3,040	Policy Advice – Tourism	1,996	2,298	2,542
3,750	Related Services to Ministers – Tourism	191	278	1,601
	<b>– Sector Analysis and Facilitation MCA<sup>19</sup></b>	<b>5,269</b>	<b>5,793</b>	<b>5,133</b>
	Sector and Regional Data and Analysis	561	891	1,931
	Tourism Data and Analysis	4,708	4,902	3,202
<b>28,451</b>	<b>Total expenditure</b>	<b>26,427</b>	<b>30,863</b>	<b>29,847</b>
<b>How we were funded</b>				
30,399	Crown	30,424	30,424	28,984
520	Departmental	–	109	469
974	Other Revenue	21	330	394
<b>31,893</b>	<b>Total funding</b>	<b>30,445</b>	<b>30,863</b>	<b>29,847</b>
<b>65,481</b>	<b>*Total Policy Advice and Related Outputs MCA<sup>19</sup></b>	<b>51,111</b>	<b>55,786</b>	<b>55,980</b>

### Significant Financial Variance

Delays in the Regional Growth Programme and China Visitor Insight Project have led to actual expenditure being less than expected by \$3.037 million in the Policy Advice – Economic Development category.

<sup>17</sup> New measure introduced in 2015/16

<sup>18</sup> End of year performance reporting for this appropriation has been included in the main body, rather than as an appendix, to this Annual Report

<sup>19</sup> MCA – Multi-Category Appropriation

## SECTION A: OUR ACHIEVEMENTS THIS YEAR

2014/15 ACTUAL	NON-DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE	LOCATION OF YEAR END PERFORMANCE INFORMATION †
\$000		\$000	\$000	\$000	
<b>Non-Departmental Outputs</b>					
113,350	Tourism: Marketing of New Zealand as a Visitor Destination	115,850	115,850	115,850	2
3,743	Tourism: Tourism Growth Partnership	7,585	7,594	10,403	4
<b>117,093</b>	<b>Total Non-Departmental Output Expenses</b>	<b>123,435</b>	<b>123,444</b>	<b>126,253</b>	
<b>Non-Departmental Other Expenses</b>					
2,000	Contribution to Wero Facilities	–	–	–	
2,000	Economic Development: Depreciation on Auckland's Queens Wharf	2,000	2,000	2,000	6
1,300	Economic Development: Film New Zealand	1,300	1,300	1,300	6
–	Economic Development: Impairment of Crown Assets	1,206	1,140	–	6
8,699	Economic Development: Major Events Development Fund	7,449	8,216	14,915	5
512	Economic Development: Management Development Fund	733	756	756	6
109,762	New Zealand Screen Production Grant – International – MYA <sup>20</sup>	118,474	112,000	77,997	5
743	Tourism: Maintaining the Quality of the Great Rides	582	2,257	2,000	6
500	Tourism: National Cycleway Fund – Extension	2,535	2,935	3,935	6
257	New Zealand Cycle Trail Incorporated Seed Funding	185	185	185	6
–	Tourism: Tourism Facilities Development Grants	–	82	82	6
<b>125,773</b>	<b>Total Non-Departmental Other Expenses</b>	<b>134,464</b>	<b>130,871</b>	<b>103,170</b>	
<b>Non-Departmental Capital Expenditure</b>					
5,000	Venture Investment Fund – MYA <sup>20</sup>	10,000	9,896	4,518	3
<b>5,000</b>	<b>Total Non-Departmental Capital Expenditure</b>	<b>10,000</b>	<b>9,896</b>	<b>4,518</b>	
<b>Multi-Category Expenses and Capital Expenditure</b>					
<b>156,633</b>	<b>Support the Growth and Development of New Zealand Firms, Sectors and Regions MCA<sup>20</sup></b>	<b>166,045</b>	<b>168,481</b>	<b>162,788</b>	<b>1</b>
Non-Departmental Output Expenses					
31,429	Collaborative Activity and Special Events <sup>21</sup>	5,590	5,590	35,376	
112,023	International Business Growth Services	147,274	149,710	114,231	
13,181	Services to Support the Growth and Development of New Zealand Businesses	13,181	13,181	13,181	
<b>8,305</b>	<b>Seed Co-Investment Fund MCA<sup>20</sup></b>	<b>9,350</b>	<b>11,209</b>	<b>8,330</b>	<b>1</b>
Non-Departmental Output Expenses					
2,330	Investment Fund Management	2,800	2,800	2,800	
Non-Departmental Capital Expenditure					
5,975	Seed Co-Investment Fund	6,550	8,409	5,530	
<b>(13,318)</b>	<b>Support New Market Opportunities to Grow Firms and Sectors for the Benefit of New Zealand MCA<sup>20</sup></b>	<b>25,066</b>	<b>30,531</b>	<b>30,531</b>	<b>1</b>
Non-Departmental Other Expenses					
(13,162)	International Growth Fund	24,718	30,127	29,327	
(156)	Sector Strategies and Facilitation	348	404	1,204	
<b>151,620</b>	<b>Total Multi-Category Expenses and Capital Expenditure</b>	<b>200,461</b>	<b>210,221</b>	<b>201,649</b>	
<b>399,486</b>	<b>Total Non-Departmental Annual and MYA<sup>20</sup> Expenses</b>	<b>468,360</b>	<b>474,432</b>	<b>435,590</b>	

20 MCA – Multi-Category Appropriation, MYA – Multi-Year Appropriation

21 Previously called 'Services to Support Sector Development and Special Events'



† Location of year end performance information:

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

# Better Utilisation of Natural Resources

Sustainably using our natural resources is central to our economic prosperity, especially in our regional economies where the sector provides an opportunity for highly skilled and paid jobs. It is our responsibility to help ensure we are using our natural resources in a way that gets the most value from them, while still preserving the environment.

A large proportion of New Zealand's export income comes from both renewable and non-renewable natural mineral and energy resources. As well as underpinning our economy, New Zealand's natural environment is integral to our sense of national identity and has important cultural and recreational significance.

Working in collaboration with iwi, local government, and businesses means that we can develop policies and regulatory systems that support growth while providing the public with assurance that we are managing our natural resources in the best way possible.

We want to take advantage of new technological innovations to position New Zealand positively in global energy markets while also contributing to lower carbon emissions.

## CONNECTING WITH THE WORLD

The New Zealand Government is committed to supporting our transition to a lower emissions economy while increasing productivity. This is part of our global commitment to reducing our impact on climate change.

The existing target of achieving 90 per cent of electricity generated from renewable sources by 2025 clearly sets out the Government's direction for renewable electricity. However, there is a need to broaden our renewable advantage beyond electricity. Approximately 80 per cent of our electricity comes from renewable resources, but electricity only represents about 25 per cent of New Zealand's energy demand.

While this is a challenging time for the oil and gas sector globally, New Zealand still remains an attractive investment destination. We have a relatively low entry price compared to other countries, and we are seen as a stable jurisdiction with low regulatory and sovereign risk. Oil is a significant commodity export, and gas is an important contributor to domestic industries and electricity generation. In 2015, oil and gas production activities contributed \$2.8 billion to New Zealand's GDP.

## WHAT WE DO

The Ministry is responsible for overseeing energy markets and regulating minerals and petroleum exploration and production. It is important that we continue to lift public confidence and trust in our robust environmental and safety provisions, while providing the settings for sustainable growth.

We also take a regional economic development lens to developing these resources, and our science system is looking at ways to mitigate environmental impacts.



Photo credit: Chris Sisarich



### **Outcome link: Greater value sustainably derived from the natural environment**

Within this outcome our work contributes to the following intermediate outcomes:

- › Investment and development of petroleum and mineral resources
- › Improved energy productivity and management of resources
- › Reduced carbon intensity in the economy.

## **WHAT WE ACHIEVED THIS YEAR**

### **New Energy Targets for New Zealand**

The Ministry has been providing policy advice on new energy targets for New Zealand.

In March 2016, the Government announced that it will revisit New Zealand's energy goals and set a clear national energy direction to send a strong signal to businesses about what New Zealand's energy future should look like. This direction is in the light of:

- › technological transformation and changing consumer preferences (such as home electricity generation and storage)
- › the importance of energy to business competitiveness, while transitioning to a lower emissions economy.

Any targets should allow us to measure our energy productivity relative to other countries, and provide assurance and leadership to the sector that the government is positioning energy policy well into the future.

### **UPDATING THE NEW ZEALAND ENERGY EFFICIENCY AND CONSERVATION STRATEGY (NZECS)**

The Ministry has been collaborating with the Energy Efficiency and Conservation Authority to review the NZECS. The public consultation process is expected to commence later in 2016.

The new strategy will state the Government's policies, objectives and targets in relation to the promotion of energy efficiency, energy conservation, and the use of renewable sources of energy. It will set out policies and practical ways that will assist in moving towards the energy targets.

### **PARTNERING WITH REGIONAL AUTHORITIES**

We are investing in aeromagnetic and geochemical surveys to better understand the mineral potential in parts of Marlborough, East Nelson, Otago and Southland. Venture Southland and Marlborough District Council are also partnering with us on parts of the surveying to supplement their current knowledge of the geology in their areas. This provides greater information on aquifers and fault lines to enable better regional planning.



Photo credit: Chris Sisarich



Photo credit: Chris Sisarich

### International Investment – Block Offers

Developing mineral resources can be done alongside renewables and alternative energy sources.

The annual competitive Petroleum Block Offer ensures the strategic management of exploration and production interests and investment in these resources. It also helps market New Zealand as a desirable location for the oil and gas industry. We are proactively managing resources and consulting with iwi, hapū and local government as part of this process.

Block Offer 2015 permits were issued in December 2015. There were nine new petroleum exploration permits granted. The accepted bids represented a committed spend of approximately \$4.4 million, and a contingent spend of up to \$364.6 million.

Consultation on Block Offer 2016 with affected iwi, hapū and local authorities commenced on 3 September 2015 and closed on 30 October 2015. Following the evaluation of submissions, the final Block Offer 2016 release areas were announced on 21 March 2016 at the annual New Zealand Petroleum Conference.

### Supporting New Zealand’s Leadership of Fossil Fuel Subsidy Reform

New Zealand has taken a lead role in advocating for the reform of fossil fuel subsidies. At the United Nations (UN) Climate Change Conference in December 2015, the Prime Minister presented a Fossil Fuel Subsidy Reform communiqué to the UN Framework Convention on Climate Change Secretary. The communiqué called for the removal of fossil fuel subsidies worldwide and was endorsed by 40 governments and businesses and organisations worldwide.

The Ministry collaborated with other agencies and international organisations to support New Zealand’s leadership of international FFSR. Our promotion of the removal of inefficient subsidies on fossil fuels across the globe is about levelling the playing field between renewables and non-renewables.

These subsidies have the perverse effect of encouraging businesses and consumers to consume more energy and create more emissions. Research shows phasing out these subsidies could reduce greenhouse gas emissions by as much as 10 per cent. The removal of subsidies is not about banning fossil fuels altogether. There is still a role for non-renewables and a phased approach is needed to ensure reform does not harm vulnerable groups or restrict access to basic energy services.

## SERVICE PERFORMANCE MEASURES FOR BETTER UTILISATION OF NATURAL RESOURCES

The following table sets out the services that the Ministry is funded to provide and how performance will be assessed for each of those services. In 2015/16, the Ministry met or exceeded all of its performance measures except the following:

- › Five out of seven petroleum permit applications (or 71 per cent) were not processed within the standard timeframe (compared with the target of 100 per cent)

as the applicants requested that their applications be put on hold to allow them time to make access arrangements with underlying permit holders

- › 47 out of 88 mineral permits (or 53 per cent) were not processed within the standard timeframe (compared with the target of 80 per cent) due to a number of complex applications.

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<b>Energy and Resources: Information Services</b>				
New Zealand's obligations for reporting energy information to international organisations, including the International Energy Agency, Asia Pacific Economic Cooperation and United Nations Framework Convention on Climate Change are met	All international requirements are met	Achieved	Achieved	Achieved
All publications and information provided on projections of energy supply and demand and energy sector greenhouse gas emissions are reliable	Quality Assurance protocols are followed	Achieved	Achieved	Achieved
<b>Energy and Resources: Management of the Crown Mineral Estate</b>				
Royalties from Crown estate grow year-on-year over time (subject to market conditions and geologic production constraints) <sup>22</sup>	Achieved	Achieved	–	–
New Zealand Petroleum and Mineral statutory consultation requirements are met <sup>22</sup>	Achieved	Achieved	–	–
2015 Petroleum Data Pack is delivered to end-users <sup>22</sup>	100 Data Pack delivered	Achieved	–	–
Percentage of applications received online for new permits and changes to existing permits <sup>22</sup>	20%	20%	–	–
100% of petroleum permit applications are granted or declined within 120 days	Achieved	Not achieved	Not achieved	Achieved
80% of mineral permit applications are granted or declined within 6 months respectively	Achieved	Not achieved	Not achieved	Achieved
<b>Policy Advice and Related Outputs MCA<sup>23</sup></b>				
Average satisfaction of Ministers as per the common satisfaction survey <sup>22</sup>	At least 70%	75% <sup>24</sup>	–	–
<i>Policy Advice – Energy and Resources</i>				
The satisfaction of the Minister of Energy and Resources with the policy advice service, as per the common satisfaction survey	70%	73%	70%	64.2%
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	74%	73%	72%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
<i>Related Services to Ministers – Energy and Resources</i>				
Ministers receive advice on entities' Statement of Intent, Annual Report and Quarterly Report, within four weeks of receipt <sup>22</sup>	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	100%	99%	93%
Ministerial Official Information Act 1982	95% or above	100%	100%	56%

<sup>22</sup> New measure introduced in 2015/16

<sup>23</sup> MCA – Multi-Category Appropriation

<sup>24</sup> The Ministerial satisfaction survey is conducted twice a year and the June results have been used for all ministers other than the Minister for Communications, where we have used the December result

## STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR BETTER UTILISATION OF NATURAL RESOURCES

Note performance information for the following appropriations is located in the Service Performance Measures table above.

2014/15 ACTUAL \$000	DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL \$000	2015/16 SUPPLEMENTARY ESTIMATE \$000	2015/16 MAIN ESTIMATE \$000
<b>Departmental Outputs</b>				
998	Administration of Fuel Quality Monitoring Programme	–	–	–
2,491	Energy and Resources: Information Services	1,755	2,038	2,846
17,451	Energy and Resources: Management of the Crown Mineral Estate	18,107	18,758	17,458
<b>Policy Advice and Related Output MCA*<sup>25</sup></b>				
4,064	Policy Advice – Energy and Resources	4,859	5,100	5,500
2,216	Related Services to Ministers – Energy and Resources	600	637	787
<b>27,220</b>	<b>Total expenditure</b>	<b>25,321</b>	<b>26,533</b>	<b>26,591</b>
<b>How we were funded</b>				
19,593	Crown	19,147	19,147	18,587
73	Departmental	–	22	22
7,212	Other Revenue	5,889	7,371	7,989
<b>26,878</b>	<b>Total funding</b>	<b>25,036</b>	<b>26,540</b>	<b>26,598</b>
<b>65,481</b>	<b>*Total Policy Advice and Related Outputs MCA<sup>25</sup></b>	<b>51,111</b>	<b>55,786</b>	<b>55,980</b>

### Significant Financial Variance

Implementing new technology in Energy and Resources: Information Services took longer than expected, leading to delays in a number of projects and resulting underspend of \$0.283 million at year end.

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<sup>25</sup> MCA – Multi-Category Appropriation

2014/15 ACTUAL	NON-DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE	LOCATION OF YEAR END PERFORMANCE INFORMATION †
\$000		\$000	\$000	\$000	
<b>Non-Departmental Outputs</b>					
72,899	Energy and Resources: Electricity Industry Governance and Market Operations	73,720	76,974	76,974	1
2,500	Energy and Resources: Implementation of the Home Insulation Programme	2,500	2,500	2,500	2
4,624	Energy and Resources: Management of IEA Oil Stocks	3,790 <sup>26</sup>	8,658	8,658	3
200	Resource Data Acquisition and Management – MYA <sup>27</sup>	100	100	2,000	3
	– Resource Data Acquisition and Management 2015 –2018 – MYA <sup>27</sup>	2,419	1,700	–	3
	– Security Management – MYA <sup>27</sup>	–	–	1,200	1
<b>80,223</b>	<b>Total Non-Departmental Output Expenses</b>	<b>82,529</b>	<b>89,932</b>	<b>91,332</b>	
<b>Non-Departmental Other Expenses</b>					
1,297	Crown Contribution to Pike River Recovery and Related Matters	–	–	–	
	– Energy and Resources: Electricity Litigation Fund	–	444	444	1
129	Energy and Resources: International Energy Agency Contribution	101	150	150	4
135	Energy and Resources: International Energy Agency Subscription	143	170	170	4
21,233	Energy and Resources: Ministry of Energy Residual Liabilities	–	–	199	4
	– Energy and Resources: The Pike River Mine Site	123	1,734	–	4
37,431	Home Insulation – MYA <sup>27</sup>	22,391	22,569	23,931	2
<b>60,225</b>	<b>Total Non-Departmental Other Expenses</b>	<b>22,758</b>	<b>25,067</b>	<b>24,894</b>	
<b>Non-Departmental Capital Expenditure</b>					
1,921	Energy and Resources: Crown Energy Efficiency	2,000 <sup>28</sup>	2,000	2,000	2
	– Energy and Resources: Pike River	–	100	–	4
<b>1,921</b>	<b>Total Non-Departmental Capital Expenditure</b>	<b>2,000</b>	<b>2,100</b>	<b>2,000</b>	
<b>Multi-Category Expenses and Capital Expenditure</b>					
29,584	Energy Efficiency and Conservation MCA <sup>27</sup>	29,584	29,584	29,584	1
<b>Non-Departmental Output Expenses</b>					
13,000	Electricity Efficiency	13,000	13,000	13,000	
16,584	Energy Efficiency and Conservation	16,584	16,584	16,584	
<b>29,584</b>	<b>Total Multi-Category Expenses and Capital Expenditure</b>	<b>29,584</b>	<b>29,584</b>	<b>29,584</b>	
<b>171,943</b>	<b>Total Non-Departmental Annual and MYA<sup>27</sup> Expenses</b>	<b>136,871</b>	<b>146,683</b>	<b>147,810</b>	

† 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' Vote Business, Science and Innovation Non-Departmental Appropriations report
4. Exemption granted under section 15D(2)(b) of the Public Finance Act 1989.

26 In addition to the above expenditure, this appropriation has a re-measurement cost of \$208,000 relating to foreign exchange movements, taking total expenditure on this appropriation to \$3,998,000 for 2015/16

27 MCA – Multi-Category Appropriation, MYA – Multi-Year Appropriation

28 In addition to the above expenditure, this appropriation has a re-measurement reduction of \$32,000 relating to an unused provision, taking total expenditure on this appropriation to \$1,968,000 for 2015/16

# Connecting People and Ideas

The way people interact, connect and communicate is changing dramatically. Technological innovations and new cultural norms mean that people expect to be able to connect, collaborate, work and play across a dynamic digital landscape. Businesses and government are using technology and the digital environment to change the way they operate. The digital economy is not new, but it is a key driver and enabler of our wider economic success story.

As people and businesses change how they work and interact, more of our lives and information are visible online. Protecting our digital data and infrastructure is crucial to New Zealand's economic wellbeing.

## CONNECTING WITH THE WORLD

Geographically New Zealand is isolated and a long way away from large markets and populations. Refrigeration transformed our primary export business in the late 19th century. The rapid expansion of telecommunications in the late 20th century to now, is again transforming our ability to export ideas, products and services.

A significant trend in innovation is the overall digitalisation of the economy, with some sectors undergoing fundamental changes. A few years ago no one would have predicted that the world's largest rental accommodation business, Airbnb, would own no hotels or rental accommodation.

New Zealand export businesses are increasingly using online channels to deliver products and services and reach offshore customers, particularly in large markets like China where it can be very expensive to use existing distribution channels or seek to duplicate those channels.

Ensuring we have the infrastructure and laws to support this transformation means that New Zealand can compete and participate internationally.

The challenge for all regulators and policy makers is to ensure that legislation and rules keep pace with this changing landscape and stay 'on top of the wave'.

## WHAT WE DO

The Ministry supports the development and enhancement of infrastructure networks and services to help a well-functioning economy to prosper. The work we are doing to improve the underlying telecommunications infrastructure



Photo credit: Kieran Scott, Inverary



is essential to support virtually all aspects of our economy. We are responsible for:

- › Regulating the supply and use of the radio spectrum
- › Ensuring that telecommunications regulation effectively promotes competition and investment
- › Overseeing the rollout of high-speed broadband nationwide.



**Outcome link: The built environment better supports a well-functioning economy**

Within this outcome our work contributes to the following intermediate outcome:

- › Increased quality and accessibility (including affordability) of infrastructure.

## WHAT WE ACHIEVED THIS YEAR

### Digital Economy Work Programme

In October 2015, as part of the BGA Innovation theme, a cross-government digital economy work programme was launched. It has four outcome areas:

- › Increase the proportion of New Zealand exports from the information and communications technology (ICT) sector
- › Increase productivity of New Zealand firms through the smart use of ICT
- › Ensure New Zealanders have the skills, opportunities and confidence to participate in the digital world
- › Ensure the government is using digital technology to work smarter, make better decisions and generate value from New Zealand's information, and transform the way services are delivered.

The Ministry is using the full range of policy levers to drive the programme including improving connectivity, increasing skills and supporting technological innovation through regulation.

### Made High Quality Communications Services Available for More New Zealanders

The digital economy is underpinned by the investment in high-speed broadband and improved mobile communications. Fast, reliable communications allow businesses to connect and provide services across New Zealand and the world.

#### Broadband Infrastructure

In October 2015, the Government set a target of 99 per cent of New Zealanders able to access broadband at peak speeds of at least 50 Megabits per second (Mbps) and the remaining one per cent able to access 10 Mbps by 2025.

### UFB PHASE ONE

The first phase of the Ultra-Fast Broadband (UFB) programme will bring fibre-to-the-premises to 75 per cent of New Zealanders by the end of 2019. As at 30 June 2016, we are 68 per cent of the way through the roll out of the first phase of UFB, with 19 towns and cities completed. The uptake of UFB is sitting at around 24 per cent which compares well with other international roll outs.

### RURAL BROADBAND INITIATIVE (RBI)

The government-funded component of the first phase of the RBI is now complete and has delivered faster broadband to priority users and communities outside of UFB areas. Once the remaining industry-funded elements of the RBI are complete, 90 per cent of homes and businesses that are outside the UFB footprint will have access to broadband at peak speeds of at least 5 Mbps. Approximately 300,000 homes and businesses will be able to connect and access faster broadband.

To provide fixed-wireless broadband, 154 new cell towers have been built, and 355 have been upgraded as at 30 June 2016. By 30 June 2017, a total of 387 existing towers will have been upgraded. All new towers are capable of sharing infrastructure between broadband and mobile operators. This promotes competition and means there is a greater choice of services for rural users.

### EXTENSION TO THE UFB, PHASE TWO OF THE RBI PROGRAMME AND THE MOBILE BLACK SPOT FUND

The extension to UFB will see ultra-fast broadband available to at least 80 per cent of New Zealanders by 2022. Crown Fibre Holdings is currently in commercial negotiations with potential suppliers, and no decisions have yet been made around where deployment will occur. An additional \$150m was allocated to further improve broadband and mobile coverage in currently underserved areas of New Zealand through phase two of the RBI, and a new Mobile Black Spot Fund. The design of these programmes is nearly complete ahead of proposals being sought to deliver the infrastructure rollout. A request for proposals will be issued in the coming months.

## SECTION A: OUR ACHIEVEMENTS THIS YEAR

The Ministry is overseeing programmes to roll out new and improved communications infrastructure including the UFB roll programme and the RBI.

### Property Access For Telecommunications

While the UFB initiative is ahead of schedule, in some instances network operators, retail service providers and customers are facing challenges regarding the installation of fibre connections where some form of permission for access to land is required from a third party.

The Telecommunications (Property Access and Other Matters) Amendment Bill was introduced in June 2016. It creates a new consenting process that makes it easier for UFB to be installed across land owned by more than one person e.g. right of ways. The legislation will also better protect homeowners through providing recourse to a disputes resolution scheme.

### Review of Telecommunications Regulation

Telecommunications markets have changed significantly since the current regulatory framework for telecommunications was set in 2001. At the end of 2019, the UFB network will be complete and wholesale prices

will no longer be set under contracts with Crown Fibre Holdings. A stable and predictable regulatory framework that supports competition, innovation and efficient investment for consumers is needed.

The Ministry is undertaking a regulatory review and in April 2016, the Government announced that from 2020 a new framework for regulating copper and fibre services would be introduced, similar to the one used for utilities like electricity lines.

### Computer Emergency Response Team

The digital economy represents many opportunities but it also allows criminals and others to put our economy at risk with a range of possible cyber-attacks.

We are therefore establishing a national Computer Emergency Response Team (CERT), a key priority under New Zealand's Cyber Security Strategy to create a more secure, resilient and prosperous online New Zealand.

The CERT will be instrumental in facilitating the global flow of information between countries about cyber threats. It will have a role in coordinating the response to serious cyber incidents when they occur.



Photo credit: Sara Orme

## SERVICE PERFORMANCE MEASURES FOR CONNECTING PEOPLE AND IDEAS

The following table sets out the services that the Ministry is funded to provide and how performance will be assessed for each of those services.

In 2015/16, the Ministry met or exceeded all of its performance measures except the technical quality for policy papers prepared for; the Communications portfolio measure, which was 72 per cent (compared with the target of 73 per cent). This was based on an assessment of 12 Communications policy papers.

The Ministry has adopted a whole of Ministry policy quality review process, which assesses the quality of papers and identifies where general improvements are required. Addressing the improvements identified will improve the quality in the future.

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<b>Communications: Management and Enforcement of the Radiocommunications Act 1989</b>				
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%
<b>Communications: Management of Emergency Telecommunications Services</b>				
Milestones achieved as per the project plan	Achieved	Achieved	Achieved	-
<b>Policy Advice and Related Outputs MCA<sup>29</sup></b>				
Average satisfaction of Ministers as per the common satisfaction survey <sup>30</sup>	At least 70%	75% <sup>31</sup>	-	-
<i>Policy Advice – Communications</i>				
The satisfaction of the Minister for Communications with the policy advice service, as per the common satisfaction survey	70%	79% <sup>31</sup>	78%	61%
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	72%	72%	66%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
<i>Related Services to Ministers – Communications</i>				
Ministers receive advice on entities' Statement of Intent, Annual Report and Quarterly Report, within four weeks of receipt <sup>30</sup>	100%	100%	-	-
Percentage of requests completed within either specified or statutory timeframes:				
Parliamentary Questions	95% or above	100%	100%	92%
Ministerial Correspondence	95% or above	100%	100%	88%
Ministerial Official Information Act 1982	95% or above	100%	100%	90%

29 MCA – Multi-Category Appropriation

30 New measure introduced in 2015/16

31 The Ministerial satisfaction survey is conducted twice a year and the June results have been used for all ministers other than the Minister for Communications, where we have used the December result

**STATEMENT OF REVENUE AND CAPITAL EXPENSES FOR CONNECTING PEOPLE AND IDEAS**

Note performance information for the following appropriations is located in the Service Performance Measures table above.

2014/15 ACTUAL	DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE
\$000		\$000	\$000	\$000
	<b>Departmental Outputs</b>			
7,583	Communications: Management and Enforcement of the Radiocommunications Act 1989	5,969	9,641	9,641
75	Communications: Management of Emergency Telecommunications Services	1,243	2,106	2,606
	<b>Policy Advice and Related Outputs MCA<sup>*32</sup></b>			
4,644	Policy Advice – Communications	6,184	5,982	5,732
184	Related Services to Ministers – Communications	59	62	312
<b>12,486</b>	<b>Total expenditure</b>	<b>13,455</b>	<b>17,791</b>	<b>18,291</b>
	<b>How we were funded</b>			
5,415	Crown	8,470	8,470	8,970
–	– Departmental	–	454	454
7,450	Other Revenue	7,917	6,431	6,431
<b>12,865</b>	<b>Total funding</b>	<b>16,387</b>	<b>15,355</b>	<b>15,855</b>
<b>65,481</b>	<b>*Total Policy Advice and Related Outputs MCA<sup>32</sup></b>	<b>51,111</b>	<b>55,786</b>	<b>55,980</b>

**Significant Financial Variances**

The Communications: Management and Enforcement of Radio Communication Act 1989 appropriation is mainly funded from fees and charges. Actual volume and mix of licenses in 2015/16 differed from what we expected, which led to less revenue and cost incurred for licenses this year.

The Communications: Management of Emergency Telecommunications Services appropriation includes the Emergency Response System Project. This project has been re-scoped and is due to be completed in 2016/17. This has led to an underspend of \$0.863 million in 2015/16 compared with the Supplementary Estimate.

Demand for radio licences was higher than expected in 2015/16, leading to Other Revenue being \$1.486 million higher than the Supplementary Estimate.

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<sup>32</sup> MCA – Multi-Category Appropriation

2014/15 ACTUAL	NON-DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE	LOCATION OF YEAR END PERFORMANCE INFORMATION †
\$000		\$000	\$000	\$000	
<b>Non-Departmental Outputs</b>					
1,616	Communications: Administrative Support for Telecommunications Relay Equipment and Services	1,292	1,419	1,519	4
–	– Communications: Emergency Telecommunications Services	–	191	1,204	4
6,000	Communications: Enforcement of Telecommunications Sector Regulation	6,000	6,000	6,000	1
848	Communications: Fibre Drop Costs	980	2,331	1,500	4
1,198	Communications: Establishment of New Broadband Performance Testing	–	–	–	
<b>9,662</b>	<b>Total Non-Departmental Output Expenses</b>	<b>8,272</b>	<b>9,941</b>	<b>10,223</b>	
<b>Non-Departmental Other Expenses</b>					
9,038	Communications: Broadband Investment (Rural Supply)	13,457	13,533	533	2
907	Communications: Contributions to International Telecommunications Organisations	949	970	970	4
4,567	Communications: Telecommunications Development Levy Funded Procurement – Deaf Relay Service TSO	2,662	2,700	2,600	4
28,520	Communications: Telecommunications Development Levy Funded Procurement – Non-Urban Infrastructure	25,114	27,324	28,000	2
<b>43,032</b>	<b>Total Non-Departmental Other Expenses</b>	<b>42,182</b>	<b>44,527</b>	<b>32,103</b>	
<b>Non-Departmental Capital Expenditure</b>					
210,000	Broadband Investment (Crown Fibre Holdings Capital Costs) – MYA <sup>33</sup>	190,000	190,000	190,000	3
–	– Communications: Acquisition of Textphone Equipment	–	200	200	4
<b>210,000</b>	<b>Total Non-Departmental Capital Expenditure</b>	<b>190,000</b>	<b>190,200</b>	<b>190,200</b>	
<b>262,694</b>	<b>Total Non-Departmental Annual and MYA<sup>33</sup> Expenses</b>	<b>240,454</b>	<b>244,668</b>	<b>232,526</b>	

† Location of year end performance information:

1. Commerce Commission's annual report
2. Minister for Communication's Vote Business, Science and Innovation Non-Departmental Appropriations report
3. Crown Fibre Holdings' annual report
4. Exemption granted under section 15D(2)(b) of the Public Finance Act 1989.

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<sup>33</sup> MYA – Multi-Year Appropriation

# Confidence in our Markets

A market works more efficiently when everyone knows what the rules are, and trusts that they will be enforced. Rules and regulations are essential building blocks for supporting commercial activity. Regulations protect intellectual property and give businesses confidence to innovate.

Consumers can confidently buy products and services and invest if markets and standards are well regulated. Everyone is protected from unfair practices and unsafe products.

## CONNECTING WITH THE WORLD

One of our key targets is to assist New Zealand businesses to succeed overseas and encourage international businesses to invest in New Zealand.

International trade agreements have the potential to significantly reduce the barriers to New Zealand becoming a more integrated part of the international economy. Global trade is dependent on having aligned international standards and market practices. Common standards and market practices enable businesses to seamlessly transact across borders and encourage trade.

Ensuring our business environment is fair, open and honest helps not only bring investors to New Zealand but also gives other countries confidence when dealing with New Zealand companies.

## WHAT WE DO

The Ministry's role as the lead business-facing agency is to ensure that regulations support businesses and consumers to trade with confidence. We are responsible for 16 distinct regulatory systems and priorities that have significant social and economic impact. We provide and enforce consumer, commercial and occupational regulatory frameworks that support well-functioning markets. We also provide company registration, intellectual property and insolvency services as well as functional leadership for procurement and property functions across government.



### Outcome link: More supportive and dynamic business environment

Within this outcome our work contributes to the following intermediate outcomes:

- › Well-regulated and competitive markets
- › Increased business and consumer confidence in markets
- › Businesses find it easier to develop markets
- › Improved government procurement practices
- › Increased international trade and investment.

## WHAT WE ACHIEVED THIS YEAR

### Improved the Legislative Landscape

The Ministry is constantly looking at the legislative environment to identify opportunities to improve the way the market functions. During 2015/16, we supported the passage of the following legislation, including implementing the reforms and monitoring performance, where appropriate:

- › Accounting Infrastructure Reform Bill
- › Trade (Safeguard Measures) Bill
- › Standards and Accreditation Bill
- › Financial Markets Conduct Act regulations
- › Consumer and consumer credit laws, including the Responsible Lending Code.

We progressed other legislative work relating to a single Trans-Tasman patent attorney regime, changes to enable the geographical indications registration regime and associated regulations and fees to come into force, and proposed changes to the Commerce Act 1986.

### Incorporated Standards New Zealand

Standards are used by a diverse range of organisations to enhance their products and services, improve safety and quality, and importantly, support trade into existing and new markets.

The new Standards and Accreditation Act 2015 came into force and the functions of Standards New Zealand have been incorporated into the Ministry.

The new Act also sees the appointment of the New Zealand Standards Approval Board, an independent statutory board. Standards themselves will continue to be developed by committees of industry experts, and approved by the new Board.

## Made it Easier for Businesses to Transact with Government

The Government set the public sector two challenging targets in this area, as part of BPS Result 9:

- › Reduce business costs (effort) from dealing with government by 25 per cent by 2017, through year-on-year reductions
- › Government services to business will have similar key performance ratings as leading private sector firms by July 2017.

For the first time, the Government effort index is showing an increase in effort with the June 2016 result being 10 points higher than the June 2015 result (94 points compared with 84 points). Private sector effort is unchanged at 82 index points which means that the gap between the public and private sector has widened for the first time since being measured. Despite the gap now being 12 index points, this is still an improvement compared with the first reported result of 17 index points in 2013.

While effort has increased since June 2015, overall satisfaction with government service delivery has only shown a slight reduction (from 60% to 57%). Service performance (the percentage of recent dealings that were able to be resolved in two contacts or less) also declined slightly from 63% to 57%.

One of the key resources we have developed to help businesses engage with government more easily is the [business.govt.nz](http://business.govt.nz) portal. The portal contains tools and resources that package information from a number of government agencies into a format that small businesses understand. This allows businesses to save time and money and to focus on making their business a success. In 2015/16, there were 1.9 million visits to the site, compared with 1.2 million in the previous year (or 52 per cent increase). The increase in traffic demonstrates the demand for the tools and resources [business.govt.nz](http://business.govt.nz) offers.

In June 2016, we launched the Small Business Roadshow 'Taking Care of Business: Government Supporting Your Business'. The Roadshow is a series of events that will be held in each region around the country promoting support that multiple government agencies can offer small businesses.

We also supported the passage of the New Zealand Business Number (NZBN) Act 2016. The Act came into force for corporate entities on 13 May 2016, and will take effect for unincorporated entities from 12 December 2016. The NZBN is an initiative that provides each business entity in New Zealand with a unique identifier that can be used in business-to-government and business-to-business transactions. It offers opportunities for compliance cost savings for businesses, information sharing and efficiency gains for agencies. In addition, it has created new opportunities for businesses to develop innovative ways of providing services to other firms.


## ENSURING THE VOICE OF SMALL BUSINESS IS HEARD IN POLICY-MAKING

The Small Business Development Group, or SBDG, is a panel of experienced small business owners who advise the Government on small business issues so its policies can be more effective. The group also works to improve communication between government agencies and the business community.

This year the SBDG released its report outlining its work and the advice it is providing to Government on how best to support small businesses in New Zealand. The report and Government's response to the report have been published online and provide a snapshot of issues facing small businesses and how the government is addressing those issues.

World Standards Day 14 October 2015

# Imagine a world without standards



The world's common language

ISO [www.standards.co.nz](http://www.standards.co.nz) 0800 782 632

STANDARDS NEW ZEALAND

**Result 9 (R9) Accelerator**

R9 Accelerator is New Zealand’s first accelerator process for government projects. It brings public sector staff together with private sector entrepreneurs, developers and mentors to test new ideas and drive change. The accelerator model has proven to be effective in moving concepts quickly and effectively from problem identification through to solution development and customer fit.

We ran the second R9 Accelerator during the first half of 2016 and saw 10 teams looking at 10 opportunities and problems from four government agencies over a 14 week period. In early June 2016, seven R9 Accelerator teams pitched their business cases to an audience of public and private sector investors. Five of those teams have gained funding to enable them to continue into the due diligence stage, to define and negotiate a proposal to develop their prototype solution to help New Zealand businesses. The topics that are moving on to the next stage include:

- › Managing employee paperwork and legal requirements effectively
- › Growing the knowledge economy with skilled migrants
- › Connecting exporters to government.

**Greater Efficiencies from Government Procurement**

The Ministry has responsibility for shaping procurement excellence across government to deliver value for New Zealand. We have delivered and now manage 18 All-of-Government contracts which successfully

combine government spending to save money and deliver efficiencies. More than 940 agencies currently participate in one or more of these contracts, including over 500 schools. The programme is on track to deliver savings of \$740 million over the life of the contracts, and also works to:

- › Build procurement and commercial capability within agencies
- › Set the policy framework for government procurement, including the Government Rules of Sourcing
- › Improve government’s engagement with the supplier community.

This year the All-of-Government Banking Services solution was established and will deliver estimated financial savings of approximately \$120 million over eight years as well as enhancing the productivity of government agencies.

**Made it Easier to Protect Ideas**

Intellectual property is fundamental for most businesses, and is a tool for creativity, innovation, and even education. Protecting ideas, patents, trade marks, designs and plant varieties is important. Intellectual property has value and should be suitably registered and protected to help a business grow.

The Intellectual Property Office continues to streamline its online services to enable users to efficiently apply for and manage their own intellectual property. A customer-centric approach to the redevelopment of its website has resulted in new information and tools that will improve business



R9 Accelerator’s Demo Day had innovative teams pitch ideas on how to make dealing with government better for businesses.



knowledge and understanding of intellectual property. A new section on the website provides information on how to respectfully incorporate Māori elements into intellectual property.

### **One-Stop-Shop for Product Recalls**

The Product Recalls Portal was launched in March 2016 to provide a one-stop-shop for consumer product recall information. In the past, product recalls were split across the Ministry, the Ministry for Primary Industries, Medsafe, and the New Zealand Transport Agency depending on the type of product.

The Portal simplifies this by providing one place for consumers and businesses to go to find and understand what products are being recalled.

Keeping information up to date on a centralised portal reduces the risk of harm to consumers from unsafe products. The portal also allows businesses to distribute recall information more effectively which can reduce the cost of undertaking a recall.



### **AWARD WINNING**

Business.govt.nz won the AUT Excellence in Business Support Award, Government category. This award recognised the success business.govt.nz has had in delivering better services to small business, by focusing on the customer and incorporating business improvement practices into its day-to-day systems.

### **EMPLOYMENT AGREEMENT BUILDER**

In April 2016, business.govt.nz released an updated Employment Agreement Builder. This responsive web application makes it easy for small businesses to create a tailored employment agreement for their staff. The application was a result of collaboration with a whole range of teams from the Ministry and across government and the private sector. In the first three months since launch:

- › Over 12,000 agreements have been created
- › 70 per cent of users giving it 5/5 stars and 23 per cent giving it 4/5 stars. One user called it the “Best thing since sliced bread”.

### **THE GOVERNMENT PROPERTY GROUP (GPG)**

On 1 April 2016, the Property Management Centre of Expertise based in the Ministry of Social Development was transitioned into the New Zealand Government Procurement branch of the Ministry, and was renamed as the GPG.

The work of the procurement and property groups are closely aligned. Coming together into the same branch will enhance collaboration and lead to a more coordinated approach to system reform.

GPG will continue to oversee the 1,100 properties owned or leased by the government to meet the goals set for efficient and effective management of these properties.

**SERVICE PERFORMANCE MEASURES FOR CONFIDENCE IN OUR MARKETS**

The following table sets out the services that the Ministry is funded to provide and how performance will be assessed for each of those services.

In 2015/16, the Ministry met or exceeded all of its performance measures except for the following:

- › The targets for business effort and performance rating of Government services were not achieved this year. The targets for these measures have been set in the context of the broader five year BPS Result 9 targets. More detail on our progress towards BPS Result 9 targets are located in the 'What we achieved' section of this report under 'Made it easier for businesses to transact with Government'.
- › In 2015/16, there were two product-by-country investigations, reviews and assessments actioned following applications from New Zealand industries compared with the target of four. The need for investigations, reviews and assessments is demand driven.

- › The timeliness measure for providing information for responses to Ministerial Official Information Act 1982 for the Commerce and Consumer Affairs portfolio was not met, where one out of 10 requests was delivered outside of the specified timeframe. The Ministry is currently implementing improvements that will enable it to be faster and more efficient at responding to requests for information. This includes the implementation of a centralised Ministerial Servicing tool.
- › New Zealanders' confidence in financial markets reduced from 60% of investors to 56% in 2015/16 due to volatile markets.

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<b>Commerce and Consumer Affairs: Consumer Information</b>				
Implement a new approach in delivering online consumer protection information	By June 2016	Achieved	Achieved	Achieved
<b>Commerce and Consumer Affairs: Official Assignee Functions</b>				
Quality and timeliness of the insolvency functions demonstrated by receiving an audit rating across all Insolvency Offices of between 1-2, where 1 is high level of compliance and 5 in not compliant	Between 1-2	1.25	1.2	1.28
<b>Commerce and Consumer Affairs: Registration and Granting of Intellectual Property Rights</b>				
Decisions to accept, grant or register intellectual property rights made by the Intellectual Property Office and the Plant Variety Rights Office upheld	99%	100%	100%	–
<b>Commerce and Consumer Affairs: Registration and Provision of Statutory Information</b>				
Online company name approvals and consents are processed within 35 minutes of receipt during normal business hours	95%	98%	99%	96%
The Companies and Personal Property Securities Register online registers are available (excluding agreed outages for scheduled maintenance)	99%	100%	99%	99%
Increased use of Business.govt.nz for access to information and advice, and to interact or transact with government	10%	52%	29%	34%
<b>Commerce and Consumer Affairs: Trading Standards</b>				
Quality and timeliness of administration of product safety and weights and measures legislation demonstrated by an internal audit and assurance rating	Acceptable level of compliance achieved	High level of compliance was achieved	Achieved	Achieved
Undertake the Fuel Quality Monitoring (FQM) Programme for the enforcement of the Engine Fuel Specifications Regulations 2011 to promote confidence in the quality of the retail fuel supply	Annual publication of the FQM Programme	Achieved	Achieved	Achieved

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<b>Commerce and Consumer Affairs: Standards Development and Approval</b>				
Number of standards under development or review <sup>34</sup>	277	415	–	–
Percentage of draft NZ Standards submitted for approval by the Executive meet the statutory criteria as specified in the Standards and Accreditation Act 2015 <sup>34</sup>	100%	100%	–	–
Percentage of NZ Standards developed or updated in the timeframes agreed with contract parties, taking into account formally approved changed controls (as variations to a contract) <sup>34</sup>	95%	100%	–	–
<b>Economic Development: Implementation of Improvements in Public Sector Procurement and Services to Business</b>				
Percentage of participating agencies satisfied or very satisfied	70%	74%	64%	–
Year on year improvement in business feedback about the quality of government procurement practice from the annual government procurement business survey	Achieved	Achieved	Not achieved	Not achieved
Reaching the savings target across public sector agencies identified through the Government Procurement Reform agenda for the financial year	\$88m	\$127.7m <sup>35</sup>	\$98.7m	–
Building towards a forecasted saving realised over the life of the initial government contracts	\$699m	\$740m <sup>35</sup>	\$11.9m	–
Business costs (effort) from dealing with government will reduce by 25% by 2017, through year-on-year reduction in effort required to work with agencies	Year-on-year reduction	12% increase in reported effort	16% drop in reported effort	–
Government services to business will have similar key performance ratings as leading private sector firms by July 2017 <sup>34</sup>	Year-on-year improvement	Decreased from 60% to 57%	–	–
Produce a detailed business case to confirm Dispute Resolution Centre of Excellence approach as the best value for money option, outline the potential delivery plan, and assess affordability <sup>34</sup>	By 31 January 2016	Achieved	–	–
<b>Property Management Centre of Expertise</b>				
All agencies within the Property Management Centre of Expertise (PMCoE) mandate will maintain a current agency property plan aligned with the Government National Property Strategy and approved by PMCoE <sup>34</sup>	Achieved	Achieved	–	–
<b>Policy Advice and Related Outputs MCA<sup>36</sup></b>				
Average satisfaction of Ministers as per the common satisfaction survey <sup>34</sup>	At least 70%	75% <sup>37</sup>	–	–
<i>Investigative Services – Trade Remedies</i>				
Number of product-by-country investigations, reviews and reassessments actioned following applications from New Zealand industries	4	2	6	7
Timeliness of interested parties being advised of essential facts and conclusions on which a final determination will be based	100%	100%	100%	100%
Timeliness of reports to allow the Minister of Commerce and Consumer Affairs to make final determinations	100%	100%	100%	100%
Quality of investigations as indicated by them being recognised by the parties involved as consistent with the requirements of either the Dumping and Countervailing Duties Act 1988 or the Temporary Safeguard Authorities Act 1987, and by the lack of grounds for successful court challenges or successful World Trade Organisation (WTO) dispute settlement action	No successful court challenges or successful WTO dispute settlement actions	Achieved	Achieved	Achieved

<sup>34</sup> New measure introduced in 2015/16

<sup>35</sup> This figure is calculated by the Ministry using balances extracted from quarterly reports produced by All-of-Government suppliers on government spend and savings achieved through the contracts. It is based on a published methodology that assesses prices through the All-of-Government contracts against prices available to government agencies outside the contracts. The methodology is dependent on market research and benchmarking against best market price or rate. Further information on the methodology is available on the Business.govt.nz website: [http://www.procurement.govt.nz/procurement/pdf-library/aog/aog-savings-methodology-for-products.pdf/at\\_download/file](http://www.procurement.govt.nz/procurement/pdf-library/aog/aog-savings-methodology-for-products.pdf/at_download/file)

<sup>36</sup> MCA – Multi-Category Appropriation

<sup>37</sup> The Ministerial satisfaction survey is conducted twice a year and the June results have been used for all ministers other than the Minister for Communications, where we have used the December result

## SECTION A: OUR ACHIEVEMENTS THIS YEAR

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<i>Policy Advice – Commerce and Consumer Affairs</i>				
The satisfaction of the Minister of Commerce and Consumer Affairs with the policy advice service, as per the common satisfaction survey	70%	70%	72%	78.3%
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	74%	74%	75%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
<i>Related Services to Ministers – Commerce and Consumer Affairs</i>				
Ministers receive advice on entities' Statement of Intent, Annual Report and Quarterly Report, within four weeks of receipt <sup>38</sup>	100%	100%	–	–
Percentage of requests completed within either specified or statutory timeframes:				
Parliamentary Questions	95% or above	100%	94%	100%
Ministerial Correspondence	95% or above	96%	100%	92%
Ministerial Official Information Act 1982	95% or above	90%	100%	77%
<b>Service and Advice to Support Well-functioning Financial Markets MCA<sup>39, 40</sup></b>				
The performance measure for this appropriation will be assessed by the improvement in the confidence of New Zealanders in financial markets <sup>38</sup>	Increase in confidence	56% (reduction of 4% from 2014/15 result)	–	–
<i>Performance of Investigation and Enforcement Functions</i>				
Percentage of inquiries and investigations are conducted within the timeframes and standards defined in the enforcement governance framework	80%	96%	89%	–
Percentage of Memorandum of Understanding requests for assistance are completed within agreed time frames to the satisfaction of international regulators	100%	100%	100%	–
Percentage of misconduct reports about market participants are acknowledged within two working days of receipt by the FMA's assistance team	95%	98%	98.6%	–
Percentage of misconduct reports about market participants received by the FMA's assistance team are evaluated and determined for further action, referral or closing and the reporter is advised within 10 working days of receiving all relevant information	90%	98%	95.9%	–
Percentage of frontline regulator referrals and misconduct reports about market participants requiring urgent attention prioritised for action within one working day of receipt by the FMA's assistance team	90%	100%	100%	–
Percentage of stakeholders who agree that the FMA's enforcement actions deter misconduct in New Zealand's financial markets <sup>38</sup>	70%	Triennial Stakeholder Survey will be undertaken in 2018	–	–
<i>Performance of Licensing and Compliance Monitoring Functions</i>				
Following receipt by the FMA, percentage of fully completed licence applications that are processed within 60 working days and in accordance with established processes	90%	100%	100%	–
Percentage of FMA's licensing decisions that are unchallenged or upheld	95%	100%	100%	–
The FMA's strategic priorities are incorporated into its entity- based monitoring programme <sup>38</sup>	Achieved	Achieved	–	–

38 New measure introduced in 2015/16

39 MCA – Multi-Category Appropriation

40 End of year performance reporting for this appropriation has been included in the main body, rather than as an appendix, to this Annual Report

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<i>Performance of Market Analysis and Guidance, Investor Awareness, and Regulatory Engagement Functions</i>				
Percentage of completed applications for exemptions are processed within six weeks of receiving all relevant information or as agreed with applicant	95%	100%	100%	–
The FMA's Strategic Risk Outlook is reviewed annually to incorporate new market developments <sup>41</sup>	Achieved	Achieved	–	–
Percentage of enquiries that receive a substantive response from FMA within 20 working days of FMA receiving all relevant information	95%	99%	99%	–
Minimum number of industry or business presentations or speeches undertaken by FMA	20	21	87	–
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 <sup>41</sup>	75%	96%	–	–
Percentage of market participants with an FMA relationship manager who say they have benefitted from the relationship <sup>41</sup>	80%	91%	–	–
Number of investor awareness initiatives per year focusing on improving investor capability <sup>41</sup>	3	4	–	–
<b>Commerce Commission Litigation Funds MCA<sup>42, 43</sup></b>				
The performance for this appropriation will be assessed based on whether Litigation Funds are utilised in accordance with the conditions for use <sup>41</sup>	Using the Fund according to conditions for use	Achieved (14 litigation cases)	–	–
<i>Commerce Commission Externally-Sourced Litigation</i>				
Enforcement is a critical element in promoting competitive markets. The Commerce Commission litigates to protect the competitive process and to deter others from behaving anti-competitively, thereby making a significant contribution to economic welfare	Using the Fund according to conditions for use	Achieved	Achieved	–
<i>Commerce Commission Internally-Sourced Litigation</i>				
Enforcement is a critical element in promoting competitive markets. The Commerce Commission litigates to protect the competitive process and to deter others from behaving anti-competitively, thereby making a significant contribution to economic welfare	Using the Fund according to conditions for use	Achieved	Achieved	–

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<sup>41</sup> New measure introduced in 2015/16

<sup>42</sup> MCA – Multi-Category Appropriation

<sup>43</sup> End of year performance reporting for this appropriation has been included in the main body, rather than as an appendix, to this Annual Report

## STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR CONFIDENCE IN OUR MARKETS

Note performance information for the following appropriations is located in the Service Performance Measures table above.

2014/15 ACTUAL \$000	DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL \$000	2015/16 SUPPLEMENTARY ESTIMATE \$000	2015/16 MAIN ESTIMATE \$000
<b>Departmental Outputs</b>				
2,011	Commerce and Consumer Affairs: Consumer Information	2,231	2,427	2,427
14,424	Commerce and Consumer Affairs: Official Assignee Functions	16,377	16,391	14,428
14,447	Commerce and Consumer Affairs: Registration and Granting of Intellectual Property Rights	15,902	16,912	16,912
25,472	Commerce and Consumer Affairs: Registration and Provision of Statutory Information	29,277	29,584	29,084
–	Commerce and Consumer Affairs: Standards Development and Approval	2,414	2,424	–
3,648	Commerce and Consumer Affairs: Trading Standards	4,663	4,944	4,944
20,295	Economic Development: Implementation of Improvements in Public Sector Procurement and Services to Business	17,586	21,979	17,440
–	Property Management Centre of Expertise	2,210	3,496	–
<b>Policy Advice and Related Outputs MCA<sup>44</sup></b>				
526	Investigative Services – Trade Remedies	457	562	562
10,478	Policy Advice – Commerce and Consumer Affairs <sup>45</sup>	8,109	8,646	9,346
2,108	Related Services to Ministers – Commerce and Consumer Affairs <sup>46</sup>	1,802	1,971	1,271
<b>93,409</b>	<b>Total expenditure</b>	<b>101,028</b>	<b>109,336</b>	<b>96,414</b>
<b>How we were funded</b>				
39,752	Crown	40,359	40,359	34,977
–	Departmental	6,043	6	6
71,461	Other Revenue	73,478	76,300	61,560
<b>111,213</b>	<b>Total funding</b>	<b>119,880</b>	<b>116,665</b>	<b>96,543</b>
<b>65,481</b>	<b>*Total Policy Advice and Related Outputs MCA<sup>44</sup></b>	<b>51,111</b>	<b>55,786</b>	<b>55,980</b>

### Significant Financial Variances

Changes to the timing of the Result 9 Accelerator and Testing Cross-Agency Service Delivery Models projects have led to expenditure in the Economic Development: Implementation of Improvements in Public Sector Procurement and Services to Business being lower than the Supplementary Estimate by \$4.226 million this year.

Changes to the requirements for the Wellington Accommodation and timing of the Christchurch Government Accommodation projects have led to actual expenditure in the Property Management Centre of Expertise appropriation being less than the Supplementary Estimate by \$1.286 million.

Departmental revenue went up by \$6.204 million against the Supplementary Estimate as a result of contributions from other multi-agencies to be involved with the All-of-Government procurement and banking service.

44 MCA – Multi-Category Appropriation

45 Previously two separate appropriations, 'Policy Advice – Commerce' and 'Policy Advice – Consumer Affairs'

46 Previously two separate appropriations, 'Ministerial Services – Commerce' and 'Ministerial Services – Consumer Affairs'

2014/15 ACTUAL	NON-DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE	LOCATION OF YEAR END PERFORMANCE INFORMATION †
\$000		\$000	\$000	\$000	
<b>Non-Departmental Outputs</b>					
4,410	Commerce and Consumer Affairs: Accounting and Assurance Standards Setting	4,410	4,410	4,410	2
1,494	Commerce and Consumer Affairs: Administration of the Takeovers Code	1,494	1,494	1,494	3
935	Commerce and Consumer Affairs: Enforcement of Dairy Sector Regulation and Auditing of Milk Price Setting	1,772	1,772	1,772	4
13,935	Commerce and Consumer Affairs: Enforcement of General Market Regulation	13,935	13,935	13,935	4
6,092	Commerce and Consumer Affairs: Retirement Commissioner	5,782	5,782	5,782	6
–	Commerce and Consumer Affairs: Review of Input Methodologies for Economic Regulation	3,170	3,170	–	4
7,244	Economic Regulation of Electricity Line Services 2014-2019 – MYA <sup>47</sup>	4,257	4,530	5,211	4
1,580	Economic Regulation of Gas Pipeline Services 2014-2019 – MYA <sup>47</sup>	1,965	2,044	1,906	4
597	Economic Regulation of Specified Airport Services 2014-2019 – MYA <sup>47</sup>	415	396	424	4
<b>36,287</b>	<b>Total Non-Departmental Output Expenses</b>	<b>37,200</b>	<b>37,533</b>	<b>34,934</b>	
<b>Non-Departmental Other Expenses</b>					
403	Commerce and Consumer Affairs: Contributions to International Organisations	474	485	485	7
919	Commerce and Consumer Affairs: Financial Markets Authority Litigation Fund	1,261	2,000	2,000	5
–	Commerce and Consumer Affairs: Takeovers Panel Litigation Fund	–	200	200	3
<b>1,322</b>	<b>Total Non-Departmental Other Expenses</b>	<b>1,735</b>	<b>2,685</b>	<b>2,685</b>	
<b>Multi-Category Expenses and Capital Expenditure</b>					
26,184	Services and Advice to Support Well-functioning Financial Markets MCA <sup>47</sup>	26,184	26,184	26,184	1
<b>Non-Departmental Output Expenses</b>					
7,973	Performance of Investigation and Enforcement Functions	6,835	6,835	7,973	
12,556	Performance of Licensing and Compliance Monitoring Functions	11,197	11,197	12,556	
5,655	Performance of Market Analysis and Guidance, Investor Awareness, and Regulatory Engagement Functions	8,152	8,152	5,655	
1,840	Commerce Commission Litigation Funds MCA <sup>47</sup>	10,500	10,500	10,500	1
<b>Non-Departmental Other Expenses</b>					
(491)	Commerce Commission Externally-Sourced Litigation	7,000	7,000	7,000	
2,331	Commerce Commission Internally-Sourced Litigation	3,500	3,500	3,500	
<b>28,024</b>	<b>Total Multi-Category Expenses and Capital Expenditure</b>	<b>36,684</b>	<b>36,684</b>	<b>36,684</b>	
<b>65,633</b>	<b>Total Non-Departmental Annual and MYA<sup>47</sup> Expenses</b>	<b>75,619</b>	<b>76,902</b>	<b>74,303</b>	

† Location of year end performance information:

1. Ministry of Business, Innovation and Employment's annual report
2. External Reporting Board's annual report
3. Takeovers Panel's annual report

4. Commerce Commission's annual report

5. Financial Markets Authority's annual report
6. Commission for Financial Capability's annual report
7. Exemption granted under section 15D(2)(b) of the Public Finance Act 1989.

<sup>47</sup> MCA – Multi-Category Appropriation, MYA – Multi-Year Appropriation

# Ensuring New Zealand has the Right Skills

Our growing economy is faced with the challenge of having the right skills, resources and experience to support existing and future growth.

As the Government's lead labour market adviser, the Ministry recognises that the economy is changing and that this will affect the skills and other resources the economy requires to grow.

Our challenge is to ensure that firms have access to the skills they require, now and in the future, and people have access to opportunities to develop their skills and to fully participate in the labour market.

## CONNECTING WITH THE WORLD

Increasingly New Zealand is being seen as an attractive place to live and work. New Zealand's safe and stable political environment, and our relatively strong economic performance, makes it an attractive option for returning New Zealanders, new migrants wanting to work and invest, and students wanting to learn.

## WHAT WE DO

We provide advice on where the skill needs sit in our workforce so that New Zealanders and training institutions can invest in the right areas. We have an important role to manage migration effectively to attract the best skill-mix of migrants needed and to ensure there are no unwanted intrusions on our border.

We are also responsible for designing and delivering services that help new migrants and refugees to settle quickly and become part of the fabric of New Zealand life.



### Outcome link: An increased number of highly skilled people and innovative firms

Within this outcome our work contributes to the following:

- › Improved labour force participation
- › Greater investment by business in skilled workers and research and development
- › Increase people's skills in line with business needs.

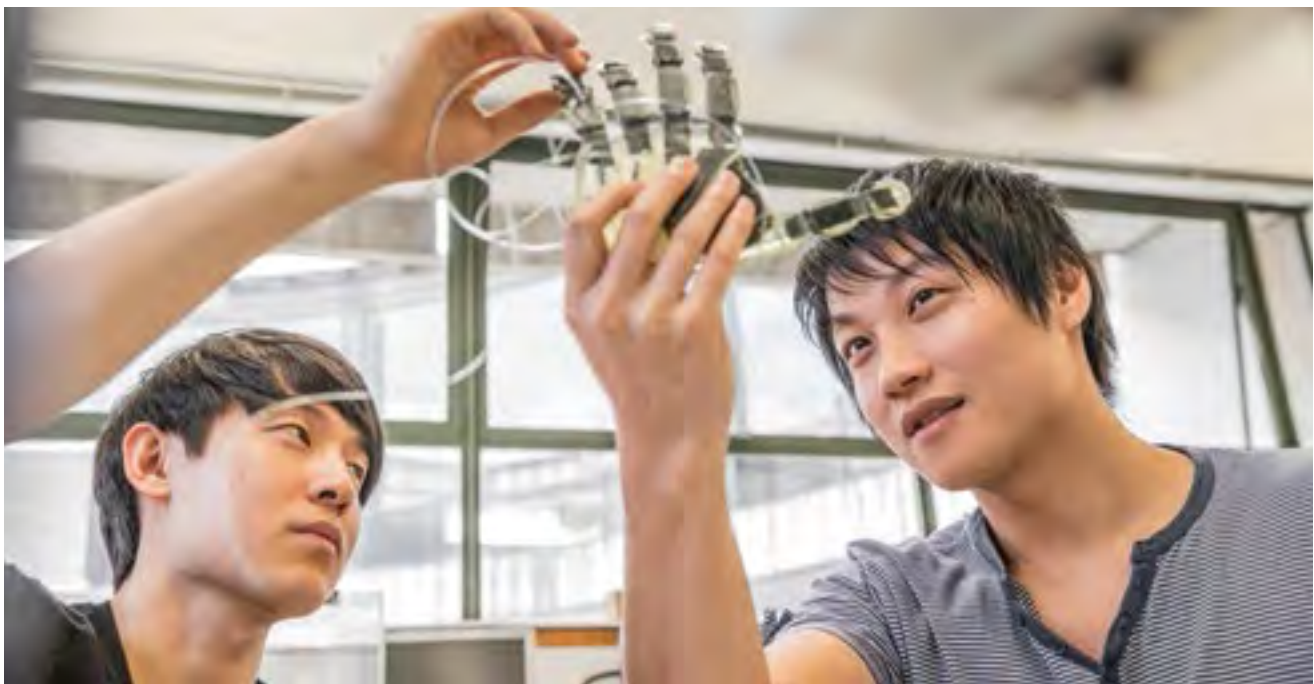


Photo credit: Chris Williams



## WHAT WE ACHIEVED THIS YEAR

### Ensuring that employers are able to access the skills they need now and in the future

The Sector Workforce Engagement Programme (SWEP) aims to improve businesses access to reliable and appropriately skilled staff. It gives priority to domestic job seekers including beneficiaries. A series of sector-led, government-supported engagements are designed to develop labour market solutions in sectors critical to New Zealand. SWEP's priority is to engage with employers in sectors and regions where there are:

- › A large number of jobs in general and in lower skilled occupations in particular
- › Growing employment and a positive outlook
- › Potential for greater employment of domestic job-seekers
- › Alignment with other sectoral and regional priorities
- › Willingness by industry to partner and engage with government.

### Completed a Major Transformation of the Immigration Service

In June 2016, we completed the transformation of the immigration system (Vision 2015). The transformation will enable us to more efficiently meet the changing demands of our customers and provide maximum value to New Zealand. This work has transformed the way we deliver visa services and allows online applications to be made for student, work and visitor visas. This has created operating efficiencies and enabled us to better manage the risks associated with greater migration volumes.

Vision 2015 also resulted in an online immigration health processing system. This eMedical service enables medical practitioners to submit medical information electronically and streamlines the assessment process. As at 30 June 2016, around 5,000 clinic users (in over 660 clinics) around the world are using eMedical in 156 countries, including New Zealand.

### Easier to Access Immigration Services

The new immigration digital channel went live in May 2016 and puts the needs of the user above anything else. The new website is the first place that most of our customers will look to find immigration information – whether they want to visit, study or work in New Zealand. The website acts as the gateway to online applications for visas.

User feedback has been positive with comments on the intuitive and easy navigation and content. It is one of the most visited sites in New Zealand with over 32,000 visits each day and over 12 million visits in the past year alone. As at 30 June 2016 more than 84,000 visa applications were lodged online, which represents over 60 per cent of visa applications.

### ONE EXAMPLE OF HOW WE ARE WORKING TO SUPPORT EMPLOYERS TO ACCESS THE SKILLS THEY NEED IS ARA

Ara is connecting employers with South Aucklanders looking for work, and helping to up-skill the workforce at the airport. The development of Auckland Airport will generate around 27,000 new jobs over the next 30 years, building and running the airport and surrounding businesses.

Ara is a charitable trust owned by Auckland Airport, led by industry and supported by the South Auckland community, government and training agencies. Ara offers a recruitment service (at no cost) to employers at and around Auckland Airport. Currently the focus is on construction as the airport is in the building and development phase. Placements in non-construction roles are expected to increase, as businesses open or expand. The programme is likely to be particularly beneficial for Māori and Pacific peoples.

### THE CHINA STORY

The application process for Chinese nationals has been made easier with the introduction of Chinese RealMe and eVisas. The Chinese language visitor visa application form, introduced in June 2015, now allows Chinese visa applicants to apply online using a Chinese version of the RealMe log on service, enabling them to register in Chinese rather than in English. Landing and navigation pages in Chinese, linked to the online Chinese visitor visa form, have also been introduced as part of our aim to provide a complete online Chinese language application process, from registration to approval.



[www.immigration.govt.nz](http://www.immigration.govt.nz)

**Improved the Quality of the Advice and Support Provided to Migrants**

We are actively working to lift the professionalism and standards of immigration advisers, including:

- › a new Graduate Diploma in New Zealand Immigration Advice level 7 (one-year full-time study), which opened for enrolments in February 2016
- › Immigration Advisers Competency Standards 2015, which came into force in November 2015. The new Competency Standards require new advisers to be supervised for two years, as well as new continuing professional development requirements for licensed immigration advisers.

We also launched a range of new online services that, 78 per cent of licensed advisers have agreed, make it easier to do business with the Immigration Advisers Authority (IAA). First time licence applicants can now apply for their licence online and licensed advisers can renew their licence and complete various other activities online. In March 2016, the importance of using a licensed immigration adviser was promoted in a joint international awareness campaign in India by Immigration New Zealand (INZ) and IAA.

**Supported More Refugees to Settle Successfully in New Zealand**

The New Zealand Refugee Resettlement Strategy focuses on both the refugees’ goals for settling here, and the Government’s humanitarian and migration goals.

The strategy aims to help refugees integrate into local communities, find work and gain access to health and other mainstream services. It combines support from government agencies, non-governmental organisations and refugees themselves.

In June 2016, the Government announced it would permanently increase the refugee quota to 1,000 from July 2018 and agreed to pilot a new community sponsorship category. This demonstrates our commitment to work with the international community and the United Nations High Commissioner for Refugees in assisting refugees to find a durable solution to their protection needs, including refugee resettlement.

**Rebuilt the Mangere Refugee Centre**

All quota refugees who enter New Zealand participate in a six week reception programme at the Mangere Refugee Resettlement Centre, which is designed to prepare them for their new life in New Zealand. The programme focuses on a number of areas including health, settlement planning and orientation to New Zealand life, English language and preparing adults for employment and children for school.

We rebuilt the whole centre to better support refugees’ needs and to provide for a more efficient working environment. The new centre was officially reopened in June 2016. It replaces facilities built in World War II and can now accommodate between 210 and 220 people for each of the six quota intakes every year (compared with 160 in the old facility).

**NZ READY**

The 2016 update and relaunch of INZ’s popular NZ Ready planning tool has seen an immediate increase in usage. The tool helps prospective migrants plan and execute their move to New Zealand through the provision of a personalised and comprehensive list of tasks that they can navigate through. Each task links through to INZ’s New Zealand Now website, providing the user with targeted high quality information to help them settle into work and life in New Zealand.

**IDME**

Being able to identify who you are is paramount to safety and security. Our new state-of-the-art identity management system, known as IDme enables face photos and fingerprint information from applicants to be captured online and automatically matched against personal data already held by Immigration New Zealand.

**SYRIAN REFUGEES**

The plight of Syrian refugees has been highlighted in the media this year. The Government agreed to resettle 750 Syrian refugees over the next two and a half years, 600 of which will be taken in above the annual refugee quota. The Ministry worked with a range of organisations to carefully support the first group of Syrian refugees who arrived in New Zealand in January 2016. A total of 252 Syrian refugees have successfully settled into New Zealand in 2015/16.

## SERVICE PERFORMANCE MEASURES FOR ENSURING NEW ZEALAND HAS THE RIGHT SKILLS

The following table sets out the services that the Ministry is funded to provide and how performance will be assessed for each of those services. In 2015/16, the Ministry met or exceeded all of its performance measures except the following:

- › The percentage of audited visa decisions rated as accurate was 85 per cent compared to our target of 90 per cent. New quality control and assurance processes are now being implemented to address this issue, and we expect to see the benefits of this implementation flowing through to the quality of evidencing the visa decisions made.
- › The methodology for calculating the measure for deportations is under review and we are therefore unable to provide a result for 2015/16. The new methodology will be finalised for use in 2016/17 onwards.
- › The performance result for the Settlement and Recognised Seasonal Employer scheme satisfaction measures were not available at the time this annual report was produced. The results will be available in October/November 2016.
- › The timeliness target for processing student visas was not achieved this year because of the significant volume of high risk student applications received this year, necessitating more time being spent verifying the supporting information on these applications due to their higher risk profile. While timeliness remains a focus we continue to balance this with ensuring that risks are being appropriately managed.
- › The timeliness target for processing refugee and protection claims was not achieved due to a spike in claims during the earlier part of the financial year which impacted on timeliness.
- › There was an increase in the number of complex complaint cases which has impacted on our timeliness target for resolving complaint cases.
- › The timeliness measure for providing information for responses to Ministerial Official Information Act 1982 for the Immigration portfolio were not met, with four (out of 44) requests delivered outside of the specified timeframe. The Ministry is currently implementing improvements that will enable it to be faster and more efficient at responding to requests for information. This includes the implementation of a centralised Ministerial Servicing tool.

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<b>Tertiary Education, Skills and Employment – Employment Sector Analysis and Facilitation</b>				
Labour market information is published on the Ministry of Business, Innovation and Employment's website within agreed timeframes	100%	100%	100%	100%
Labour market scorecard reports delivered quarterly within agreed timeframes	100%	100%	100%	100%
<b>Immigration – Immigration Services</b>				
Percentage of people that are entered on the New Zealand Now database whose occupations match those listed under the Skilled Migrant Category	73%	83%	77%	76%
Percentage of people from priority markets entered on the New Zealand Now database	60%	89%	60%	57%
The percentage of customers satisfied with overall service delivery	80%	84%	83%	85%
Percentage of audited visa decisions rated as accurate	90%	85% <sup>48</sup>	83%	87%
Percentage of all paid deportations that meet the high priority Compliance Deportation criteria	85%	Not reported	92%	93%
Percentage of successful prosecutions	80%	96%	81%	84%
Percentage of migrants who are satisfied with the settlement services they have accessed	80%	Not reported	93%	93%
Percentage of Recognised Seasonal Employer scheme employers satisfied with the overall quality of service provided by the Ministry's Relationship Managers	75%	Not reported	84%	68%
Percentage of visitor visa applications decided within 25 days	90%	94%	96%	95%
Percentage of work visa applications decided within 30 days	85%	85%	89%	89%
Percentage of student visa applications decided within 30 days	90%	88%	90%	93%
Number of people approved for residence under the New Zealand Residence Programme	40,000 – 50,000	52,052	43,085	44,008

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<sup>48</sup> This result is for the first three quarters of 2015/16 only as the year-end result was not available

## SECTION A: OUR ACHIEVEMENTS THIS YEAR

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
The number of visitor visa application decisions made	260,000 – 280,000	334,739	275,332	235,248
The number of work visa application decisions made	190,000 – 210,000	221,421	196,621	179,576
Number of student visa application decisions made	105,000 –123,000	124,262	116,572	93,542
<b>Immigration – Refugee and Protection Services</b>				
Annual quota of United Nations High Commissioner for Refugees mandated refugees and their immediate families who travelled to New Zealand	675 – 825	876	755	750
Percentage of refugee and protection claims decided within 140 days	75%	56%	84%	94%
<b>Immigration – Regulation of Immigration Advisers</b>				
Percentage of new and upgrade licence applications for immigration advisers processed within 15 working days of receiving the full application	95%	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%	98%	–
Percentage of renewal licence applications involving inspections for immigration advisers processed within 40 working days of receiving the full application	80%	95%	91%	–
Percentage of complaint cases (received from 1 July 2014) closed within 115 working days	90%	80%	63%	73%
Percentage of files submitted to Legal Services for prosecution meet the agreed standard as defined in the Immigration Advisers Authority Prosecution file rating	100%	100%	100%	100%
Number of complaint cases closed	40-60	40	143	4
<b>Ministry of Business, Innovation and Employment – Capital Expenditure PLA<sup>49</sup></b>				
Mangere Refugee Centre <sup>50</sup>	Operational in 2016/17	Refugee Centre opened in June 2016	–	–
Christchurch Integrated Government Accommodation <sup>50</sup>	Operational in 2016/17	On track to be operational in 2016/17	–	–
Auckland Accommodation Project <sup>50</sup>	On track to be operational in 2019/20	On track to be operational in 2019/20	–	–
Vision Visa Processing Operating Model and Immigration Global Management System / Immigration ONLINE <sup>50</sup>	Operational in 2015/16 including targeted benefits	New model operational in 2015/16	–	–
Technology Enhancements to Visa Processing Operating Model <sup>50</sup>	Delivering through 2016/17 – 2017/18	On track to be operational in 2016/17	–	–
<b>Policy Advice and Related Outputs MCA<sup>49</sup></b>				
Average satisfaction of Ministers as per the common satisfaction survey <sup>50</sup>	At least 70%	74%	–	–
<i>Policy Advice – Employment</i>				
The satisfaction of the Minister for Tertiary Education, Skills and Employment with the policy advice service, as per the common satisfaction survey	70%	75%	74%	74%

<sup>49</sup> MCA – Multi-Category Appropriation, PLA – Permanent Legislative Authority

<sup>50</sup> New measure introduced in 2015/16

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	75%	65%	71%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
<i>Related Services to Ministers – Employment</i>				
Percentage of requests completed within either specified or statutory timeframes:				
Parliamentary Questions	95% or above	99%	100%	96%
Ministerial Correspondence	95% or above	100%	98%	89%
Ministerial Official Information Act 1982	95% or above	100%	100%	100%
<i>Policy Advice – Immigration</i>				
The satisfaction of the Minister of Immigration with the policy advice service, as per the common satisfaction survey	70%	76%	76%	78%
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	73%	75%	75%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
<i>Related Services to Ministers – Immigration</i>				
Percentage of requests completed within either specified or statutory timeframes:				
Parliamentary Questions	95% or above	100%	91%	100%
Ministerial Correspondence	95% or above	95%	96%	95%
Ministerial Official Information Act 1982	95% or above	91%	90%	85%

## STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR ENSURING NEW ZEALAND HAS THE RIGHT SKILLS

Note performance information for the following appropriations is located in the Service Performance Measures table above.

2014/15 ACTUAL \$000	DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL \$000	2015/16 SUPPLEMENTARY ESTIMATE \$000	2015/16 MAIN ESTIMATE \$000
<b>Departmental Outputs</b>				
4,394	Tertiary Education, Skills and Employment – Employment Sector Analysis and Facilitation	3,167	5,441	3,816
217,257	Immigration – Immigration Services	252,631 <sup>51</sup>	262,386	235,593
20,124	Immigration – Refugee and Protection Services	19,926	20,020	18,685
2,674	Immigration – Regulation of Immigration Advisers	2,373	2,382	2,382
<b>Policy Advice and Related Outputs MCA<sup>52</sup></b>				
1,900	Policy Advice – Employment	1,605	1,533	2,157
415	Related Services to Ministers – Employment	734	779	1,504
4,516	Policy Advice – Immigration	3,620	4,188	6,038
1,082	Related Services to Ministers – Immigration	658	1,376	1,376
<b>252,362</b>	<b>Total expenditure</b>	<b>284,714</b>	<b>298,105</b>	<b>271,551</b>
<b>Departmental Capital Expenditure and Capital Injections</b>				
68,636	Ministry of Business, Innovation and Employment – Capital Expenditure PLA <sup>52, 53</sup>	68,334	113,063	113,063
<b>68,636</b>	<b>Total capital expenditure</b>	<b>68,334</b>	<b>113,063</b>	<b>113,063</b>
<b>How we were funded</b>				
78,383	Crown	94,659	94,659	86,622
2,529	Departmental	4,131	3,572	2,782
176,034	Other Revenue	202,605	195,745	193,051
<b>256,946</b>	<b>Total funding</b>	<b>301,395</b>	<b>293,976</b>	<b>282,455</b>
<b>19,794</b>	<b>*Total Policy Advice and Related Outputs MCA<sup>52</sup></b>	<b>16,569</b>	<b>18,555</b>	<b>21,762</b>

### Significant Financial Variances

Tertiary Education, Skills and Employment – The Employment Sector Analysis and Facilitation Supplementary Estimate included the cost of domestic job fairs in 2015/16. These job fairs will now be held in 2016/17 and have led to actual expenditure being less than the Supplementary Estimate.

The Immigration Global Management System Identity Management programme has been deferred to next year, leading to an underspend this year of \$9.755 million in Immigration – Immigration Services compared with the Supplementary Estimate.

Enhancements to Vision 2015 were scheduled to occur in 2015/16, delays in this project have led to an underspend

of \$27.0 million in capital expenditure. Delays in a number of other smaller projects have led to overall underspend in capital expenditure of \$44.729 million this year.

Resourcing constraints and a delay in the Migrant Research programme has led to the Policy Advice – Immigration and Related Services to Ministers – Immigration ending up underspent at year end by \$1.286 million compared with the Supplementary Estimate.

Other revenue is higher than the Supplementary Estimate as a result of higher than expected migrant visa applications.

<sup>51</sup> In addition to the above expenditure, this appropriation has incurred a re-measurement cost of \$706,000 relating to foreign exchange movements taking total expenditure on this appropriation to \$253,337,000 for 2015/16

<sup>52</sup> MCA – Multi-Category Appropriation, PLA – Permanent Legislative Authority

<sup>53</sup> This appropriation (including capital injections received) was used to invest in the renewal, upgrade and redesign of assets that support the delivery of the Ministry's services. It has been included in the 'Ensuring New Zealand has the Right Skills' section as the majority of expenditure in this year related to the transformation of the immigration service

2014/15 ACTUAL	NON-DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE	LOCATION OF YEAR END PERFORMANCE INFORMATION †
\$000		\$000	\$000	\$000	
<b>Non-Departmental Outputs</b>					
1,904	Tertiary Education, Skills and Employment – Māori and Pasifika Trades Training Consortia	1,559	1,749	2,318	1
<b>1,904</b>	<b>Total Non-Departmental Output Expenses</b>	<b>1,559</b>	<b>1,749</b>	<b>2,318</b>	
<b>Non-Departmental Other Expenses</b>					
348	Crown debt impairment	–	–	–	2
<b>348</b>	<b>Total Non-Departmental Other Expenses</b>	<b>–</b>	<b>–</b>	<b>–</b>	
<b>2,252</b>	<b>Total Non-Departmental Annual Expenses</b>	<b>1,559</b>	<b>1,749</b>	<b>2,318</b>	

† Location of year end performance information:

1. Minister for Tertiary Education, Skills and Employment's Vote Labour Market Non-Departmental report
2. Exemption granted under section 15D(2)(b) of the Public Finance Act 1989.

# Making our Work Environment Attractive and Safe

Reduced workplace accidents and fair employment conditions and relationships provide the right environment for employers and employees to be productive. Our regulatory frameworks provide a level playing field where everyone can succeed and prosper. This includes setting a common understanding about what health and safety means in the workplace and how it should be applied.

## CONNECTING WITH THE WORLD

Everyone has the right to return home from work safely. Internationally it is important that we are seen as an attractive, safe and fair place to work and invest in.

## WHAT WE DO

Our work in improving the legislation and regulations around the workplace is focussed on providing a safe and fair environment where people can be productive.



### Outcome link: More supportive and dynamic business environment

Within this outcome our work contributes to the following intermediate outcomes:

- › Well-regulated labour markets
- › Improved labour force participation.

## WHAT WE ACHIEVED THIS YEAR

### Safer Workplaces

This year we continued to focus on implementing 'Working Safer' reforms, a package of major changes to the health and safety system that has already resulted in the establishment of WorkSafe New Zealand (WorkSafe). These reforms reflect the findings of the Independent Taskforce on Workplace Health and Safety and the Royal Commission on the Pike River Coal Mine Tragedy.

The Health and Safety at Work Act 2015 came into force on 4 April 2016. The law aims to provide a balanced framework to secure the health and safety of workers and workplaces. The Ministry has led the passage of this legislation, which is part of the biggest reform of workplace health and safety legislation in 20 years, in collaboration with other agencies in the wider State sector.

We have also led the development of supporting regulations, and supported WorkSafe in implementing the new regime. This includes other elements such as the joint WorkSafe / Accident Compensation Corporation (ACC) Harm Reduction Plan. We have also commenced a Funding Review of WorkSafe, which is due to report by the end of 2016.

### More Focussed Approach to Enforcing Employment Standards

The Ministry supported the passage of the Employment Standards Legislation this year, which included extension of paid parental leave to more workers, stronger enforcement of minimum employment standards and a range of measures aimed at preventing unfair employment practices in the New Zealand labour market, such as 'zero hour contracts'.

The Ministry is building on the successful work of the Immigration Intelligence Unit by creating a Ministry-wide intelligence unit that can provide insights into regulatory frameworks and better identify future threats and opportunities.

The Ministry has stepped up its resourcing of Labour Inspectorate services over the past two years, enabling a 40 per cent increase in the number of labour inspectors to 55 over that period. The Labour Inspectorate is responsible for the enforcement of minimum employment standards of all workers in New Zealand.

The Labour Inspectorate works closely with regulatory partners and stakeholders to enhance the existing approaches to high risk sectors and to ensure a connected and strategic approach to tackling non-compliance.

### Made it Easier for Businesses to Comply

Many employers still operate a practice of averaging wages over a year or season so that the salary is paid fortnightly or monthly but with more hours worked in a busy part of the year or season. This practice, of not accurately recording work hours, may not comply with the Minimum Wage Act 1983.

The Labour Inspectorate has established a strategic approach to educate employers and work closely with sector bodies, to ensure employers are helped to comply, and are also held accountable when they do not.



## Working Collaboratively to Protect Vulnerable Workers

A priority area of work for the Labour Inspectorate is to detect and combat non-compliance in the dairy, hospitality, retail, construction, and horticulture and viticulture sectors where use of migrant and young workers is high and where such workers are at substantial risk of exploitation by having their employment standards breached. To address the risk for migrant workers, the Labour Inspectorate works closely with Immigration New Zealand to improve compliance with labour and immigration standards. The Inspectorate is also working to address compliance issues with payroll systems under the Holidays Act 1981.

In Canterbury, the Labour Inspectorate contributes to a Joint Migrant Exploitation Prevention Work Plan with other regulators across the Ministry, Inland Revenue Department, ACC and WorkSafe. The plan aims to ensure that only good employers can engage migrant workers. Working collaboratively also helps to lift our combined intelligence capability.

## Improved our Mediation Service

We want to ensure that more New Zealanders throughout the country have access to quality employment mediation services. To do that we have changed the Mediation Services business model and established panels of contract mediators to increase capacity and expertise. We have also developed a national case management approach so that we can better triage cases and match them to available mediators.

## Improved Functioning of the Accident Compensation Scheme

We have continued to focus our efforts on Accident Compensation Scheme funding and levies, supporting the passage of the Accident Compensation (Financial Responsibility and Transparency) Amendment Act 2015. The Amendment Act improves the framework for determining how ACC's levied accounts are funded so it is clearer, has a longer-term focus, and supports more stable levies.

The Amendment Act also enabled residual levies to be removed from 1 April 2016, making Work Account levies fairer. Following the passing of the Amendment Act, the Government Funding Policy Statement was issued in April 2016, which ACC must give effect to when consulting on, and recommending, levy rates in future.



## DEMYSTIFYING COMPLIANCE

The business.govt.nz site has a Compliance Matters section that brings together information from 13 government agencies to make it easier for businesses to understand what they need to do to meet their obligations. We used the website to explain what the new Health and Safety legislation means for businesses.

## VISA VIEW

Visa View – an online visa enquiry system used by employers to check migrants' eligibility to work in New Zealand – has been extended to education providers and other registered users to verify the visa status of people seeking to access their services.

## BREACHING EMPLOYMENT STANDARDS

A Bay of Plenty kiwifruit contracting business was ordered to pay more than \$226,000 by the Employment Relations Authority for arrears and penalties. They were found to have breached the employment standards of 121 workers, including several migrants, after an investigation which was jointly undertaken by a number of agencies.

## EASIER ACCESS TO EMPLOYMENT RECORDS OF SETTLEMENT

The Online Employment Records of Settlement process went live in the last week of March 2016. Having it online enables the process to be streamlined and secure. Both parties and the mediator can now securely check the information online and ensure all minimum standards have been met.

Overall it provides a better understanding of the progress of resolutions because the Record of Settlement process can be tracked from initial submission through to conclusion by all affected parties.

After its first four months of operation, the new process has been taken up by 80 per cent of those filing a settlement. The average turn around to sign off records of settlement has reduced from 10 business days to three.

**SERVICE PERFORMANCE MEASURES FOR MAKING OUR WORK ENVIRONMENT ATTRACTIVE AND SAFE**

The following table sets out the services that the Ministry is funded to provide and how performance will be assessed for each of those services. In 2015/16, the Ministry met or exceeded all of its performance measures except the following:

- › The timeliness target for completing investigations and audits into suspected breaches of regulatory standards of employment legislation measure was impacted by the introduction of new employment legislation and the need to induct new staff.
- › During 2015/16, 1,851 interventions aimed at ensuring compliance with minimum standards of employment legislation (compared with the target of 2,500-3,000).

The number of interventions is demand driven and their numbers decreased this year.

- › The overall score for the technical quality for policy papers prepared for the ACC portfolio was 71 per cent (compared with the target of 73 per cent). This was based on an assessment of 10 ACC policy papers. The Ministry has adopted a whole of Ministry policy quality review process, which assesses quality of papers and identifies where general improvements are required. Addressing the improvements will improve quality in future.

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<b>Workplace Relations and Safety – Employment Relations Services</b>				
Percentage of investigations and audits into suspected breaches of regulatory standards of employment legislation completed within six months	90%	84%	81%	87%
Satisfaction of customers with overall quality and timeliness of mediation services	80% satisfied or very satisfied	86%	80%	81%
The number of interventions aimed at ensuring compliance with minimum standards of employment legislation	2,500-3,000	1,851	2,500	2,338
<b>Workplace Relations and Safety – Shared Services Support</b>				
Services are provided to the service levels and timeframes agreed with WorkSafe New Zealand	Achieved	Achieved	Achieved	–
<b>ACC – Regulatory Services</b>				
The Accident Insurance Regulator responds to all complaints and enquiries, including notices of insurers failing to comply with their obligation under the Accident Insurance Act 1998, within five days of receipt	100%	100%	100%	100%
<b>Policy Advice and Related Outputs MCA<sup>54</sup></b>				
Average satisfaction of Ministers as per the common satisfaction survey <sup>55</sup>	At least 70%	74%	–	–
<i>Policy Advice – Workplace Relations and Safety</i>				
The satisfaction of the Minister for Workplace Relations and Safety with the policy advice service, as per the common satisfaction survey	70%	74%	72%	60%
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	74%	76%	73%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
Meet New Zealand’s International Labour Organisation’s related commitments through protecting and promoting New Zealand’s labour interest, 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

<sup>54</sup> MCA – Multi-Category Appropriation

<sup>55</sup> New measure introduced in 2015/16

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<i>Related Services to Ministers – Workplace Relations and Safety</i>				
Ministers receive advice on entities' Statement of Intent, Annual Report and Quarterly Report, within four weeks of receipt <sup>56</sup>	100%	100%	–	–
Percentage of requests completed within either specified or statutory timeframes:				
Parliamentary Questions	95% or above	99%	100%	96%
Ministerial Correspondence	95% or above	95%	98%	98%
Ministerial Official Information Act 1982	95% or above	100%	84%	85%
<i>Policy Advice – ACC</i>				
The satisfaction of the Minister for ACC with the policy advice service, as per the common satisfaction survey	70%	72%	63%	78%
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	71%	81%	77%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
<i>Related Services to Ministers – ACC</i>				
Percentage of requests completed within either specified or statutory timeframes:				
Parliamentary Questions	95% or above	100%	100%	100%
Ministerial Correspondence	95% or above	98%	100%	100%
Ministerial Official Information Act 1982	95% or above	100%	100%	86%

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<sup>56</sup> New measure introduced in 2015/16

## STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR MAKING OUR WORK ENVIRONMENT ATTRACTIVE AND SAFE

Note performance information for the following appropriations is located in the Service Performance Measures table above.

2014/15 ACTUAL \$000	DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL \$000	2015/16 SUPPLEMENTARY ESTIMATE \$000	2015/16 MAIN ESTIMATE \$000
<b>Our expenditure</b>				
30,915	Workplace Relations and Safety – Employment Relations Services	33,157	33,933	34,134
14,312	Workplace Relations and Safety – Shared Services Support	13,526	15,532	15,532
97	ACC – Regulatory Services	97	120	120
<b>Policy Advice and Related Outputs MCA<sup>57</sup></b>				
8,235	Policy Advice – Workplace Relations and Safety <sup>58</sup>	7,143	7,492	6,200
1,205	Related Services to Ministers – Workplace Relations and Safety <sup>59</sup>	671	735	2,035
1,996	Policy Advice – ACC	1,892	2,151	1,951
445	Related Services to Ministers – ACC	246	301	501
<b>57,205</b>	<b>Total expenditure</b>	<b>56,732</b>	<b>60,264</b>	<b>60,473</b>
<b>How we were funded</b>				
38,359	Crown	44,732	44,732	44,941
	– Departmental	2	–	–
14,206	Other Revenue	13,324	15,532	15,532
<b>52,565</b>	<b>Total funding</b>	<b>58,058</b>	<b>60,264</b>	<b>60,473</b>
<b>19,794</b>	<b>*Total Policy Advice and Related Outputs MCA<sup>57</sup></b>	<b>16,569</b>	<b>18,555</b>	<b>21,762</b>

### Significant Financial Variances

The Workplace Relations and Safety Shared Services Support expenditure relates to back office support and project services provided to WorkSafe New Zealand. This contract was renegotiated in 2015/16 and resulted in a reduction in the cost and an underspend of \$2.006 million compared with the Supplementary Estimate and a corresponding reduction in other revenue.

Actual expenditure on Policy Advice – ACC category was \$0.259 million less than the Supplementary Estimate because the actual support required for independent actuarial advice and review of the Dispute Resolution Service was less than planned.

57 MCA – Multi-Category Appropriation

58 Previously a separate appropriation called 'Policy Advice – Labour'

59 Previously a separate appropriation called 'Ministerial Services'

2014/15 ACTUAL	NON-DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE	LOCATION OF YEAR END PERFORMANCE INFORMATION †
\$000		\$000	\$000	\$000	
<b>Non-Departmental Outputs</b>					
599	Workplace Relations and Safety – Employment Relations Education Contestable Fund	662	1,110	1,110	3
869	Workplace Relations and Safety – Health and Safety in Employment Levy – Collection Services	869	869	869	3
87,061	Workplace Relations and Safety – Workplace Health and Safety	85,994	85,994	85,994	1
111,995	ACC – Case Management and Supporting Services	111,303	111,303	111,303	2
9,107	ACC – Case Management and Supporting Services – Treatment Injuries for Non-Earners	11,867	11,867	11,867	2
296,853	ACC – Public Health Acute Services	310,715	310,715	310,715	2
1,197	ACC – Public Health Acute Services – Treatment Injuries for Non-Earners	1,289	1,289	1,289	3
438,593	ACC – Rehabilitation Entitlements and Services	522,008	522,008	522,008	2
72,300	ACC – Rehabilitation Entitlements and Services – Treatment Injuries for Non-Earners	94,439	94,439	94,439	2
<b>1,018,574</b>	<b>Total Non-Departmental Output Expenses</b>	<b>1,139,146</b>	<b>1,139,594</b>	<b>1,139,594</b>	
<b>Benefits or Related Expenses</b>					
23,323	ACC – Compensation Entitlements	26,903	26,903	26,903	3
7,134	ACC – Compensation Entitlements – Treatment Injuries for Non-Earners	12,652	12,652	12,652	3
<b>30,457</b>	<b>Total Benefits or Related Expenses</b>	<b>39,555</b>	<b>39,555</b>	<b>39,555</b>	
<b>Non-Departmental Other Expenses</b>					
–	Workplace Relations and Safety – Crown Debt Write Offs	21	160	10	3
–	Workplace Relations and Safety – Bad Debt Expense	–	15	15	3
3,098	Workplace Relations and Safety – Employment Relations Authority Members’ Salaries and Allowances PLA <sup>60</sup>	3,080	3,980	3,980	3
450	Workplace Relations and Safety – Joint Equal Employment Opportunities Trust	450	450	450	3
1,291	Workplace Relations and Safety – International Labour Organisation	1,400	1,400	1,400	3
15	Workplace Relations and Safety – New Zealand Industrial Relations Foundation	15	15	15	3
294	Workplace Relations and Safety – Remuneration Authority Members’ Fees, Salaries and Allowances	261	300	300	3
<b>5,148</b>	<b>Total Non-Departmental Other Expenses</b>	<b>5,227</b>	<b>6,320</b>	<b>6,170</b>	
<b>Non-Departmental Capital Expenditure</b>					
1,876	Workplace Relations and Safety – WorkSafe NZ Capability Change Programme	5,797	5,797	5,797	3
<b>1,876</b>	<b>Total Non-Departmental Capital Expenditure</b>	<b>5,797</b>	<b>5,797</b>	<b>5,797</b>	
<b>1,056,055</b>	<b>Total Non-Departmental Annual Expenses</b>	<b>1,189,725</b>	<b>1,191,266</b>	<b>1,191,116</b>	

† Location of year end performance information:

1. WorkSafe New Zealand’s annual report
2. Accident Compensation Corporation’s annual report
3. Exemption granted under section 15D(2)(b) of the Public Finance Act 1989.

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60PLA – Permanent Legislative Authority

# Well-Functioning Building and Housing Markets

A market that provides warm, dry and safe homes that are affordable and closely connected to people's communities and places of work is important to all New Zealanders. It contributes to people being healthier and happier, having access to the support networks that family and friends provide and better education outcomes for children. At the same time, businesses need buildings that are safe and fit-for-purpose so they can provide jobs, deliver the products and services that communities need and help grow the economy.

Suitable housing in the right place and at the right price has enormous benefits for the well-being of the country as a whole. Work is underway to develop a housing affordability index that will be used to measure well-functioning building and housing markets.

## CONNECTING WITH THE WORLD

New Zealand's growing attraction as a place to live and work means fewer New Zealanders are leaving and more migrants are arriving. While a sign of success, it is adding to the housing demand.

Increasing housing supply and keeping homes affordable is a major focus for the Ministry. The situation is particularly acute in Auckland, where there is currently a shortfall in housing supply and demand continues to grow.

The pressure people are feeling in the housing market is real and immediate, but increasing housing supply takes time to have an impact because of the time it takes to build new dwellings, infrastructure and services.

New Zealand is not unique in facing high house prices particularly in major urban centres, but we do have a natural advantage with available land that could be converted to housing. Nationally, property prices in New Zealand are substantially higher than in the early 2000s. Over the past five years much of the country has seen moderate growth; however Auckland, Christchurch and more recently other North Island areas have been subject to significant pressure.

Drivers of price growth are varied, but include increased demand for housing from population growth, immigration, investor activity, and the impacts of the Canterbury earthquakes. In terms of supply, the relative slowness of new 'shovel ready' land to come on stream, the impact of rules governing what can be built where, and the time needed for residential construction firms to gear up again after the sharp slowdown during the global financial crisis, have all contributed to a housing shortage in fast growing areas like Auckland.

There is also a growing demand for tenancy related services, reflecting both our growing population and a gradual increase in the proportion of households living in rental accommodation.

## WHAT WE DO

We have a number of areas of focus, from increasing the supply of housing, to advising on the rules that govern housing and construction markets, to developing first home buyer assistance policies, to providing tenancy services to landlords and tenants. We also have an important role in ensuring that the construction industry is delivering high quality products and services.



### Outcome link: The built environment better supports a well-functioning economy

Within this outcome our work contributes to the following:

- › Well-functioning housing and construction markets that deliver safe, affordable and fit-for-purpose residential and commercial buildings
- › Increased quality and accessibility (including affordability) of infrastructure.

## WHAT WE ACHIEVED THIS YEAR

### Freed up More Land for Housing in Auckland

Under the Crown Land Development Programme, we have identified and purchased vacant or under-utilised Crown land in Auckland to be used to further increase the supply of housing. This land is being made available to iwi and private sector partners to develop. A proportion of the homes built will be priced in the affordable range. Across the Programme as a whole, a minimum of 20 per cent of the new dwellings will be available for social housing.

The following sites are currently being developed:

- › Moire Road, Massey
- › Great North Road, Waterview
- › New North Road, Mt Albert
- › Manukau Station Road, Manukau.

The Ministry is working closely with other government agencies to identify further sites for inclusion in the Crown Land Development Programme.

### **Made it Faster for New Housing Developments to Occur**

Special Housing Areas (SHAs) allow local councils to fast-track new housing developments and enable developers to build and sell new homes.

The SHAs have a mix of homes developed by private sector development companies and homes built by community housing organisations, iwi or others in the private sector to meet the needs of particular groups. As at May 2016, 205 SHAs had been established with 154 of them being in Auckland. Altogether, these 205 SHAs will have capacity to provide 69,000 dwellings in the long-term (56,000 in Auckland). In addition, we are currently working with Queenstown-Lakes District Council on a further four SHA proposals, with a combined potential capacity for more than 590 dwellings.

In the 12 months to June 2016, building consents were issued for 29,097 dwellings across the country – up 15 per cent from the previous 12 months.

### **Community Housing Regulatory Authority**

The Community Housing Regulatory Authority registers and regulates community housing providers (CHPs) that wish to house tenants from the Social Housing Register.

Sixteen applications were received in year ending June 2016. Four were approved, bringing the total number of registered CHPs to 37 (one was approved in August 2016 bringing the total number to 38). Six applications were declined and the remaining applications are in varying stages of evaluation, including those awaiting further information from applicants.

The Authority has recently implemented a pre-screening process to help reduce the number of declined applications. This includes meeting with prospective applicants before they submit an application to determine their eligibility and ability to meet the Performance Standards and to help them understand the requirements of becoming a registered CHP.

### **WAIMAHIA INLET (WEYMOUTH)**

Work has commenced on New Zealand's largest community housing development – Waimahia Inlet (Weymouth) in South Auckland. The development is currently forecast to be completed by the end of 2017. As at 30 June 2016, 144 (84 social rental and assisted home ownership and 60 owner occupier) had been completed.

The project will develop a minimum of 282 homes on the Weymouth site. 113 homes will be sold as affordable housing to owner occupiers and the remaining 169 homes will go to community and social housing providers (including rental and assisted home-ownership properties).

\$102 million funding for the development comes from the proceeds of the private sales and investment by the community housing providers. The Social Housing Fund has also invested \$29 million.

### **CHRISTCHURCH HOUSING**

The Awatea, Welles Street and Colombo Street developments will increase the housing supply in Christchurch by 420 units with approximately 145 homes at price points that fit with the Government's Welcome Home Loan and KiwiSaver HomeStart scheme and are therefore attainable for first home buyers.

In Awatea construction on the first stage was completed in mid-March 2016 (56 houses of which 17 are affordable, and five are shared-equity). The development of 109 residential dwellings comprising a range of different sized apartments is underway in Welles Street. In Colombo Street, 73 residential dwellings comprising a range of different size apartments and townhouses will be completed by mid-2017.

### **RESOLVE**

We receive over 38,000 Residential Tenancy dispute applications per year. The introduction of the tenancy work flow management system (Resolve) has increased efficiency throughout the tenancy process, with online applications increasing from 70 per cent to 95 per cent. We have significantly reduced the processing time for online applications, from 48 to 24 hours, improved the service to the public through features like the online provision of mediation information, reduced the need to repeat information and made it easy for other government agencies like Housing New Zealand Corporation and Ministry of Justice to share information.

### Continued to Support the Rebuild of Canterbury

In Canterbury, since the earthquakes we have been working with construction businesses and the council to resolve housing issues. This involved understanding and meeting workforce needs through training and immigration, education about building quality and safety at work, monitoring and providing guidance on building standards. There is still more to do, but the market is stabilising.

This year, as part of the ongoing redevelopment of Christchurch, the Ministry has taken over some of the functions of Canterbury Earthquake Recovery Authority (CERA) including monitoring insurance settlements and brokering solutions in residential and rebuild issues.

### Making Homes Warmer and Safer

The Residential Tenancies Act 1986 was amended to require smoke alarms and insulation in residential rental properties and other tenancy improvements.

An information campaign directed at tenants, landlords and property managers has begun so that everyone knows their rights and responsibilities around warmer, drier, safer rentals after the changes to the Residential Tenancies Act. We have focussed on smoke alarms and insulation as they have the biggest impacts on tenant health and safety.

The Ministry has new powers to investigate and prosecute landlords for breaking tenancy laws – particularly where there is risk to the health and safety of tenants. In addition, amendments to the Act will ensure tenants can take concerns about the health and safety of their rental property to the Tenancy Tribunal without fear of being evicted.

### Improving Tenancy Services

We have continued to improve our tenancy services delivery by modernising our systems for administering bond payments, and managing and scheduling mediation and tribunal hearings. Around 400,000 tenancy bond transactions are processed each year, with nearly half of them being bond lodgements. In November 2015, we launched a new online payment mechanism allowing customers to lodge their bonds using the payment method that suits them (instead of the previous cheque-only option) through the Tenancy Services website.

### Weathertight Services

The Ministry is responsible for delivering timely financial assistance and services to owners of leaky buildings.

The services are in constant transformation as the demand changes focus. We have invested in our reporting tools this year, which enable us to monitor the progress of claims and keep our key stakeholders informed. The nature of the demand is changing and now the focus is on multi-unit developments. Multi-unit complexes can represent many affected homeowners.

We undertook a media campaign through regional newspapers to raise awareness that the Financial Assistance Package (FAP) was closing on 23 July 2016. The closing of the FAP created an increase in the number of applications equivalent to half of the previous years.





### Refocusing our Efforts for the Future

Over the last decade, work in the building system focussed on responding to major events (leaky buildings and the Christchurch earthquakes) and more recently on housing growth and affordability.

Our growing focus now includes ensuring that the building regulatory system is coherent and adaptable for the longer term so that we can lift the confidence of both end users and investors in the products delivered by the construction industry. A regulatory charter for the sector is being developed so that everyone knows what their role is for the sector and how they contribute. Working together, with the industry and end users, we will develop more insight and be able to make better decisions for the whole sector.

The transfer of Standards New Zealand into the Ministry provides an opportunity to improve the long-term plan for the Building Code and the use of standards in the building regulatory system.

### GETTING THE MESSAGE OUT

The Ministry launched a Pacific radio advertising campaign to raise awareness among Pacific tenants, landlords, workers and employers. As well as in English, the advertisements are in four Pacific languages: Samoan, Tongan, Cook Island and Niuean. This is an excellent opportunity to provide tenancy and employment information in an easy and familiar way.

### MAKING OUR BUILDINGS SAFER

The Canterbury earthquakes and subsequent Royal Commission of Inquiry into the failure of certain buildings in Christchurch highlighted the risks to life that some buildings may pose in an earthquake. The Ministry has led the development of new rules to identify and manage earthquake-prone buildings, prioritising action on buildings in the high and medium seismic hazard areas. Over time, this progressive upgrade of New Zealand's building stock will provide more protection in any future earthquake events.



Senior Advisor Pacific – Information and Education, Afemaletā Mene Setefano (right) joins the conversation on Pacific radio

## SERVICE PERFORMANCE MEASURES FOR WELL-FUNCTIONING BUILDING AND HOUSING MARKETS

The following table sets out the services that the Ministry is funded to provide and how performance will be assessed for each of those services. In 2015/16, the Ministry met or exceeded all of its performance measures except the following:

- › The Ministerial satisfaction survey is conducted twice a year and the June results are normally reported in the annual report. The June 2016 survey result from the Minister for Building and Housing was not available at the time this annual report was produced.
- › The timeliness target for making determinations within statutory timeframes was not met this year (97 per cent compared with the target of 100 per cent). This was due to two determinations that were particularly complex in terms of technical and legal issues, and took longer to analyse and prepare as a result.
- › The occupancy rates of village units target of 90 per cent was not achieved because of an easing in service demand which led to a year end result of 78 per cent.
- › The timeliness target for investigating complaints against electrical workers and providing a report to the Registrar was not achieved this year (80 per cent compared with the target of 85 per cent). This was due to the complexity of the complaints which meant they took longer to complete.
- › The overall score for the technical quality for policy papers prepared for the Building and Housing portfolio was 72 per cent (compared with the target of 73 per cent). This was based on an assessment of 33 policy papers. The Ministry has adopted a whole of Ministry policy quality review process, which assesses quality of papers and identifies where general improvements are required. Addressing the improvements identified will improve quality in the future.
- › The timeliness measure for providing information for responses to Parliamentary Questions relating to the Building and Housing Portfolio were not met, with 11 (out of 139) Parliamentary Questions delivered outside of the specified timeframe. The Ministry is currently implementing improvements that will enable it to be faster and more efficient at responding to requests for information. This includes the implementation of a centralised Ministerial Servicing tool.

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<b>Building Regulation and Control</b>				
The satisfaction level of the Minister for Building and Housing with the policy advice service provided, as per the common satisfaction survey	At least 70%	62%	72%	75%
Provide technical and regulatory advice, information and education on a range of schemes and services	80% of users surveyed are satisfied	94%	87%	99%
The percentage of determinations successfully appealed	Less than 2%	Achieved-No determinations successfully appealed	Achieved	Achieved
The percentage of determinations subject to clarification due to inadequate coverage of issues	Less than 3%	2.2%	Achieved	Achieved
The percentage of determinations completed within the statutory timeframe (60 days) without agreement of the parties to extend timeframes	100%	97%	98%	99%
<b>Canterbury Recovery: Building and Housing Assistance</b>				
The percentage of clients satisfied with the matching and placement service (including support to transition)	80% are satisfied or very satisfied	87%	87%	94%
The occupancy rates of village units at all times, which indicate the resource is being utilised to accommodate displaced households	90%	78%	85%	–
<b>Community Housing Regulatory Authority</b>				
Applications for registration of Community Housing providers are processed within 60 working days <sup>61</sup>	90%	100%	–	–

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61 New measure introduced in 2015/16

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<b>Occupational Licensing</b>				
The percentage of building practitioner relicensing applications relicensed within five working days upon receipt of a correctly completed application	90%	98%	99%	94%
The percentage of building practitioners new licence applications processed within 35 working days upon receipt of a correctly completed application	95%	96%	99%	100%
The percentage of electrical workers registered or issued with a practising licence within 10 working days of receipt of a correctly completed registration or licensing application	95%	98%	99%	99%
The percentage of complaints against non-registered and registered electrical workers that will be investigated and a report provided to the Registrar within 12 weeks of receipt	85%	80%	93%	88%
<b>Tenant Health and Safety Information – MYA<sup>62</sup></b>				
Deliver information campaigns to promote warm, dry and safe residential rental homes <sup>63</sup>	By June 2017	On track	–	–
<b>Professional Engineering Input Toward the Resolution of Canterbury Residential Rebuild Design Uncertainty</b>				
All payments to professional engineering advisors will be made in accordance with agreed procedures	Achieved	Achieved	Achieved	–
<b>Redevelopment of Surplus Crown Land</b>				
Invitation to partner process completed and partner(s) appointed by 30 June 2016 <sup>63</sup>	Achieved	Achieved	–	–
<b>Residential Tenancy and Unit Title Services</b>				
The percentage of process bond lodgements within 10 business days with less than 1.5% error rate	90%	100%	100%	96%
The percentage of process bond refunds within 2 business days with less than 1% error rate	90%	98%	100%	93%
Satisfaction of customers with overall quality and timeliness of mediation services	80% satisfied or very satisfied	80%	92%	88%
<b>Social Housing Unit</b>				
Develop various engagement mechanisms with social and affordable housing providers	Guidelines and requirements met	Achieved	Achieved	Achieved
<b>Special Housing Areas</b>				
Resource consents issued according to statutory timeframes <sup>63</sup>	Achieved	None processed	–	–
<b>Weathertight Services</b>				
Satisfaction of customers with the overall quality of weathertight mediation services provided	70% satisfied or very satisfied	70%	80%	77%
<b>Greater Christchurch Recovery</b>				
Ministers and Department of the Prime Minister and Cabinet are satisfied with the advice and quarterly reports showing progress in residential rebuild, repair and insurance issues <sup>63</sup>	Satisfied or very satisfied	Satisfied	–	–
Ministerial satisfaction with the public sector rebuild programme monitoring reports <sup>63</sup>	Satisfied or very satisfied	Satisfied	–	–
A summary of the Public Sector Rebuild report will be available on CERA or other suitable website within two weeks of being approved by the Minister <sup>63</sup>	Achieved	Report not completed as at 30 June 2016	–	–

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62 MYA – Multi-Year Appropriation

63 New measure introduced in 2015/16

## SECTION A: OUR ACHIEVEMENTS THIS YEAR

PERFORMANCE MEASURE	2015/16 TARGET	2015/16 ACTUAL	2014/15 ACTUAL	2013/14 ACTUAL
<b>Policy Advice and Related Outputs MCA<sup>64</sup></b>				
The satisfaction of the Minister for Building and Housing with the policy advice service, as per the common satisfaction survey	At least 70%	62%	72%	80%
<i>Policy Advice – Building and Housing</i>				
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80%	Average of at least 73%	72%	73%	69%
The total cost per hour of producing policy outputs	At most \$155	\$141	\$152	Not reported
<i>Related Services to Ministers – Building and Housing</i>				
Percentage of requests completed within either specified or statutory timeframes:				
Parliamentary Questions	95% or above	92%	97%	97%
Ministerial Correspondence	95% or above	95%	96%	89%
Ministerial Official Information Act 1982	95% or above	96%	86%	72%
<b>Community Group Housing MCA<sup>64, 65</sup></b>				
The number of community group housing properties and related housing services provided by Housing New Zealand Corporation <sup>66</sup>	Up to 1,500	1,485	–	–

### STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR WELL-FUNCTIONING BUILDING AND HOUSING MARKETS

Note performance information for the following appropriations is located in the Service Performance Measures table above.

2014/15 ACTUAL	DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE
\$000		\$000	\$000	\$000
<b>Our expenditure</b>				
24,012	Building Regulation and Control	23,061	27,368	20,809
1,414	Canterbury Recovery: Building and Housing Assistance	890	1,482	1,482
–	– Greater Christchurch Recovery	1,205	2,197	–
8,957	Occupational Licensing	9,556	9,566	9,266
390	Professional Engineering Input Toward the Resolution of Canterbury Residential Rebuild Design Uncertainty	400	700	700
–	– Redevelopment of Surplus Crown Land	1,930	2,003	2,003
24,753	Residential Tenancy and Unit Title Services	24,662	24,890	24,523
2,207	Special Housing Areas	–	3,000	3,000
–	– Tenant Health and Safety Information – MYA <sup>64</sup>	344	400	–
10,210	Weathertight Services	8,974	13,731	15,668
2,363	Social Housing Unit	437	600	600
–	– Community Housing Regulatory Authority	675	700	700
<b>Policy Advice and Related Outputs MCA<sup>64</sup></b>				
9,978	Policy Advice – Building and Housing <sup>67</sup>	11,735	13,573	13,616
134	Related Services to Ministers – Building and Housing	161	282	282
<b>84,418</b>	<b>Total expenditure</b>	<b>84,030</b>	<b>100,492</b>	<b>92,649</b>

64 MCA – Multi-Category Appropriation, MYA – Multi-Year Appropriation

65 End of year performance reporting for this appropriation has been included in the main body, rather than as an appendix, to this Annual Report

66 New measure introduced in 2015/16

67 Previously two separate categories, 'Building and Construction Policy' and 'Housing Policy Advice'

2014/15 ACTUAL	DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE
\$000		\$000	\$000	\$000
<b>How we were funded</b>				
32,211	Crown	37,476	37,476	35,892
-	– Departmental	234	143	-
61,972	Other Revenue	61,940	61,382	54,813
<b>94,183</b>	<b>Total funding</b>	<b>99,650</b>	<b>99,001</b>	<b>90,705</b>
<b>10,112</b>	<b>*Total Policy Advice and Related Outputs MCA<sup>68</sup></b>	<b>11,896</b>	<b>13,855</b>	<b>13,898</b>

### Significant Financial Variances

Resourcing constraints has led to delays in a number of projects and a resulting underspend of \$4.307 million in Building Regulation and Control compared with the Supplementary Estimate. These delays have also had an impact on the expenditure incurred under the Policy Advice and Related Outputs MCA.

The underspend in Greater Christchurch Recovery of \$1.159 million reflects the lower demand for services by CERA and efficiencies gained from the transition of CERA into the

Ministry. Weathertight Services is also underspent because of lower demand for weathertight services.

The Canterbury Earthquakes: Building and Housing Assistance appropriation is underspent by \$0.592 million due to lower demand for its services compared to previous years as the rebuild takes shape.

The Special Housing Areas appropriation is only required should the Ministry have to provide resource consenting processes in Special Housing areas. This is a contingency and, so far, the Ministry has not been called upon to provide this service.

2014/15 ACTUAL	NON-DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE	LOCATION OF YEAR END PERFORMANCE INFORMATION †
\$000		\$000	\$000	\$000	
<b>Non-Departmental Outputs</b>					
2,447	Canterbury Earthquakes: Emergency and Temporary Accommodation	716	2,931	3,384	4
14,121	HNZC Housing Support Services	6,879	11,314	11,314	2
926	Management of Crown Properties held under the Housing Act 1955	8	1,395	1,395	2
1,670	Tamaki Regeneration	3,370	4,570	3,370	4
2,551	Kāinga Whenua Infrastructure Grant	-	-	-	
(728)	Purchase of housing and related services for tenants paying income related rent	-	-	-	
<b>20,987</b>	<b>Total Non-Departmental Output Expenses</b>	<b>10,973</b>	<b>20,210</b>	<b>19,463</b>	
<b>Benefits or Related Expenses</b>					
31,904	KiwiSaver HomeStart grant	65,949	78,268	78,268	4
<b>31,904</b>	<b>Total Benefits or Related Expenses</b>	<b>65,949</b>	<b>78,268</b>	<b>78,268</b>	
<b>Non-Departmental Other Expense</b>					
3,919	Community Housing Rent Relief Programme	-	-	-	
1,495	Housing Assistance	1,397	1,502	1,502	4
-	– Impairment of Crown Assets	-	20	-	4
-	– Payments in respect of the Weathertight Services Loan Guarantees PLA <sup>68</sup>	-	1,700	1,700	4
819	Rural and Māori Housing	-	-	-	
3,097	Unwind of Discount Rate Used in the Present Value Calculation of Direct Payments Under the Weathertight Homes Financial Assistance Package	2,500	3,000	2,352	4
281	Weathertight Services: Guarantee Fee Subsidy	-	200	727	3

68 MCA – Multi-Category Appropriation, PLA – Permanent Legislative Authority

## SECTION A: OUR ACHIEVEMENTS THIS YEAR

2014/15 ACTUAL	NON-DEPARTMENTAL APPROPRIATIONS	2015/16 ACTUAL	2015/16 SUPPLEMENTARY ESTIMATE	2015/16 MAIN ESTIMATE	LOCATION OF YEAR END PERFORMANCE INFORMATION †
\$000		\$000	\$000	\$000	
28,500	Wellington City Council Social Housing Assistance	26,500	26,500	26,500	3
39,582	Social Housing Fund – MYA <sup>69</sup>	17,956	21,600	21,240	3
	– Social Housing Provider Development	760	761	726	4
<b>77,693</b>	<b>Total Non-Departmental Other Expenses</b>	<b>49,113</b>	<b>55,283</b>	<b>54,747</b>	
	<b>Non-Departmental Capital Expenditure</b>				
	– Auckland Housing Developments	30,096	48,595	–	3
7,206	Acquisition and Improvement of Housing New Zealand Corporation State Houses	–	–	–	
13,880	Christchurch Housing Developments	–	–	–	
173,900	Refinancing of Housing New Zealand Corporation and Housing New Zealand Limited Debt	–	–	–	
<b>194,986</b>	<b>Total Non-Departmental Capital Expenditure</b>	<b>30,096</b>	<b>48,595</b>	<b>–</b>	
	<b>Multi-Category Expenses and Capital Expenditure</b>				
	– <b>Community Group Housing MCA<sup>69</sup></b>	<b>19,207</b>	<b>19,338</b>	<b>19,338</b>	1
	Non-Departmental Output Expenses				
	– Community Group Housing Market Rent Top-Up	9,434	9,434	9,434	
	Non-Departmental Other Expenses				
	– Community Housing Rent Relief	3,973	4,104	4,104	
	Non-Departmental Capital Expenditure				
	– Acquisition and Improvement of Community Group Housing Properties	5,800	5,800	5,800	
	– <b>Total Multi-Category Expenses and Capital Expenditure</b>	<b>19,207</b>	<b>19,338</b>	<b>19,338</b>	
<b>325,570</b>	<b>Total Non-Departmental Annual and MYA<sup>69</sup> Expenses</b>	<b>175,338</b>	<b>221,694</b>	<b>171,816</b>	

† Location of year end performance information:

1. Ministry of Business, Innovation and Employment's annual report
2. Housing New Zealand Corporation's annual report
3. Minister for Building and Housing's Vote Building and Housing Non-Departmental Appropriations report
4. Exemption granted under section 15D(2)(b) of the Public Finance Act 1989.

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69 MYA – Multi-Year Appropriation, MCA – Multi-Category Appropriation

# Ensuring we are fit for purpose

The Ministry was formed in 2012 to bring together business facing functions and create a lead micro-economic agency. Our structure enables us to take a whole-of-system approach to policy development, regulatory settings and service delivery.

## **WE ARE WORKING DIFFERENTLY**

Our Business Strategy identifies key programmes of work where we will actively collaborate across the business to deliver. Our leadership team are focussed on driving results and has adopted a 90 day planning and reporting cycle for major projects to ensure we are delivering at pace.

## **WE ARE MORE FOCUSED AND INTEGRATED**

Our business strategy identifies those programmes where the Ministry has the potential to make the biggest difference to economic growth and our key stewardship obligations.

We are continuing to focus our efforts on involving and engaging our people on the Ministry's common purpose. Our efforts so far have resulted in a 92 per cent response rate for our engagement survey and our engagement index increasing to 69.2, up from 67.7 in 2015 and 66.2 in 2014.

## **OPERATING IN A MORE BUSINESS-LIKE MANNER**

We have been maturing in how we manage corporate services such as human resources, communications, Ministerial servicing, internal governance and information and communications technology services.

This year has been about service improvement. Key initiatives have included the introduction of strategic partners within corporate services, who understand and can support business unit goals, and increasingly developing more centralised tools that teams can use. These tools allow staff and managers to get on with their core jobs as well as reducing demands on corporate services.

We are mindful of the remaining challenges, particularly the need to ensure our payroll system is fit for purpose and to remedy historical errors.

## **RAPID INNOVATION CHALLENGES**

We are using a range of techniques and tools to address problems or improve our services. We gather expertise from across the Ministry and use innovative design-led processes to define a problem and come up with new processes or solutions that can be quickly implemented.

This method was used to improve Tenancy Services' ability to manage increasing numbers of public enquiries. We will continue to investigate innovative practices and learn quickly to improve services.

## **INTEGRATED REGULATORY ENFORCEMENT**

Regulatory enforcement is key to achieving the Ministry's purpose of 'Growing New Zealand for all', and in today's modern, highly complex regulatory environment we know we make our greatest impact when we work together. The Ministry established an Integrated Regulatory Enforcement Branch in July 2015 to help regulators across the Ministry work together on complex multi branch inquiries. The Ministry also created a new Intelligence Unit to consolidate and leverage intelligence capability.

## **STRENGTHENING RISK MANAGEMENT**

The Ministry continues to strengthen its risk management maturity. The corporate risk function is embedded to support good operational risk management and regular Senior Leadership Team risk management engagement. The Ministry's internal policy and compliance policy frameworks were completed, further supporting good governance through clarifying roles and responsibilities. Substantial work to revise the Ministry's risk management policy and framework was also completed. A strong focus next year will be on risk education and tools to continue to embed good risk management practice across the Ministry, with the goal of assisting the Ministry to achieve its organisational development priorities.

**WE ARE DELIVERING A WIDER RANGE OF SERVICES TO MORE PEOPLE**

We have developed the ability to facilitate the smooth addition of new groups and functions within the Ministry as needed. Examples this year include the successful integration of some of CERA's functions to our procurement, dispute resolution and engineering areas and the inclusion of Standards New Zealand and the Government Property Group within the Ministry.

We have also changed our delivery model to provide a more responsive service for customers and enable us to support large volume increases in core services such as visas, Intellectual Property Office of New Zealand, Tenancy Services and Labour Inspectorate.

**WE ARE INVESTING IN PEOPLE AND CAPABILITY**

The Ministry is committed to equal employment opportunities, and recognises the strength that the diversity of its workforce brings in providing the best services to the Government of the day and to all New Zealanders.

We regularly acknowledge and celebrate our people's success through the Ministry-wide Awards Programme and the Chief Executive Recognition Programme.

**Career pathways**

The Ministry is one of the largest employers of policy and regulatory advisors in government and we are developing initiatives to build the expertise, knowledge and skills of advisors at all levels. This has resulted in a structured career framework that supports people to develop and build up experience and skills. We want to develop our staff. For example, we now have regular opportunities for rotating staff within the organisation so that they can gain valuable experience.

**Leadership**

Being able to grow great leaders is fundamental to sustaining a high performing organisation. We launched People Leader forums in 2015 to set leadership expectations and behaviours of our existing leaders. We continue to run the Management in Action programme to acclimatise new people leaders for their first-time role as a manager. We have also implemented processes to identify and manage our leadership talent, and our Aspiring Leaders Programme is designed to help build a pipeline of potential future leaders.

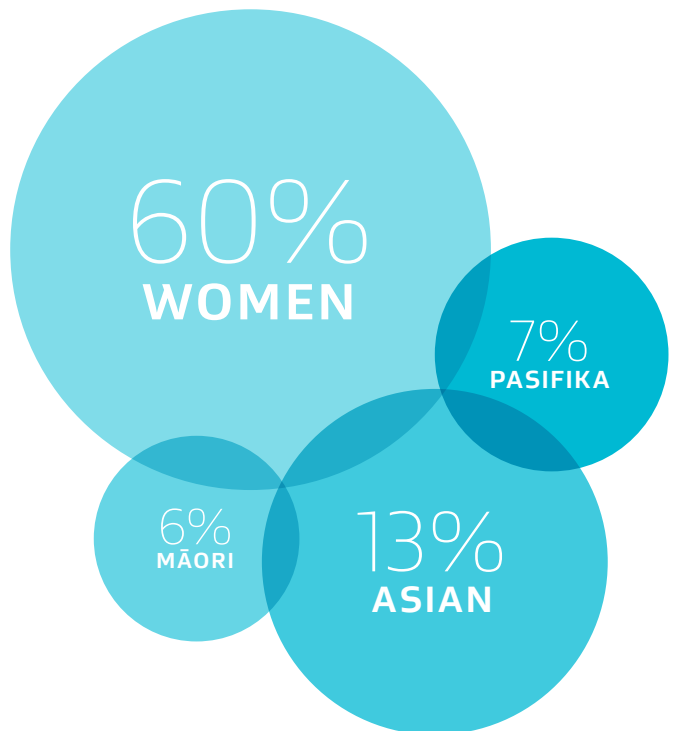
**Keeping safe**

The Ministry's Health, Safety and Security Improvement Programme is ensuring that we are doing all we can to keep our people healthy, safe and secure at work, especially those most at risk in roles on the front line. This programme also reflects the changes in the new Health and Safety at Work Act 2015.

**WOMEN IN LEADERSHIP COMMITTEE**

The Women in Leadership committee is a volunteer-run, grass-roots group. Its purpose is to encourage women in all positions to take opportunities to lead, influence and achieve their career goals. It aims to both challenge and support the Ministry on gender issues with the aspiration of making the Ministry a leader in this area, and provides a connection to other national and regional networks, as well as external leaders.

Women in Leadership produces an ongoing series of seminars, speed mentoring events and practical tools designed to support women aspiring to be in, and currently in, leadership positions. In the 2015/16 year, the group have focussed on themes such as Superdiversity, Māori and Pasifika perspectives and supporting the establishment of the wider Government Women's Network.







## SECTION B: Overall Progress Towards Growing New Zealand for All

Our work is focussed on moving Growing New Zealand for all.

The following section sets out the performance measures and targets that we are using to track our progress towards Growing New Zealand for all.

It shows the collective impact of our achievements and the achievements of our partners in helping to move New Zealand forward.

### PROGRESS SECTIONS

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KEY INDICATORS

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GREATER VALUE  
SUSTAINABILITY  
DERIVED FROM  
THE NATURAL  
ENVIRONMENT

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MORE  
SUPPORTIVE  
AND DYNAMIC  
BUSINESS  
ENVIRONMENT

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MORE PRODUCTIVE  
AND PROSPEROUS  
SECTORS, REGIONS  
AND PEOPLE

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AN INCREASED  
NUMBER OF  
HIGHLY SKILLED  
PEOPLE AND  
INNOVATIVE FIRMS

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THE BUILT  
ENVIRONMENT  
BETTER SUPPORTS A  
WELL-FUNCTIONING  
ECONOMY

# Key Indicators



## **INCREASE REAL HOUSEHOLD INCOME 40% BY 2025**

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

### **OBJECTIVES**

#### **More Competitive Businesses**

Double labour productivity growth  
Increase exports/GDP ratio to 40 per cent

#### **Job Opportunities For All**

Unemployment under 4 per cent

#### **Affordable Housing**

Lower ratio of housing costs to income

### **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

To demonstrate progress towards our priorities and purpose, we have a set of key indicators that reflect how New Zealand's economy is progressing towards the targets we have set.

MEASURE	DESIRED TREND	ACTUAL TREND	COMMENT
Increase real household income by 40% from a median of around \$1,300 to \$1,800 a week by 2025	↑	Not reported this year	The data for this measure was not available at the time this annual report was prepared. In 2014/15, real incomes grew 2.7%. That pace of growth needs to be sustained over the next decade in order to achieve the 40% growth target by 2025. Over the past 15 years, the average annual growth rate has been just 1.75% suggesting the road ahead remains challenging.
<i>Source: New Zealand Income Survey and Consumer Price Index, Statistics New Zealand</i>			
Double labour productivity growth to around 2% per year by 2025	↑	→	Between 1987 and 2015, average annual growth in labour productivity was 2.0% and did not change in the last 12 months. In addition, labour force participation has increased 4.2% (benefitting many households).
<i>Source: Productivity Statistics, Statistics New Zealand</i>			
Increase value of exports of goods and services to 40% of GDP by 2025	↑	↑	There has been an increase in the value of exports over the past three years (29.6% in 2016 compared with 28.8% in 2014). <sup>70</sup>  Conditions for our exporters are expected to improve in coming years, but remain challenging as many countries struggle to deal with the aftermath of the Global Financial Crisis.
<i>Source: Gross Domestic Products, Statistics New Zealand</i>			
Job opportunities for all reflected in unemployment below 4% by 2025	↓	↓	As at March 2016, the unemployment rate was 5.2% (compared with 5.4% in 2015). Most forecasters expect the unemployment rate to continue to trend lower over the next few years, with the Treasury forecasting a rate of 4.5% in March 2020.
<i>Source: Household Labour Force Survey, Statistics New Zealand</i>			
Improved housing affordability	↓	Not available	The Housing Affordability Measure is in its final stages of development, for public release next year.
<i>Source: Ministry of Business, Innovation and Employment</i>			

70 The data for this measure has been revised by Statistics New Zealand



# More Supportive and Dynamic Business Environment

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	ACTUAL TREND	COMMENT
Well-regulated and competitive markets	Improve New Zealand's position in the World Economic Forum (WEF) Global Competitiveness Report	↑	↑	New Zealand's global competitiveness ranking has been improving and is strong on most of the measures that determine it (ranked 16th out of 140 countries in 2015/16 compared with 17th in 2014/15 and 23rd in 2013/14). <i>Source: Global Competitiveness Reports, World Economic Forum</i>
	Improve New Zealand's position in the WEF Global Competitiveness Index on Institutions: 1.09 Burden of government regulation	↑	↓	New Zealand's ranking has fluctuated on this measure over the past four years from 113 out of 148 countries in 2014 to 17 out of 144 countries in 2015 and 36 out of 140 countries in 2016. Work underway within the BPS Result 9: Better for Business programme may improve our ranking. <i>Source: Global Competitiveness Reports, World Economic Forum</i>
Increased business and consumer confidence in markets	Improve confidence of New Zealanders in financial markets	↑	↓	Confidence in financial markets declined in 2016 compared to the last couple of years but remains higher than 2013 levels (56% compared with 60% in 2014/15 and 58% in 2013/14). Business and consumer awareness of the Financial Markets Authority has a positive impact on market confidence. The way this measure is calculated has changed slightly this year, but will be consistent in out years. <i>Source: Financial Markets Authority</i>
	Improvement in New Zealand's ranking in the WEF Global Competitiveness Labour Market Efficiency Indicator	↑	↑	In 2015/16, New Zealand was ranked sixth out of 140 countries in the WEF Global Competitiveness Labour Market Efficiency Indicator (compared with eighth in 2014/15 and 11th in 2012/13). New Zealand's labour market efficiency has been improving relative to other countries. <i>Source: Global Competitiveness Reports, World Economic Forum</i>
Well-regulated labour markets	A 10% reduction in workplace serious injuries by 2016	↓	↓	Workplace fatalities have been trending down. The current three year rolling average shows a reduction of over 45% (2.2 serious injuries per 100,000 persons per year in 2012-2014 compared with 4.2 in 2009-2011) <sup>71</sup> . <i>Source: Serious Injury Outcome Indicators, Statistics New Zealand</i>
	At least a 25% reduction in workplace serious injuries by 2020	↓	↓	Workplace serious injuries have been trending down and the most recent data shows 15.2 serious injuries per 100,000 persons in 2014 (compared with 17.7 in 2013) <sup>71</sup> . <i>Source: Serious Injury Outcome Indicators, Statistics New Zealand</i>

71 The data for this measure has been revised by Statistics New Zealand

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	ACTUAL TREND	COMMENT
Businesses find it easier to access and develop markets	More businesses that sought debt finance obtained it on acceptable terms	↑	→	<p>This measure has risen since 2012 (where it sat at 85.5%), but has plateaued at around 90% of businesses seeking debt finance obtaining it on acceptable debt terms<sup>72</sup>.</p> <p>This is one of the measures included in our evaluation of the Financial Markets Conduct Act.</p> <p><i>Source: Business Operations Surveys, Statistics New Zealand</i></p>
	More businesses that sought equity finance obtained it on acceptable terms	↑	↑	<p>Businesses' ability to access equity has fluctuated over the period, but has improved overall, in August 2015 81.1% of businesses that sought equity finance obtained it on acceptable terms compared with 73.3% in 2012<sup>72</sup>.</p> <p>This is one of the measures included in our evaluation of the Financial Markets Conduct Act 2013.</p> <p><i>Source: Business Operations Surveys, Statistics New Zealand</i></p>
	A 25% reduction in the cost of doing business with government relative to other businesses by 2017	↓	↑	<p>This measure has moved from annual to six monthly reporting. Against the index of 100 in 2012 the target is 75 by 2017.</p> <p>Since 2012, there has been an overall improvement in reducing the business costs (effort) from dealing with government of 6% to June 2016. While results were trending positively to June 2015, there was an increase in effort recorded for the first time of 12% between June 2015 and June 2016.</p> <p><i>Source: Result 9 – Better for Business, Ministry of Business, Innovation and Employment</i></p>
	Maintain New Zealand's position in the World Bank Ease of Doing Business survey	→	→	<p>New Zealand maintained its position as second out of 189 countries in 2015/16.</p> <p><i>Source: Doing Business Reports, World Bank Survey</i></p>
Improved government procurement practices	Improvement in government procurement capability and performance leads to value-based procurement savings	↑	↑	<p>The eighteen All-of-Government contracts successfully combine Government spending to save money and deliver efficiencies. The programme is on track to deliver savings of \$740 million over the life of the contracts (revised from \$415.1 million in 2014/15)<sup>73</sup>. In addition to fiscal savings, there have been innovations which improve value, such as the All-of-Government Banking Services solution established this year.</p> <p><i>Source: Internal Operations data, Government Procurement Branch, Ministry of Business, Innovation and Employment</i></p>

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72 The data for this measure has been revised by Statistics New Zealand

73 This figure is calculated by the Ministry using balances extracted from quarterly reports produced by All-of-Government suppliers on government spend and savings achieved through the contracts. It is based on a published methodology that assesses prices through the All-of-Government contracts against prices available to government agencies outside the contracts. The methodology is dependent on market research and benchmarking against best market price or rate. Further information on the methodology is available on the Business.govt.nz website: [http://www.procurement.govt.nz/procurement/pdf-library/aog/aog-savings-methodology-for-products.pdf/at\\_download/file](http://www.procurement.govt.nz/procurement/pdf-library/aog/aog-savings-methodology-for-products.pdf/at_download/file)

**SECTION B: OVERALL PROGRESS TOWARDS GROWING NEW ZEALAND FOR ALL**

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	ACTUAL TREND	COMMENT
Increased international trade and investment	Increasing value of exports to 40% of gross domestic product (GDP) by 2025	↑	↑	Refer Key Indicator table for commentary
	An increase in the contribution to the economy from international students	↑	↑	<p>In 2015, international tuition fees in New Zealand passed \$1 billion dollars, while the total value to the New Zealand economy was estimated at around \$2.85 billion (compared with \$2.5 billion in 2012/13). The number of international students at Institutes of Technology and Polytechnics and Private Training Establishments has increased strongly since 2013.</p> <p>Education New Zealand is reviewing how it assesses the economic value that international education brings. An updated economic valuation report is expected in October 2016.</p> <p><i>Source: Education New Zealand</i></p>
	An increase in the contribution to the economy from tourists	↑	↑	<p>Tourism directly contributed \$10.6 billion (or 4.9%) to New Zealand's total GDP in the year to March 2015, compared with \$10.2 billion in 2014 and \$9.8 billion in 2012.</p> <p>Growth in visitor arrivals and visitor spending has been strong and is forecast to continue this way. Tourism is a key driver supporting economic growth in New Zealand's regions.</p> <p>To improve productivity we are focusing on higher value tourists, increasing visitation during traditional shoulder periods and on dispersing tourists across all regions.</p> <p><i>Source: Tourism Satellite Account, Statistics New Zealand</i></p>
	An increase in the level of foreign direct investment	↑	↓	<p>Foreign direct investment flows have been volatile year to year, but the level of investment in New Zealand is generally increasing. In the June quarter of 2016, foreign direct investment was \$312 million less than in the same quarter in 2015 (\$111.3 billion in 2016, compared with \$111.6 billion in 2015) <sup>74</sup>.</p> <p><i>Source: Balance of Payments and International Investment Position, Statistics New Zealand</i></p>

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74 The Statement of Intent includes the value of total foreign investment while the result in this annual report only reflects the direct component of foreign investment



# An Increased Number of Highly Skilled People and Innovative Firms

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	ACTUAL TREND	COMMENT
Improved labour force participation	Increasing labour participation of Pacific peoples	↑	↑	<p>Pacific peoples' labour force participation has continued to increase, and unemployment fall, since the Global Financial Crisis (65.1% in June 2016 compared with 62.7% in 2015 and 58.3% in 2013).</p> <p>The strong construction sector in Auckland provides further opportunity for increases in Pacific peoples' participation and employment outcomes.</p> <p><i>Source: Household Labour Force Survey, Statistics New Zealand</i></p>
	Reducing the proportion of young people not in employment, education, and training (NEET)	↓	↓	<p>At 10.7% (in June 2016), the NEET rate is the lowest rate since June 2007. The NEET rate has been decreasing since the heights it reached immediately after the Global Financial Crisis.</p> <p><i>Source: Household Labour Force Survey, Statistics New Zealand</i></p>
Greater levels of business innovation	Increasing the percentage of firms reporting innovation activity	↑	↑	<p>The proportion of firms reporting innovation activity rose to 49% in 2014/15 compared with 46% in both 2012/13 and 2013/14.</p> <p><i>Source: Business Operations Survey, Statistics New Zealand</i></p>
	Increasing profitability per employee of innovative firms compared with non-innovative firms	↑	↓	<p>The profitability per employee of innovative firms is \$11,000 (2015/16) higher than non-innovative firms. This is lower than the \$13,000 per employee gap in 2013/14 and 2011/12.</p> <p><i>Source: Business Operations Survey, Statistics New Zealand</i></p>
Increase people's skills in line with business needs	Increasing the percentage of workers in skilled jobs	↑	↑	<p>The percentage of workers in skilled jobs has been increasing (December 2015 result was 61.9% compared with 61.2% in 2014). This is a long-term trend that is forecast to continue for the foreseeable future.</p> <p><i>Source: Household Labour Force Survey, Statistics New Zealand</i></p>
	Decreasing the percentage of firms that find it harder to get skilled staff	↓	↑	<p>Firms were finding it harder to find skilled staff (June 2016 result was -38% compared with -29% in June 2015 and -25% in 2013). This is expected, as when the economy strengthens there is more competition by firms for skilled staff.</p> <p><i>Source: Quarterly Survey of Business Opinion, New Zealand Institute of Economic Research</i></p>

**SECTION B: OVERALL PROGRESS TOWARDS GROWING NEW ZEALAND FOR ALL**

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	ACTUAL TREND	COMMENT
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	↑	Not available	This survey is not available 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. <i>Source: Research and Development Survey, Statistics New Zealand</i>
	Increasing the percentage of Crown Research Institute revenue derived from the private sector	↑	↑	The percentage of Crown Research Institute revenue derived from the private sector was 46.7% in 2014/15, compared with 44.8% in 2013/14 and 45.1% in 2012/13. <i>Source: Crown Research Institutes statistics (annual update), Statistics New Zealand</i>
	Increasing the percentage of recent skilled principal migrants whose current job in New Zealand matches their skills and qualifications	↑	↓	The percentage of recent skilled principal migrants whose current job in New Zealand matches their skills and qualifications was 84% in 2014 and 80% in 2015 <sup>75</sup> . <i>Source: Annual Migrant Survey, Ministry of Business, Innovation and Employment</i>
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	↑	→	This measure has been relatively stable over the period, sitting between 1.3% and 1.5% from 2010 to 2014 <sup>76</sup> . <i>Source: Scopus Custom Data, June 2015</i>
	Improving the quality ranking for New Zealand's scientific research institutions	↑	→	New Zealand maintained its 2014/15 ranking of 19 in 2015/16. However, the underlying score has improved slightly from 5.3 out of 7, to 5.4 out of 7 over the period. <i>Source: Global Competitiveness Reports, World Economic Forum</i>

75 The 2015 result is based on a smaller sample than 2014. The smaller sample size means that there is greater variability in the 2015 result compared with the 2014 result

76 The results for this measure are different from what was reported in previous annual reports. The previous results were based on the proportion of New Zealand's publications published in the top 1% ranked journals. This has been revised to the proportion of New Zealand's publications that are in the top 1% of global publications, ranked by the number of citations





# The Built Environment Better Supports a Well-Functioning Economy

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	ACTUAL TREND	COMMENT
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	↑	Not available	Refer Key Indicator table for commentary.
	Progress towards 890 social and affordable housing units that are completed by community housing providers <sup>77</sup>	890	592	592 social and affordable housing units have been completed as at June 2016.  The remaining 298 houses are currently forecast to be completed by December 2017.
	3,000 more social housing places <sup>78</sup> in areas of high demand by December 2017	↑	↑	Social housing places fell due to the Canterbury earthquakes in 2010 and 2011, but returned to a slow upward trend since then, although this trend is slowing.  In 2016, 60,995 social housing places were available which represents an increase of 74 social housing places compared with 2015 (where there were 60,921 places).  The Ministry of Social Development (MSD) is the lead agency for this indicator. The Ministry supports MSD to increase the number of social housing places by registering and regulating community housing providers; monitoring the delivery of 890 units funded by the discontinued Social Housing Fund; making at least 20 per cent of housing developed on Crown land available for purchase by social housing providers.
	Increasing the percentage of all social housing stock provided by community social housing providers	↑	Baseline year	This is the first year that we have reported this result. As at 30 June 2016, there were 3,120 social housing places held by Community Housing Providers.

Source: The Ministry of Business, Innovation and Employment

Source: Income-Related Rent Subsidy data, Ministry of Social Development

Source: Income-Related Rent Subsidy data, Ministry of Social Development

77 Funded from the Social Housing Fund

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

## SECTION B: OVERALL PROGRESS TOWARDS GROWING NEW ZEALAND FOR ALL



INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	ACTUAL TREND	COMMENT
Increased quality and accessibility (including affordability) of infrastructure	Improving New Zealand's position in the Organisation for Economic Cooperation and Development's (OECD) ranking for fixed broadband services (connections per 100 of the New Zealand population)	↑	↑	Between 2014 and 2015, New Zealand improved its ranking in the OECD's comparison of broadband connections per capita, moving up one place to 14th.  <i>Source: Broadband Statistics, Organisation of Economic Cooperation and Development</i>
	At least 90% of New Zealanders have access to a 4G network by 2019	At least 90%	84%	The percentage of New Zealanders having access to a 4G network has increased to 84% compared to 66% in 2014. New Zealand is on track to have 90% of New Zealanders able to access a 4G network by 2019.  <i>Source: Rural Broadband Initiative Phase 1, Ministry of Business, Innovation and Employment, August 2016</i>
	100% of schools have access to fibre by the end of 2015 <sup>79</sup>	100%	100%	This target has been achieved. 1,034 state and state-integrated schools have access to fibre with peak speeds of 100 Mbps, and 49 remote schools have access to wireless broadband with peak speeds of at least 10 Mbps.  <i>Source: Rural Broadband Initiative Phase 1, Ministry of Business, Innovation and Employment, August 2016</i>
	75% of New Zealanders have access to ultra-fast broadband by the end of 2019 under phase 1 of Ultra-Fast Broadband initiative (UFB)	75% by 2019	52%	In June 2016, approximately 52% of New Zealanders are considered to have access to ultra-fast broadband, an increase compared to 29.7% in 2014. The build is 68% complete <sup>80</sup> .  <i>Source: Broadband Development Update, Ministry of Business, Innovation and Employment</i>
	80% of New Zealanders have access to ultra-fast broadband by 2022 under Phase 2 of UFB	80%	On track	This is a new measure. We are on track to provide UFB access to 80% of New Zealanders by 2022.  Commercial negotiations are underway to extend the UFB network <sup>80</sup> .  <i>Source: Broadband Development Update, Ministry of Business, Innovation and Employment</i>
	An increase in New Zealand's average broadband download speed	↑	↑	New Zealand's average fixed broadband speeds, as measured by Akamai, continues to increase steadily. In 2016 the average fixed broadband speed was 10.5 Mbps compared with 7.3 Mbps in 2014.  New Zealand's average broadband speed is expected to continue to increase as mobile data speeds increase and the fibre rollouts are completed.  <i>Source: Akamai 'State of the Internet' reports and Commerce Commission's annual market monitoring reports</i>
	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)	At least 283,000	293,000	This target has been achieved with 293,000 rural households and businesses being able to access rural broadband as at 30 June 2016 <sup>80</sup> .  <i>Source: Rural Broadband Initiative Phase 1, Ministry of Business, Innovation and Employment, August 2016</i>
	Increasing New Zealand's cellular mobile coverage	↑	↑	Following the completion of phase one of the RBI, there were 30 new mobile sites active via 700 MHz auction obligations.  Planning for RBI2 and Mobile Black Spot Fund are underway. This will enable growth in cellular mobile coverage in future years <sup>80</sup> .  <i>Source: Rural Broadband Initiative Phase 1, Ministry of Business, Innovation and Employment, August 2016</i>

<sup>79</sup> This excludes 49 remote schools that will have access to high-speed wireless



<sup>80</sup> Refer 'Connecting People and Ideas' section for further information

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	ACTUAL TREND	COMMENT
Increased quality and accessibility (including affordability) of infrastructure, continued	Telecommunication Review to be completed by July 2016	Completed by July 2016	Not achieved	The Telecommunications Review was not completed as planned in July 2016 because of the longer time needed to consult with industries. The Review is now expected to be completed by December 2016.

*Source: Review of the Telecommunications Act 2001, Ministry of Business, Innovation and Employment*

Improving international ranking for New Zealand's broadband pricing			There has been a small decline in New Zealand's ranking on broadband pricing relative to other countries from 19th out of 39 countries in 2014 to 21st out of 34 countries in 2016.  Prices for broadband services likely reflect that New Zealand has an unusually dispersed population compared to similar countries overseas.  Rankings are based on the price of 60GB of naked DSL broadband.
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*Source: Broadband Statistics, Organisation for Economic Cooperation and Development*

Reduction in electricity system interruptions (according to the system average interruption duration index – SAIDI)			In the year to March 2016, there were 284 minutes of electricity system interruptions compared with 218 in 2015 and 177 in 2013.  There are a number of factors that caused interruptions to electricity systems, including adverse weather/ environment, defective equipment and vegetation that contribute to an increase of interruption in the electricity system.
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*Source: Commerce Commission – Electricity Distributors Disclosers 2013-2015*



# Greater Value Sustainability Derived from the Natural Environment

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	ACTUAL TREND	COMMENT
Investment and development of petroleum and mineral resources	Increasing petroleum liquids production	↑	↓	In 2015 14.4 million barrels were produced, a decrease in production compared to 14.9 million barrels produced in 2014. This may reflect global oil prices, and the maturing nature of New Zealand producing assets.  <i>Source: New Zealand Energy Quarterly, Ministry of Business, Innovation and Employment</i>
	Increasing net natural gas production	↑	↓	Production of net natural gas decreased in 2015 compared to 2014 (4,597.66 million cubic meters compared with 5,015.56 million cubic meters in 2014). Net natural gas production decreased 16 PJ (-8%) in 2015 (from 198 PJ to 182 PJ). This was mostly due to a 13 PJ drop in production from the Maui field, which is maturing.  <i>Source: New Zealand Energy Quarterly, Ministry of Business, Innovation and Employment</i>
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)	↓	↓	The use of energy relative to GDP or "energy intensity" is continuing to improve. In 2014 energy intensity was 2.7 MJ/\$GDP compared to 3.6 MJ/\$GDP in 2013.  <i>Source: Economic Indicators National Accounts (Industry Benchmarks), Statistics New Zealand</i>
Reduced carbon intensity in the economy	Reducing carbon intensity of the New Zealand economy (tonnes of CO <sub>2</sub> equivalent per unit of real GDP (2009/10 prices)	↓	↓	Carbon intensity in the economy decreased slightly from 2.60 tonnes per dollar in 2014 to 2.56 tonnes per dollar in 2015.  <i>Source: Energy New Zealand, Ministry of Business, Innovation and Employment</i>
	Increasing percentage of New Zealand's electricity is generated from renewable sources	↑	↑	In 2015, industrial demand for electricity increased 2.9% while both coal and gas electricity generation fell. Renewable energy generation has made up the difference, resulting in the share of renewables increasing to 81% in 2015 (79.9% in 2014 and 72.8% in 2012).  <i>Source: Energy Data Modelling, Ministry of Business, Innovation and Employment</i>
	Reducing New Zealand's total greenhouse gas emissions	↓	↑	While New Zealand's carbon intensity fell, there has been a 1% increase in total emissions since 2013 (81.1 Mt CO <sub>2</sub> -e in 2014 compared with 80.3 Mt CO <sub>2</sub> -e in 2013).  The Agriculture and Energy sectors are the two largest contributors to New Zealand's emissions profile.  <i>Source: New Zealand Greenhouse Gas Inventory 1990-2014, Ministry for the Environment</i>



# More Productive and Prosperous Sectors, Regions and People

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	ACTUAL TREND	COMMENT
Increased knowledge-intensive activities and exports	Increasing percentage of innovative businesses that have external linkages	↑	Not available	This indicator is under development.
More dynamic and better connected regional economies	Positive trends in regional employment	↑	↑	Employment is increasing in most regions over most years. In 2016, nine out of 12 regions showed positive employment. This trend is likely to be maintained while there is strong migration and a robust economy. <i>Source: Household Labour Force Survey, Statistics New Zealand</i>
	Positive trends in regional gross domestic product (GDP) per capita	↑	↑	In all years from 2012 to 2015 more than half of New Zealand's regions have been growing in terms of GDP per capita (10 out of 15 regions experienced growth in GDP per capita in 2015). <i>Source: Regional Gross Domestic Product, Statistics New Zealand</i>
	Positive trends in regional household incomes	↑	↑	At least half of the 16 main regions enjoyed increases in average annual household incomes between 2012 and 2015 (11 out of 16 main regions in 2015). <i>Source: New Zealand Income Survey and Census, Statistics New Zealand</i>
Increased and inclusive economic growth of the Auckland region	Increase in productivity in the Auckland region (GDP per hours worked)	↑	↑	GDP per hour in Auckland has been trending upward since 2012 and is now at higher levels than immediately preceding the Global Financial Crisis (\$56.50 in 2015 compared with \$51.40 in 2009) <sup>81</sup> . <i>Source: National Accounts and Household Labour Force Survey, Statistics New Zealand</i>
	Increase in innovation in the Auckland region (patents per million population)	↑	↑	There were 180 international patent applications from Auckland filed under the Patent Cooperation Treaty in 2013, up from 156 in 2012. <i>Source: Patents by regions, OECD.Stat</i>

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81 The data for this measure has been revised by Statistics New Zealand

**SECTION B: OVERALL PROGRESS TOWARDS GROWING NEW ZEALAND FOR ALL**

INTERMEDIATE OUTCOME	PERFORMANCE INDICATOR	DESIRED TREND	ACTUAL TREND	COMMENT
Increased and resilient economic growth of Canterbury region	Increasing Canterbury region GDP	↑	↑	GDP in the Canterbury region has increased from \$27.8 billion in 2013 to \$32.9 billion in 2015.  Much of this can be attributed to the rebuild. Future years may see reduced growth as the rebuild has now peaked and the dairy industry is at a low point. Increased tourism should help sustain economic activity but may not be enough to offset the other factors <sup>82</sup> .  <i>Source: Regional Gross Domestic Product, Statistics New Zealand</i>
	Increasing Canterbury region GDP per capita	↑	↑	Canterbury GDP per capita is showing a similar growth rate to total GDP, with a similar outlook. GDP per capita grew from \$49,711 in 2013 to \$56,575 in 2015 <sup>82</sup> .  <i>Source: Regional Gross Domestic Product, Statistics New Zealand</i>
	Improving performance against the Canterbury Region Manufacturing Index	↑	↑	This is the first year that we have reported this measure in the annual report. In June 2016, the index was 57.6 compared with 55.3 in June 2015.  <i>Source: BNZ – BusinessNZ Performance of Manufacturing Index</i>
	Improving performance against the Canterbury Region Construction Index	↑	↓	This index tracks changes in the number of people employed in construction jobs in the Canterbury Region since January 2010. The index has fallen slightly over the last year from 209 to 198, possibly indicating that the Canterbury rebuild has peaked.  <i>Source: Statistics New Zealand</i>
	Increasing numbers of skilled jobs in the Canterbury region as a proportion of total employment	↑	↓	In 2015, the proportion of skilled jobs as a proportion of total employment was 56.9% compared with 60.4% in December 2014. This maybe largely due to growth in tourism.  <i>Source: Household Labour Force Survey, Statistics New Zealand</i>
Increased economic growth for Māori whānau and business	Increasing median weekly income for Māori as a percentage of the national median	↑	Not reported this year	The median weekly income for Māori as a percentage of the national median was unavailable at the time this annual report was prepared. The result for June 2015 was 81.9%.  <i>Source: New Zealand Income Survey, Statistics New Zealand</i>
	Increasing Māori participation in the workforce	↑	↑	Māori labour force participation has stabilised around 66% for the last six years (including June 2016 which was 66%). There has been a slight decline in the Māori unemployment rate.  <i>Source: Household Labour Force Survey, Statistics New Zealand</i>

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82 The data for this measure has been revised by Statistics New Zealand



## SECTION C: Financial Statements

Financial statements can be daunting to read, but they contain vital information about how the Ministry has been performing and how we have been managing the Crown's money.

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# Statement of Management Responsibility

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

- › the preparation of the Ministry'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 the Ministry 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 the Ministry, whether or not that information is included in the annual report.

In my opinion:

- › the financial statements fairly reflect the financial position of the Ministry as at 30 June 2016 and its operations for the year ended on that date.
- › the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2017 and its operations for the year ending on that date.

Signed by



**David Smol**  
Chief Executive  
Ministry of Business, Innovation and Employment  
30 September 2016



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# Independent Auditor's Report

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To the readers of  
Ministry of Business, Innovation and Employment's  
annual report for the year ended 30 June 2016

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

- › the financial statements of the Ministry on pages 90 to 115, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and assets as at 30 June 2016, 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 the Ministry for the year ended 30 June 2016 on pages 12, 19 to 21, 27, 33, 40 to 43, 49 to 51, 56 to 57, 64 to 66, and 73 to 84;
- › the statements of budgeted and actual expenses and capital expenditure, the multi-year appropriations, and the statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority of the Ministry for the year ended 30 June 2016 on pages 13 to 15, 21 to 23, 28 to 29, 34 to 35, 44 to 45, 52 to 53, 58 to 59, 66 to 68, and 128 to 132; and
- › the schedules of non departmental activities which are managed by the Ministry on behalf of the Crown on pages 116 to 127, and 141 to 142 that comprise:
  - the schedules of assets, liabilities, commitments, and contingent liabilities and contingent assets as at 30 June 2016;
  - the schedules of expenditure, and revenue for the year ended 30 June 2016;
  - the statement of trust monies for the year ended 30 June 2016; and
  - the notes to the schedules that include accounting policies and other explanatory information.

## OPINION

In our opinion:

- › The financial statements of the Ministry:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2016; and
    - its financial performance and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the Public Benefit Entity Standards.

- › The performance information of the Ministry:
  - presents fairly, in all material respects, for the year ended 30 June 2016:
    - 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 budgeted and actual expenses and capital expenditure, the multi-year appropriations, and the statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority of the Ministry for the year ended 30 June 2016 on pages 13 to 15, 21 to 23, 28 to 29, 34 to 35, 44 to 45, 52 to 53, 58 to 59, 66 to 68, and 128 to 132 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 the Ministry on behalf of the Crown on pages 116 to 127, and 141 to 142 present fairly, in all material respects, in accordance with the Treasury Instructions:
  - the assets, liabilities, commitments, and contingent liabilities as at 30 June 2016;
  - the expenses, and revenue for the year ended 30 June 2016; and
  - the statement of trust monies for the year ended 30 June 2016.

Our audit was completed on 30 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities, and we explain our independence.

## **BASIS OF OPINION**

We carried out our audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers’ overall understanding of the information we audited. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Ministry’s preparation of the information we audited 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 Ministry’s internal control.

An audit also involves evaluating:

- › the appropriateness of accounting policies used and whether they have been consistently applied;
- › the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- › the appropriateness of the reported performance information within the Ministry’s framework for reporting performance;
- › the adequacy of the disclosures in the information we audited; and
- › the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

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

## **RESPONSIBILITIES OF THE CHIEF EXECUTIVE**

The Chief Executive is responsible for preparing:

- › financial statements that present fairly the Ministry'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 the Ministry, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989; and
- › schedules of non departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Ministry on behalf of the Crown.

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

The Chief Executive is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Chief Executive is also responsible for the publication of the annual report, whether in printed or electronic form.

## **RESPONSIBILITIES OF THE AUDITOR**

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

## **INDEPENDENCE**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Ministry.



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

# Financial Statements

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2016

ACTUAL 2015 \$000		NOTES	ACTUAL 2016 \$000	UNAUDITED BUDGET 2016 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2016 \$000	UNAUDITED FORECAST <sup>^</sup> 2017 \$000
<b>Revenue</b>						
270,733	Crown		302,461	286,934	302,461	311,816
3,139	Department		7,386	3,733	4,306	2,143
340,159	Other revenue	3	368,651	339,770	363,091	357,693
167	Finance income		182	–	–	–
614,198	Total revenue	2	678,680	630,437	669,858	671,652
<b>Expenditure</b>						
302,467	Personnel costs	4	320,726	379,784	395,495	415,090
27,887	Depreciation and amortisation	9, 10	32,689	32,734	32,734	37,936
14,731	Capital charge	21	16,122	14,024	14,024	13,714
183	Finance costs		92	–	–	–
6,050	Restructuring costs		931	–	–	–
(1,445)	(Gains)/losses		706	–	–	–
232,298	Other operating expenses	6	247,319	197,235	228,325	203,517
582,171	Total expenditure	5	618,585	623,777	670,578	670,257
<b>32,027</b>	<b>Net surplus/(deficit)</b>		<b>60,095</b>	<b>6,660</b>	<b>(720)</b>	<b>1,395</b>
<b>Other comprehensive revenue and expense</b>						
–	Gain on revaluation of property, plant and equipment		6,576	–	–	–
<b>32,027</b>	<b>Total comprehensive revenue and expense</b>		<b>66,671</b>	<b>6,660</b>	<b>(720)</b>	<b>1,395</b>

Explanations of major variances against the original 2015/16 budget are provided in Note 20.

<sup>^</sup> Disclosure of these figures is a requirement of the Public Finance Act 1989. Further information on the preparation of these balances can be found in note 1. The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

ACTUAL 2015 \$000	NOTES	ACTUAL 2016 \$000	UNAUDITED BUDGET 2016 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2016 \$000	UNAUDITED FORECAST <sup>^</sup> 2017 \$000	
<b>Assets</b>						
<b>Current assets</b>						
61,480	Cash and cash equivalents	8	61,362	52,275	27,090	15,071
73,689	Debtors and other receivables	7, 8	111,015	35,005	36,617	73,370
3,177	Prepayments		5,749	2,048	3,177	3,177
47	Inventory		157	247	47	47
4,490	Derivatives	8	–	–	4,490	4,490
142,883	<b>Total current assets</b>		178,283	89,575	71,421	96,155
<b>Non-current assets</b>						
557	Debtors and other receivables	7, 8	1,706	–	–	–
52,042	Property, plant and equipment	9	69,668	58,185	59,669	65,120
146,461	Intangible assets	10	168,466	240,623	219,162	251,579
199,060	<b>Total non-current assets</b>		239,840	298,808	278,831	316,699
<b>341,943</b>	<b>Total assets</b>		<b>418,123</b>	<b>388,383</b>	<b>350,252</b>	<b>412,854</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
47,839	Creditors and other payables	8, 11	56,713	55,807	47,571	47,521
17,245	Unearned income	12	20,405	18,264	17,245	17,245
–	Return of operating surplus	13, 16	26,996	6,660	6,660	1,395
5,120	Provisions	14	3,030	4,909	5,120	5,120
18,859	Employee entitlements	15	21,682	31,247	23,346	23,346
4,330	Derivatives	8	52	–	4,330	4,330
93,393	<b>Total current liabilities</b>		128,878	116,887	104,272	98,957
<b>Non-current liabilities</b>						
1,159	Provisions	14	1,915	2,121	1,163	1,163
6,557	Employee entitlements	15	6,821	1,716	2,072	2,072
7,716	<b>Total non-current liabilities</b>		8,736	3,837	3,235	3,235
<b>101,109</b>	<b>Total liabilities</b>		<b>137,614</b>	<b>120,724</b>	<b>107,507</b>	<b>102,192</b>
<b>240,834</b>	<b>Net assets</b>		<b>280,509</b>	<b>267,659</b>	<b>242,745</b>	<b>310,662</b>
<b>Equity</b>						
197,182	Taxpayers' funds	16	205,769	263,079	238,165	306,082
39,072	Memorandum accounts	16, 19	63,584	–	–	–
4,580	Property revaluation reserves	16	11,156	4,580	4,580	4,580
<b>240,834</b>	<b>Total equity</b>		<b>280,509</b>	<b>267,659</b>	<b>242,745</b>	<b>310,662</b>

Explanations of major variances against the original 2015/16 budget are provided in Note 20.

<sup>^</sup> Disclosure of these figures is a requirement of the Public Finance Act 1989. Further information on the preparation of these balances can be found in note 1. The accompanying notes form part of these financial statements.

## SECTION C: FINANCIAL STATEMENTS

### STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

ACTUAL 2015 \$000	NOTES	ACTUAL 2016 \$000	UNAUDITED BUDGET 2016 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2016 \$000	UNAUDITED FORECAST <sup>^</sup> 2017 \$000
189,145	<b>Balance at 1 July</b>	240,834	221,891	240,834	250,125
32,027	Total comprehensive revenue and expense	66,671	6,660	(720)	1,395
	– Return of operating surplus to the Crown	(26,996)	(6,660)	(6,660)	(1,395)
19,700	Capital contributions	9,500	48,768	12,291	66,137
(38)	Capital withdrawal	(9,500)	(3,000)	(3,000)	(5,600)
240,834	<b>Balance at 30 June</b>	280,509	267,659	242,745	310,662

### STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

ACTUAL 2015 \$000	NOTES	ACTUAL 2016 \$000	UNAUDITED BUDGET 2016 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2016 \$000	UNAUDITED FORECAST <sup>^</sup> 2017 \$000
<b>Cash flows from operating activities</b>					
258,998	Receipts from the Crown	222,390	286,934	314,196	341,816
344,035	Receipts from other revenue	379,051	350,008	390,936	359,448
(239,012)	Payment to suppliers	(198,756)	(199,607)	(229,046)	(204,232)
(318,112)	Payments to employees	(320,556)	(380,391)	(394,774)	(414,375)
(14,731)	Payments for capital charge	(16,122)	(14,024)	(14,024)	(13,714)
2,340	Goods and services tax	2,287	334	2,094	285
33,518	Net cash flows from operating activities	68,294	43,254	69,382	69,228
<b>Cash flows from investing activities</b>					
130	Receipts from sale of property, plant and equipment	106	–	–	–
167	Interest from other than New Zealand Debt Management Office	182	–	–	–
(22,729)	Purchase of property, plant and equipment	(20,108)	(21,025)	(21,025)	(17,537)
(45,907)	Purchase of intangible assets	(45,999)	(92,038)	(92,038)	(78,829)
(68,339)	Net cash flows from investing activities	(65,819)	(113,063)	(113,063)	(96,366)
<b>Cash flows from financing activities</b>					
19,700	Capital injections	7,401	48,768	12,291	66,137
(8,629)	Return of operating surplus	–	–	–	(30,205)
	– Capital withdrawal	(9,500)	(3,000)	(3,000)	(5,600)
(211)	Interest paid	–	–	–	–
10,860	Net cash flows from financing activities	(2,099)	45,768	9,291	30,332
(23,961)	Net (decrease)/increase in cash	376	(24,041)	(34,390)	3,194
84,163	Cash at the beginning of the year	61,480	76,316	61,480	11,877
1,278	Effect of foreign exchange movements on cash balances	(494)	–	–	–
61,480	<b>Cash at the end of the year</b>	61,362	52,275	27,090	15,071

Explanations of major variances against the original 2015/16 budget are provided in Note 20.

<sup>^</sup> Disclosure of these figures is a requirement of the Public Finance Act 1989. Further information on the preparation of these balances can be found in note 1.

The accompanying notes form part of these financial statements.

## STATEMENT OF COMMITMENTS

As at 30 June 2016

ACTUAL 2015 \$000		ACTUAL 2016 \$000
<b>Capital commitments</b>		
15,047	Buildings	1,653
	– Leasehold improvements	2,252
15,047	<b>Total capital commitments</b>	<b>3,905</b>
<b>Non-cancellable operating lease commitments</b>		
23,457	Not later than one year	23,008
53,684	Later than one year and not later than five years	53,167
49,244	Later than five years	40,981
126,385	<b>Total non-cancellable operating lease commitments</b>	<b>117,156</b>
<b>141,432</b>	<b>Total commitments</b>	<b>121,061</b>

### Non-cancellable operating lease commitments

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

### Capital commitments

Immigration New Zealand is leading the Mangere Refugee Resettlement Centre rebuild project.

Having completed stage 1 and relocated the resettlement programme into the new Centre in June 2016, the remaining scope of works include demolition of the old resettlement centre, construction of a new school and completion of landscaping and sports facilities.

The remaining works should be completed by October 2017.

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2016

ACTUAL 2015 \$000		ACTUAL 2016 \$000
2,800	Legal proceedings and disputes	2,916
30	Personal grievances	10
<b>2,830</b>	<b>Total quantifiable contingent liabilities</b>	<b>2,926</b>

### Quantifiable contingent liabilities

#### Legal proceedings and disputes

Legal proceedings and disputes represent amounts claimed by plaintiffs in relation to the performance of the Ministry's statutory roles and associated estimated legal costs. The Ministry was defending 5 legal proceedings and disputes as at 30 June 2016 (2015: 9 legal proceedings and disputes).

#### Personal grievances

Personal grievances represent amounts claimed by employees for personal grievance cases. The Ministry was defending 1 claim as at 30 June 2016 (2015: 3 claims).

### Unquantifiable contingent liabilities

#### Indemnities

The Ministry 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 2014/15.

The accompanying notes form part of these financial statements.

## SECTION C: FINANCIAL STATEMENTS

### **Payroll remediation project**

A Minimum Standards Investigation undertaken by the Labour Inspectorate during the year highlighted instances of non-compliance with the Holidays Act 2003. An Enforceable Undertaking was subsequently entered into which outlines the steps required to become compliant and to remediate historical payroll liabilities for current and former employees. In some instances these issues predate the formation of the Ministry. A Payroll Remediation Project team has been formed to address these issues and has identified potentially affected employees, however, those actually affected and any associated historical liability, will not be known until subsequent stages of the Remediation Project. A basis for calculating amounts due, either within the payroll system or externally, is also not yet available.

### **Contingent assets**

The Ministry had no contingent assets as at 30 June 2016 (2015: nil).

The accompanying notes form part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016.

### Note 1: Statement of Accounting Policies

#### Reporting Entity

The Ministry of Business, Innovation and Employment (The Ministry) is a New Zealand government department as defined by section 2 of the Public Finance Act 1989 (PFA) and is domiciled and operates in New Zealand. The legislation governing the Ministry's operations includes the PFA and the Public Accountability Act 1998. The Ministry's ultimate parent is the New Zealand Crown.

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

The Ministry's primary objective is to provide services to the public. The Ministry 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 the Ministry as set out in the 2016 Main Estimates and include Votes: Building and Housing; Business, Science and Innovation; and Labour Market.

The financial statements of the Ministry are for the year ended 30 June 2016. They were authorised for issue by the Chief Executive of the Ministry on 30 September 2016.

#### 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 the Ministry 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 the Ministry is New Zealand dollars.

#### Changes in accounting policies

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

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

There have been no new standards, amendments or interpretations issues this year. The Ministry has not early adopted any new standards.

#### Significant Accounting Policies

The following significant accounting policies have been applied.

#### Revenue – Exchange transactions

##### Visa application fees

Revenue from visa application fees is recognised to the extent that the application has been processed by the Ministry. Application fees received in advance are recognised as unearned revenue in the Statement of Financial Position.

##### Annual fees

Revenue from annual fees is recognised as income in the period in which it is received.

##### 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, the Ministry can incur expenses only within the scope and limits of its appropriations.

##### 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, the Ministry administers a trust account for tenancy bonds. Interest is payable to the Ministry and recognised on an accrual basis using the effective interest method.

**Note 1: Statement of Accounting Policies, continued****Administration and use**

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

**Operating 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.

**Cash and cash equivalents**

Cash and cash equivalents includes balances denominated in foreign currencies translated to New Zealand dollars at the foreign exchange rate at balance date.

The Ministry is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

**Debtors and other receivables**

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

A receivable is considered impaired when there is evidence that the Ministry will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

**Foreign currency transactions**

Foreign currency transactions, including those for which forward foreign exchange 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.

**Derivative financial instruments**

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

Foreign exchange derivatives are classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of foreign exchange derivatives is classified as non-current.

**Property, plant and equipment**

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

Individual assets, or groups of similar assets, are capitalised if their cost is greater than \$5,000 or \$500 if they are an attractive item.

**Additions**

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential will flow to the Ministry and if the cost of the item can be measured reliably.

Work in progress is recognised at cost less any impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition with that difference to fair value recognised as revenue.

**Disposals**

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset and recognising the difference in net surplus or deficit. When a revalued asset is sold, the amount included in the asset revaluation reserve in respect of the disposed asset is transferred to taxpayers' funds.

**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. All other assets are measured at cost or valuation, less accumulated depreciation and impairment losses.

The carrying value of revalued assets is assessed annually to ensure that they do not differ materially from fair value. If there is a material difference they are revalued. Additions between revaluations are recorded at cost.

The Ministry accounts for revaluations of property, plant and equipment on a class of asset basis.

The net revaluation results are included in other comprehensive revenue and expense and an asset revaluation reserve in equity for that class of asset. However, if this would result in a debit balance in the asset 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.

## Note 1: Statement of Accounting Policies, continued

### Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in net surplus or deficit as they are incurred.

### Depreciation

Depreciation is charged on a straight-line basis on all property, plant and equipment, other than land and work in progress, at rates that will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The useful lives of major categories of property, plant and equipment have been estimated as follows:

ASSET CLASS	USEFUL LIFE
Buildings	30-50 years
Computer hardware	3-6 years
Furniture and fittings	3-7 years
Leasehold improvements	2-12 years
Motor vehicles	4-6 years
Plant and equipment	3-10 years

The useful life of buildings is reassessed following any revaluation.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of any improvements, whichever is the shorter.

### Intangible assets

#### Software acquisition and development

Software acquisition and development is measured at cost or valuation, less accumulated amortisation and any impairment losses.

Purchased computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the software.

Internally generated computer software is capitalised on the basis of direct costs associated with the development of the software. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Costs associated with maintaining computer software are recognised in net surplus or deficit.

#### 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:

ASSET CLASS	USEFUL LIFE
Computer software purchased	3-8 years
Computer software internally generated	4-7 years

### Cash-generating assets

The Ministry does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

### Impairment of property, plant and equipment and intangible assets

Intangible assets that have indefinite useful lives, or are not yet available for use are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment and 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 an asset's fair value less costs to sell and value in use.

Value in use is the present value of the asset's remaining service potential. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable service amount. The impairment loss is recognised against the revaluation reserve for that asset class. Where that results in a debit balance in the revaluation reserve the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in net surplus or deficit. The reversal of an impairment loss is also recognised in net surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, where the loss was previously recognised in net surplus or deficit, the reversal is also recognised in net surplus or deficit.

### Creditors and payables

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

**Note 1: Statement of Accounting Policies, continued****Employee entitlements****Presentation of employee entitlements**

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 the Ministry anticipates it will be used by staff to cover those future absences.

A liability for performance payments is recognised where the Ministry 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.

**Provisions**

The Ministry recognises a provision for future expenditure when there is a present obligation, either legal or constructive, as the result of a past event but the timing or the amount of obligation is uncertain.

**Make-good provision**

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

**Equity**

Equity is the Crown's investment in the Ministry 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.

**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 over time.

**Revaluation reserves**

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

**Commitments**

Expenses yet to be incurred on non-cancellable contracts that have been entered into at balance date are disclosed as commitments. Commitments relating to employment contracts are not disclosed.

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 at the point at which the contingency is evident and, for each class of contingent liability, a brief description of the nature of the contingent liability is provided at balance date.

Contingent liabilities are not disclosed if the possibility is remote.

**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.

## Note 1: Statement of Accounting Policies, continued

### Cost accounting policies

The Ministry 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. Other costs such as staff costs in the Ministry's Corporate Groups are indirect because they are incurred for the operation of the Ministry as a whole and are not able to be linked directly to a specific output.

- › Direct costs are charged directly to outputs.
- › Indirect costs 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 the Ministry 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.
- › 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 Ministry-wide costs. Examples of this are various types of insurance and the costs of annual audits.

### 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.

There are no estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Budget figures

The Budget figures are for the year ended 30 June 2016 and were published in the 2014/15 annual report. They were included in the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2016, 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 2017 are consistent with the Ministry's best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ended 30 June 2016.

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2016 will not be published.

The budget and 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 Ministry. 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 the Ministry's purpose and activities and are based on a number of assumptions on what may occur during the 2016/17 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:

- › the Ministry's activities and output expectations will remain substantially the same as for the previous year focusing on the Government's priorities
- › input costs for personnel and other operating costs will be consistent with the Ministry's current cost structure
- › land and buildings are not expected to be revalued and
- › estimated year-end information for 2015/16 was used as the opening position for the 2016/17 forecasts.

The actual financial results achieved for 30 June 2017 are likely to vary from the forecast information presented, and the variations may be material.

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 2015/16 actual financial statements include changes to the baseline budget through new initiatives, or technical adjustments.

**Note 1: Statement of Accounting Policies, continued****Authorisation statement**

The forecast figures reported are those for the year ending 30 June 2016 included in BEFU 2016. These were authorised for issue on 8 April 2016 by the Chief Executive who is responsible for the forecast financial statements as presented.

It is not intended that the prospective financial statements will be updated subsequent to presentation.

**Note 2: Total Revenue**

ACTUAL 2015 \$000		ACTUAL 2016 \$000	UNAUDITED BUDGET 2016 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2016 \$000	UNAUDITED FORECAST <sup>^</sup> 2017 \$000
<b>Departmental revenue by theme</b>					
27,799	Growing innovation	27,194	27,961	27,194	28,593
31,795	Strengthening regions, sectors and businesses	30,445	29,847	30,863	27,200
26,878	Better utilisation of natural resources	25,036	26,598	26,540	27,027
12,865	Connecting people and ideas	16,387	15,855	15,355	14,499
111,213	Confidence in our markets	119,880	96,543	116,665	108,186
256,907	Ensuring New Zealand has the right skills	301,395	282,455	288,835	301,878
52,565	Making our work environment attractive and safe	58,058	60,473	65,405	63,610
94,183	Well-functioning building and housing sector	99,650	90,705	99,001	100,659
	– Revenue from administration and use appropriation	635	–	–	–
(7)	Other	–	–	–	–
<b>614,198</b>	<b>Total revenue</b>	<b>678,680</b>	<b>630,437</b>	<b>669,858</b>	<b>671,652</b>

<sup>^</sup> Disclosure of these figures is a requirement of the Public Finance Act 1989. Further information on the preparation of these balances can be found in note 1.

### Note 3: Other Revenue

ACTUAL 2015 \$000		ACTUAL 2016 \$000	UNAUDITED		UNAUDITED FORECAST <sup>^</sup> 2017 \$000
			UNAUDITED BUDGET 2016 \$000	SUPPLEMENTARY ESTIMATES 2016 \$000	
	<b>Other revenue from exchange transactions</b>				
10,542	Companies annual return fees	10,558	10,553	10,608	9,164
6,095	Companies incorporation fees	6,670	5,718	6,702	5,790
3,376	Electrical workers fees	2,073	3,421	2,734	2,734
624	Immigration advisers authority fees	880	745	745	745
174,979	Immigration fees	201,476	192,306	195,000	200,133
4,174	Licensed building practitioners fees	4,337	4,230	5,719	5,719
2,463	Mineral permit fees	2,567	2,700	2,579	2,228
8,276	Patent fees	4,878	4,513	4,901	4,234
10,795	Personal property securities register fees	11,288	10,297	11,341	9,798
5	Productivity partnership recoveries	–	–	–	–
4,246	Radio apparatus licence fees	4,836	4,478	4,859	4,198
3,243	Right to transmit radio waves fees	3,146	2,919	3,161	2,731
14,067	Shared service recovery	13,170	15,532	15,532	15,532
710	Tenancy tribunal fees	719	620	722	624
13,958	Trademark fees	14,867	12,094	14,937	12,905
–	– Sale of Standards	2,286	–	2,297	1,984
11,569	Other fees	11,094	10,845	11,147	9,630
14,805	Revenue other	17,637	13,186	17,721	15,308
283,927	<b>Total other revenue from exchange transactions</b>	312,482	294,157	310,705	303,457
	<b>Other revenue from non-exchange transactions</b>				
29,557	Building levies	30,916	22,731	29,000	31,200
23,143	Interest from tenancy bonds	22,695	20,196	20,816	20,816
496	Licensed building practitioners levies	512	496	514	444
2,833	Petroleum fuels monitoring levy	1,919	2,122	1,928	1,666
41	Electrical workers registration board fines	19	–	19	16
162	Other fines and penalties	108	68	109	94
56,232	<b>Total other revenue from non-exchange transactions</b>	56,169	45,913	52,386	54,236
<b>340,159</b>	<b>Total other revenue</b>	<b>368,651</b>	<b>339,770</b>	<b>363,091</b>	<b>357,693</b>

<sup>^</sup> Disclosure of these figures is a requirement of the Public Finance Act 1989. Further information on the preparation of these balances can be found in note 1.

**Note 4: Personnel Costs**

ACTUAL 2015 \$000		ACTUAL 2016 \$000	UNAUDITED BUDGET 2016 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2016 \$000	UNAUDITED FORECAST <sup>^</sup> 2016 \$000
800	ACC levy	865	721	686	715
278	ACC partnership insurance	31	285	35	35
24,662	Contractors	27,963	33,142	34,617	36,451
9,416	Employer contributions to defined contribution schemes	10,014	14,240	14,240	14,291
1,856	Fringe benefit tax	907	1,903	1,031	1,028
917	Increase in employee entitlements	1,798	240	240	247
2,099	Recruitment costs	2,974	2,152	3,382	3,371
255,480	Salaries and wages	269,964	319,967	334,203	351,912
4,702	Training and professional development	4,435	4,820	5,043	5,027
2,257	Other personnel	1,775	2,314	2,018	2,013
<b>302,467</b>	<b>Total personnel costs</b>	<b>320,726</b>	<b>379,784</b>	<b>395,495</b>	<b>415,090</b>

**Note 5: Expenditure**

ACTUAL 2015 \$000		ACTUAL 2016 \$000	UNAUDITED BUDGET 2016 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2016 \$000	UNAUDITED FORECAST <sup>^</sup> 2016 \$000
<b>Departmental expenditure by theme</b>					
26,620	Growing innovation	25,537	27,961	27,194	28,593
28,451	Strengthening regions, sectors and businesses	26,427	29,847	30,863	27,200
27,220	Better utilisation of natural resources	25,321	26,591	26,533	27,020
12,486	Connecting people and ideas	13,455	18,291	17,791	16,935
93,409	Confidence in our markets	101,028	96,414	109,336	108,057
252,362	Ensuring New Zealand has the right skills	284,714	271,551	298,105	302,151
57,205	Making our work environment attractive and safe	56,732	60,473	60,264	59,976
84,418	Well-functioning building and housing sector	84,030	92,649	100,492	100,325
	– Expenditure arising from administration and use appropriation	635	–	–	–
	– FX Gain/(Loss)	706	–	–	–
<b>582,171</b>	<b>Total expenditure</b>	<b>618,585</b>	<b>623,777</b>	<b>670,578</b>	<b>670,257</b>

<sup>^</sup> Disclosure of these figures is a requirement of the Public Finance Act 1989. Further information on the preparation of these balances can be found in note 1.



## Note 6: Other Operating Costs

ACTUAL 2015 \$000		ACTUAL 2016 \$000	UNAUDITED		UNAUDITED FORECAST <sup>^</sup> 2017 \$000
			BUDGET 2016 \$000	SUPPLEMENTARY ESTIMATES 2016 \$000	
675	Audit fees – annual accounts	675	815	815	824
13	Audit fees – Residential Tenancies Trust Account	14	–	–	–
695	Board members fees and expenses	1,012	522	884	721
97,210	IT costs and technical support	111,771	72,988	97,612	79,648
405	Maintenance and repairs of property, plant and equipment	331	304	289	236
4,021	Net loss on disposal of property, plant and equipment	2,486	–	–	–
5,669	Premises costs	6,467	4,256	5,648	4,608
59,551	Professional services	62,684	60,295	60,790	60,765
29,904	Rental and operating lease costs	27,214	32,002	32,002	32,002
13,587	Travel – domestic and overseas	16,249	10,201	14,191	11,579
20,568	Other operating costs	18,416	15,852	16,094	13,134
<b>232,298</b>	<b>Total operating costs</b>	<b>247,319</b>	<b>197,235</b>	<b>228,325</b>	<b>203,517</b>

The unaudited budget balances have been amended from those presented as unaudited forecast balances in the 2015 Annual Report in order to correct a cost allocation

inconsistency between the previous unaudited forecast balances and actuals. The total budgeted operating costs were not affected.

## Note 7: Debtors and Other Receivables

ACTUAL 2015 \$000		ACTUAL 2016 \$000
	<b>Current</b>	
	Debtors and other receivables from exchange transactions	
11,108	Trade debtors and other receivables	9,511
6,056	Accrued revenue	5,496
(139)	Less provision for impairment	(68)
17,025	Net current debtors and other receivables from exchange transactions	14,939
	Debtors and other receivables from non-exchange transactions	
11,735	Debtor Crown	91,806
2,100	Accrued revenue	2,500
7	Trade debtors and other receivables	–
42,822	Residential Tenancies Trust account interest receivable	1,770
56,664	Net current debtors and other receivables from non-exchange transactions	96,076
<b>73,689</b>	<b>Total net current debtors and receivables</b>	<b>111,015</b>
	<b>Non-current</b>	
	Debtors and other receivables from exchange transactions	
557	Bonds provided for offshore property leases	1,706
557	Net non-current debtors and other receivables from exchange transactions	1,706
<b>557</b>	<b>Total net non-current debtors and other receivables</b>	<b>1,706</b>
<b>74,246</b>	<b>Total net debtors and other receivables</b>	<b>112,721</b>

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

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

<sup>^</sup> Disclosure of these figures is a requirement of the Public Finance Act 1989. Further information on the preparation of these balances can be found in note 1.

**Note 7: Debtors and Other Receivables, continued**

The ageing profile of trade debtors and other receivables at year end is:

	2015			2016		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Not past due	73,302	–	73,302	111,522	–	111,522
Past due 1-30 days	574	–	574	778	–	778
Past due 31-60 days	99	–	99	227	–	227
Past due 61-90 days	40	–	40	192	–	192
Past due >90 days	370	(139)	231	70	(68)	2
<b>Total</b>	<b>74,385</b>	<b>(139)</b>	<b>74,246</b>	<b>112,789</b>	<b>(68)</b>	<b>112,721</b>

All receivables greater than 30 days in age are considered to be past due. The Ministry does not hold collateral for debts greater than 90 days.

The provision for individual impairment of debtors and other receivables 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.

ACTUAL 2015 \$000	ACTUAL 2016 \$000
<b>Impairment provisions as at 30 June</b>	
– Individual impairment	–
139 Collective impairment	68
<b>139 Total provision for impairment</b>	<b>68</b>
<b>Movement in provisions for the year ended 30 June</b>	
489 Balance at 1 July	139
139 Increase in provision during the year	113
(489) Receivables written off during the year	(184)
<b>139 Balance at 30 June</b>	<b>68</b>

**Note 8: Financial Instruments**

The notional principal amount of outstanding forward exchange contracts at 30 June 2016 was AUD4.164m (2015: AUD4.036m).

The Ministry's activities expose it to currency risk. The Ministry 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.

The Ministry's greatest 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. The Ministry's convention is for branches to retain buffers in foreign currency accounts up to the value of an average month's expenditure.

Under the Ministry's foreign exchange management policy the Ministry returns excess funds to New Zealand and converts them to New Zealand dollars. As there is a natural hedge in place only the net exposure is returned.

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

## Note 8: Financial Instruments, continued

### 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. The Ministry has no exposure to interest bearing financial instruments other than the Residential Tenancies Trust Account.

### Credit risk

Credit risk is the risk that a third party will default on its obligations to the Ministry, resulting in a loss. In the ordinary course of the Ministry's business, it is exposed to credit risk in association with financial assets held. The Ministry is not exposed to significant concentrations of credit risk.

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

### Liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet its commitments as they fall due. In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

The Ministry will 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:

ACTUAL 2015 \$000		ACTUAL 2016 \$000
<b>Loans and receivables</b>		
61,480	Cash and cash equivalents	61,362
74,246	Debtors and other receivables	112,721
<b>Derivatives</b>		
4,490	FX contracts – Advance Passenger Processing Services Agreement	–
<b>140,216</b>	<b>Total financial assets</b>	<b>174,083</b>
<b>Financial liabilities measured at amortised cost</b>		
47,839	Creditors and other payables	56,713
<b>Derivatives</b>		
4,330	FX contracts – Advance Passenger Processing Services Agreement	52
<b>52,169</b>	<b>Total financial liabilities</b>	<b>56,765</b>

### Sensitivity Analysis

The adjacent table details the additional surplus/deficit if the New Zealand dollar weakened/strengthened by 5 per cent against various other currencies with all other variables held constant at 30 June 2016. This movement is attributable to foreign exchange gains and losses on translation of the foreign currency held by the Ministry in its foreign currency account.

CURRENCY	\$000 2015	\$000 2016
Australian Dollar	6	4
Chinese Renminbi	8	58
European Union Euro	1	7
Fiji Dollar	3	7
Hong Kong Dollar	6	6
Indian Rupee	23	20
Korean Won	–	10
Pound Sterling	18	27
Russian Ruble	1	1
Thai Baht	5	15
United States Dollar	51	53

**Note 9: Property, Plant And Equipment**

	LAND \$000	BUILDINGS \$000	PLANT & EQUIPMENT \$000	LEASEHOLD IMPROVEMENTS \$000	FURNITURE & FITTINGS \$000	COMPUTER HARDWARE \$000	MOTOR VEHICLES \$000	TOTAL \$000
<b>Cost or valuation</b>								
Balance at 1 July 2014	3,302	1,291	8,031	47,319	14,092	56,654	4,207	134,896
Additions	–	5,970	165	6,831	3,623	6,073	67	22,729
Disposals	–	–	(2,795)	(9,058)	(8,397)	(24,621)	(342)	(45,213)
Reclassifications	–	–	–	1,585	(1,585)	(997)	–	(997)
<b>Balance at 30 June 2015</b>	<b>3,302</b>	<b>7,261</b>	<b>5,401</b>	<b>46,677</b>	<b>7,733</b>	<b>37,109</b>	<b>3,932</b>	<b>111,415</b>
Additions	–	16,253	1,024	2,909	1,018	910	258	<b>22,372</b>
Disposals	–	–	(220)	(4,674)	(55)	(8,651)	(609)	<b>(14,209)</b>
Revaluation	6,576	–	–	–	–	–	–	<b>6,576</b>
Reclassifications	–	–	–	–	–	–	–	–
<b>Balance at 30 June 2016</b>	<b>9,878</b>	<b>23,514</b>	<b>6,205</b>	<b>44,912</b>	<b>8,696</b>	<b>29,368</b>	<b>3,581</b>	<b>126,154</b>
<b>Accumulated depreciation</b>								
Balance at 1 July 2014	–	(161)	(6,732)	(30,968)	(8,478)	(42,386)	(2,595)	(91,320)
Depreciation	–	(786)	(413)	(3,526)	(996)	(6,548)	(402)	(12,671)
Disposals	–	–	2,624	8,669	7,562	24,858	275	43,988
Reclassifications	–	(44)	–	44	–	630	–	630
<b>Balance at 30 June 2015</b>	<b>–</b>	<b>(991)</b>	<b>(4,521)</b>	<b>(25,781)</b>	<b>(1,912)</b>	<b>(23,446)</b>	<b>(2,722)</b>	<b>(59,373)</b>
Depreciation	–	(109)	(242)	(3,878)	(1,030)	(5,262)	(288)	<b>(10,809)</b>
Disposals	–	–	216	4,265	43	8,631	541	<b>13,696</b>
Reclassifications	–	–	–	–	–	–	–	–
<b>Balance at 30 June 2016</b>	<b>–</b>	<b>(1,100)</b>	<b>(4,547)</b>	<b>(25,394)</b>	<b>(2,899)</b>	<b>(20,077)</b>	<b>(2,469)</b>	<b>(56,486)</b>
<b>Carrying amounts</b>								
<b>at 30 June 2015</b>	<b>3,302</b>	<b>6,270</b>	<b>880</b>	<b>20,896</b>	<b>5,821</b>	<b>13,663</b>	<b>1,210</b>	<b>52,042</b>
<b>at 30 June 2016</b>	<b>9,878</b>	<b>22,414</b>	<b>1,658</b>	<b>19,518</b>	<b>5,797</b>	<b>9,291</b>	<b>1,112</b>	<b>69,668</b>

**Valuation**

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**

Land is valued at fair value based on its highest and best use with reference to comparable land values. Adjustments have been made to the unencumbered land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where the Ministry is unable to use the land more intensively.

**Buildings**

Non-specialised 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.

## Note 9: Property, Plant And Equipment, continued

### Work in Progress

ACTUAL 2015 \$000	ACTUAL 2016 \$000
6,090 Buildings	–
1,410 Computer hardware	383
747 Furniture and fittings	86
3,466 Leasehold improvements	2,619
2 Motor vehicles	120
73 Plant and office equipment	140
<b>11,788 Total work in progress</b>	<b>3,348</b>

## Note 10: Intangible Assets

	PURCHASED \$000	INTERNALLY GENERATED \$000	TOTAL \$000
<b>Cost or valuation</b>			
Balance at 1 July 2014	170,906	43,781	214,687
Additions	26,820	19,087	45,907
Disposals	(2,826)	(1,457)	(4,283)
Reclassifications	(46,708)	47,705	997
<b>Balance at 30 June 2015</b>	<b>148,192</b>	<b>109,116</b>	<b>257,308</b>
Additions	10,098	35,900	<b>45,998</b>
Disposals	(7,012)	(320)	<b>(7,332)</b>
<b>Balance at 30 June 2016</b>	<b>151,278</b>	<b>144,696</b>	<b>295,974</b>
<b>Accumulated amortisation and impairment losses</b>			
Balance at 1 July 2014	(86,448)	(10,097)	(96,545)
Amortisation	(11,986)	(3,230)	(15,216)
Disposals	1,152	392	1,544
Reclassifications	(1,016)	386	(630)
<b>Balance at 30 June 2015</b>	<b>(98,298)</b>	<b>(12,549)</b>	<b>(110,847)</b>
Amortisation	(12,635)	(9,245)	<b>(21,880)</b>
Disposals	5,117	102	<b>5,219</b>
<b>Balance at 30 June 2016</b>	<b>(105,816)</b>	<b>(21,692)</b>	<b>(127,508)</b>
<b>Carrying amounts</b>			
<b>at 30 June 2015</b>	<b>49,894</b>	<b>96,567</b>	<b>146,461</b>
<b>at 30 June 2016</b>	<b>45,462</b>	<b>123,004</b>	<b>168,466</b>

### Work in Progress

ACTUAL 2015 \$000	ACTUAL 2016 \$000
20,528 Computer software purchased	14,105
37,518 Computer software internally generated	12,043
<b>58,046 Total work in progress</b>	<b>26,148</b>

**Note 11: Creditors and Other Payables**

ACTUAL 2015 \$000		ACTUAL 2016 \$000
13,557	Trade creditors	20,905
32,416	Accrued expenses	31,652
1,866	GST payable	4,156
<b>47,839</b>	<b>Total creditors and other payables</b>	<b>56,713</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the

carrying value of creditors and other payables approximates fair value.

**Note 12: Unearned Income**

ACTUAL 2015 \$000		ACTUAL 2016 \$000
4,444	Radio operations fees	4,382
12,695	Immigration – visa and other application processing	14,909
106	Other revenue	1,114
<b>17,245</b>	<b>Total unearned income</b>	<b>20,405</b>

Radio operations fees relate to annual licence fees invoiced at the beginning of the period to which they relate and are recognised in the Statement of Financial Position as unearned income where appropriate.

Immigration – visa and other application processing fees are requested on application by Immigration New Zealand. These fees are recognised in the Statement of Financial Position as unearned income where appropriate.

**Note 13: Repayment of Surplus**

ACTUAL 2015 \$000		ACTUAL 2016 \$000
32,027	<b>Net surplus</b>	60,095
	Add back net operating deficit in:	
(34,080)	Memorandum accounts	(34,012)
(1,560)	Unrealised foreign exchange (gains)/losses	913
(3,613)	Adjusted net surplus/(deficit)	26,996
	<b>– Net surplus payable to Crown</b>	<b>26,996</b>

## Note 14: Provisions

ACTUAL 2015 \$000		ACTUAL 2016 \$000
<b>Current provisions are represented by:</b>		
120	ACC partnership programme	121
2,703	Property	2,005
2,297	Restructuring	604
–	– Other provisions	300
5,120	<b>Total current</b>	<b>3,030</b>
<b>Non-current provisions are represented by:</b>		
182	ACC partnership programme	20
879	Property	1,497
98	Restructuring	98
–	– Other provisions	300
1,159	<b>Total non-current</b>	<b>1,915</b>
<b>6,279</b>	<b>Total provisions</b>	<b>4,945</b>

	ACC PARTNERSHIP PROGRAMME \$000	PROPERTY \$000	RESTRUCTURING \$000	OTHER \$000	TOTAL \$000
Balance at 1 July 2014	134	4,992	1,547	336	7,009
Additional provisions made	168	1,177	1,865	–	3,210
Provision utilised during the year	–	(2,587)	(1,017)	(78)	(3,682)
Other movement	–	–	–	(258)	(258)
<b>Balance at 30 June 2015</b>	<b>302</b>	<b>3,582</b>	<b>2,395</b>	<b>–</b>	<b>6,279</b>
Additional provisions made	101	618	463	600	<b>1,782</b>
Provision utilised during the year	(100)	(25)	(1,834)	–	<b>(1,959)</b>
Other movement	(162)	(673)	(322)	–	<b>(1,157)</b>
<b>Balance at 30 June 2016</b>	<b>141</b>	<b>3,502</b>	<b>702</b>	<b>600</b>	<b>4,945</b>

### Property

#### Make-good

The Ministry 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 the Ministry has the option to renew these leases, which may change the timing of the expected cash outflows to make-good the premises.

#### Onerous Lease

The provision for onerous lease arose from a non-cancellable lease where the unavoidable costs of meeting the lease contract exceeded the economic benefits to be received from it. The Ministry will no longer use the building, Wrights Road, Christchurch due to the move to Cashel Street,

Christchurch from December 2016. No sublease cash inflows on the vacant floors have been included in measuring the provision as there is insufficient certainty these floors will be let. The Ministry has twenty seven months remaining on this lease from December 2016.

#### Restructuring

The restructuring provision arises from internal restructuring programmes in Market Services.

The non-current portion of the restructuring provision relates to the cost of expected redundancies when the Canterbury Earthquake Temporary Accommodation Service ceases. Management does not expect this to happen in the next 12 months.

**Note 15: Employee Entitlements**

ACTUAL 2015 \$000		ACTUAL 2016 \$000
<b>Current</b>		
16,763	Annual leave	18,002
1,400	Long service leave	1,369
157	Sick leave	168
407	Retirement leave	722
680	Performance incentives	460
(548)	Accrued salary	961
18,859	<b>Total current</b>	<b>21,682</b>
<b>Non-current</b>		
2,071	Long service leave	2,530
4,486	Retirement leave	4,291
6,557	<b>Total non-current</b>	<b>6,821</b>
<b>25,416</b>	<b>Total employee entitlements</b>	<b>28,503</b>

An independent actuarial valuation was undertaken by Linda Caradus of Melville Jessup Weaver as at 30 June 2016 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/decrease by 1 per cent more than the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be \$0.141m lower or \$0.153m higher respectively.

If the salary inflation factor were to increase/decrease by 1 per cent more than the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be \$0.151m higher or \$0.142m lower respectively.

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

**Note 16: Equity**

ACTUAL 2015 \$000		ACTUAL 2016 \$000
<b>Taxpayers' funds</b>		
179,573	Balance at 1 July	197,182
32,027	Surplus	60,095
19,700	Capital contributions	9,500
(38)	Capital withdrawal	–
(34,080)	Transfer of net memorandum account accumulated (surpluses)/deficits for the year	(34,012)
–	– Return of operating surplus to the Crown	(26,996)
197,182	<b>Balance at 30 June</b>	<b>205,769</b>
<b>Memorandum accounts</b>		
4,992	Balance at 1 July	39,072
34,080	Net memorandum accounts surplus/(deficit) for the year	34,012
–	– Capital withdrawal	(9,500)
39,072	<b>Balance at 30 June</b>	<b>63,584</b>
<b>Revaluation reserves</b>		
4,580	Balance at 1 July	4,580
–	– Revaluation gains/(losses)	6,576
4,580	<b>Balance at 30 June</b>	<b>11,156</b>
<b>240,834</b>	<b>Total equity</b>	<b>280,509</b>



### Note 17: Related Party Transactions and Key Management Personnel

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

The Ministry 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 the Ministry 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 advises that responsible Ministers: Amy Adams, Bill English, John Key, Nick Smith, Nikki Kaye, Michael Woodhouse, Paul Goldsmith, Paula Bennett, Simon Bridges and Steven Joyce have certified that they have no related party transactions for the year ended 30 June 2016.

#### 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 2015 \$000		ACTUAL 2016 \$000
<b>Leadership Team, including the Chief Executive</b>		
2,764	Remuneration	3,238
7	Full-time equivalent staff	8

The above key management personnel disclosure excludes the Ministers of the Ministry. The Ministers' remuneration and other benefits are not received only for their roles as members of key management personnel of the Ministry.

The Ministers' remuneration and other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration of Services) Act 2013 and are paid under Permanent Legislative Authority, and not paid by the Ministry.

### Note 18: Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

ACTUAL 2015 \$000		ACTUAL 2016 \$000
32,027	<b>Net surplus from operations</b>	60,095
<b>Add/(less) non-cash items</b>		
27,883	Depreciation and amortisation	32,689
1,216	Increase in non-current employee entitlements	101
(1,466)	Other non-cash items	798
27,633	<b>Total non-cash items</b>	33,588
<b>Add/(less) non-operation items</b>		
45	Net interest paid/(received)	(182)
3,798	Net loss on sale of property, plant and equipment	2,486
3,843	<b>Total non-operation items</b>	2,304
<b>Add/(less) movements in working capital</b>		
200	Decrease/(increase) in inventory	(110)
(1,167)	(Increase)/decrease in prepayments	(2,572)
(14,739)	(Increase)/decrease in debtors and receivables	(38,569)
(2,880)	(Decrease)/increase in creditors and payables	8,890
340	Increase in deferred revenue	3,160
(928)	Decrease in provisions	(1,185)
(10,811)	(Decrease)/increase in current employee entitlements	2,693
(29,985)	<b>Total movements in working capital</b>	(27,693)
<b>33,518</b>	<b>Net surplus from operations</b>	<b>68,294</b>

## Note 19: Memorandum Accounts

ACTUAL 2015 \$000		ACTUAL 2016 \$000
	<b>Vote Building and Housing</b>	
	<b>Building controls</b>	
9,784	Balance at 1 July	16,632
29,770	Revenue	31,232
(22,922)	Expenses	(22,576)
6,848	<b>Surplus/(deficit) for the year</b>	8,656
<b>16,632</b>	<b>Balance at 30 June</b>	<b>25,288</b>
	<b>Occupational licensing – building practitioners</b>	
(8,324)	Balance at 1 July	(8,489)
4,727	Revenue	4,952
(4,892)	Expenses	(4,800)
(165)	<b>Surplus/(deficit) for the year</b>	152
<b>(8,489)</b>	<b>Balance at 30 June</b>	<b>(8,337)</b>
	<b>Occupational licensing – electrical workers</b>	
5,462	Balance at 1 July	5,474
3,414	Revenue	2,091
(3,402)	Expenses	(4,115)
12	<b>Surplus/(deficit) for the year</b>	(2,024)
<b>5,474</b>	<b>Balance at 30 June</b>	<b>3,450</b>
	<b>National multi-use approvals</b>	
(808)	Balance at 1 July	(1,075)
41	Revenue	49
(308)	Expenses	(262)
(267)	<b>Surplus/(deficit) for the year</b>	(213)
<b>(1,075)</b>	<b>Balance at 30 June</b>	<b>(1,288)</b>
	<b>Unit titles disputes</b>	
81	Balance at 1 July	43
177	Revenue	163
(215)	Expenses	(133)
(38)	<b>Surplus/(deficit) for the year</b>	30
<b>43</b>	<b>Balance at 30 June</b>	<b>73</b>
	<b>Vote Business, Science and Innovation</b>	
	<b>Registration and granting of intellectual property rights</b>	
8,330	Balance at 1 July	17,284
22,764	Revenue	20,260
(13,810)	Expenses	(15,155)
8,954	<b>Surplus/(deficit) for the year</b>	5,105
<b>17,284</b>	<b>Balance at 30 June</b>	<b>22,389</b>
	<b>Registration and provision of statutory information</b>	
3,863	Balance at 1 July	11,244
29,800	Revenue	30,384
(22,419)	Expenses	(24,167)
7,381	<b>Surplus/(deficit) for the year</b>	6,217
<b>11,244</b>	<b>Balance at 30 June</b>	<b>17,461</b>

**Note 19: Memorandum Accounts, continued**

ACTUAL 2015 \$000	ACTUAL 2016 \$000
<b>Registration and provision of statutory information – motor vehicle traders register</b>	
828 Balance at 1 July	1,270
1,191 Revenue	1,184
(749) Expenses	(1,145)
442 <b>Surplus/(deficit) for the year</b>	<b>39</b>
<b>1,270 Balance at 30 June</b>	<b>1,309</b>
<b>Management and enforcement of the Radiocommunications Act 1989</b>	
8,243 Balance at 1 July	8,690
7,450 Revenue	7,917
(7,003) Expenses	(5,719)
447 <b>Surplus/(deficit) for the year</b>	<b>2,198</b>
<b>8,690 Balance at 30 June</b>	<b>10,888</b>
<b>Management of the Crown mineral estate</b>	
511 Balance at 1 July	(624)
5,367 Revenue	4,641
(6,502) Expenses	(5,503)
(1,135) <b>Surplus/(deficit) for the year</b>	<b>(862)</b>
<b>(624) Balance at 30 June</b>	<b>(1,486)</b>
<b>Government procurement reform agenda</b>	
4,824 Balance at 1 July	3,054
12,636 Revenue	17,856
(14,406) Expenses	(13,347)
(1,770) <b>Surplus/(deficit) for the year</b>	<b>4,509</b>
– Capital withdrawal	(9,500)
<b>3,054 Balance at 30 June</b>	<b>(1,937)</b>
<b>Policy advice and support on consumer issues – motor vehicle traders information programme</b>	
115 Balance at 1 July	301
195 Revenue	211
(9) Expenses	(41)
186 <b>Surplus/(deficit) for the year</b>	<b>170</b>
<b>301 Balance at 30 June</b>	<b>471</b>
<b>Vote Labour Market</b>	
<b>Visas and permits</b>	
(27,917) Balance at 1 July	(14,732)
175,061 Revenue	201,563
(161,876) Expenses	(191,528)
13,185 <b>Surplus/(deficit) for the year</b>	<b>10,035</b>
<b>(14,732) Balance at 30 June</b>	<b>(4,697)</b>
<b>Total memorandum accounts</b>	
4,992 Balance at 1 July	39,072
292,593 Revenue	322,503
(258,513) Expenses	(288,491)
34,080 <b>Surplus/(deficit) for the year</b>	<b>34,012</b>
– Capital withdrawal	(9,500)
<b>39,072 Balance at 30 June</b>	<b>63,584</b>

**Note 19: Memorandum Accounts, continued**

Memorandum accounts summarise financial information for statutes or activities managed by the Ministry on a full cost recovery basis.

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 (see Note 16).

The balance of each memorandum account is expected to trend toward zero over time, with any annual deficits being met either from cash or a repayable capital injection from the Crown.

**Action taken to address surpluses****Occupational licensing – electrical workers**

The current fees are set at a level intended to use up the accumulated surpluses. A fees review was completed in March 2015 with the fees left unchanged as the reduction that has been achieved was in line with expectations.

**Registration and provision of statutory information – motor vehicle traders register**

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

**Registration and granting of intellectual property rights**

The memorandum account was established in 2004/05 to accumulate surpluses to cover the three year gaps in revenue brought about by the change in the Trade Marks Act 2002, from a seven year renewal cycle to a ten year cycle. The balance is expected to remain at current levels until the impact of the recent fees review for Patents becomes apparent and the reoccurrence of the revenue gap in Trade Marks in future years.

**Management and enforcement of the Radiocommunications Act 1989**

Licence fees were expected to decrease after the end of analogue television licensing and the start of the "digital switch on" initiative. However, the very rapid expansion of cellular mobile services has more than replaced this lost revenue. As a result fees are in the process of being reviewed to address the surplus.

**Registration and provision of statutory information**

The Companies Office reviews its fees and charges regularly, taking into account new initiatives, volume considerations and revised pricing schedules. A fees review is in progress to address the memorandum account surplus.

**Building controls**

The balance grew throughout 2014/15 mainly as a result of large volumes for new building consents. The Ministry is currently working through a fee review process with a view to a substantial reduction. The new fees are likely to be implemented in the 2016/17 financial year.

**Action taken to address deficits****Government procurement reform agenda**

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 the Ministry on the all-of-government contract price. A memorandum account was established in 2010 so that charges could be adjusted whenever revenues and expenses diverged significantly. As the Ministry was unlikely to recover sufficient revenue from user charges during the early stages of the programme, the Crown agreed to provide for repayable capital injections while revenue from user charges built up. These capital injections were repaid during 2015/16. The resulting balance is expected to return to near zero balances as additional gains are realised from the programme.

**Management of Crown mineral estate**

The account was established in 2006/07 so the Ministry could manage the volatility in permit applications associated with exploration and production activities. Fees have been reviewed in 2015/16, a substantial fee increase agreed and the new fee regime will be implemented in January 2017.

**Occupational licensing – building practitioners**

A fee review was undertaken in 2014/15 but it was agreed to hold off changing fees until the Minister considers options for regulation across the entire building sector.

**National multi-use approvals**

A revised scope of work, better meeting the needs of the sector has been implemented. Further options for addressing the deficit will also be considered in 2016/17.

**Visas and permits**

Continued increase in visa volumes has led to a marked improvement in the memorandum balance, though increased revenues have led to some offset in additional processing costs. The memorandum account is forecast to remain in deficit as a result of costs of supporting a live Immigration Global Management online system. Over time the memorandum account will return to surplus per the fee and levy review in December 2016.

### Note 20: Explanation of Major Variances Against Budget

The Main Estimates figures presented in these Financial Statements are reviewed and amended throughout the year.

#### Statement of Comprehensive Revenue and Expense

Total revenue is \$48.243m higher than Budget and \$8.822m higher than Supplementary Estimates. This was mainly due to:

- › Crown revenue was above Budget but in line with Supplementary Estimates due to the approval of additional funding for new initiatives.
- › Other revenue was above Budget due to volume driven increases in immigration revenue and building levies, however, overall other revenue was comparable with the Supplementary Estimates balance.

Total expenditure was \$5.192m below Budget and \$51.993m below Supplementary Estimates. This was mainly due to:

- › Personnel costs tracking below Budget and Supplementary Estimates due to delays in recruiting staff to fill vacancies.

- › Personnel cost savings were partially offset by increased contractor costs within Information Technology to support the continuing development and improvement of systems.

#### Statement of Financial Position

Debtors and other receivables are higher than Budget as a result of an increase in the Crown debtor due to continuing improvements in cash management procedures resulting in the Ministry requiring to draw less cash.

Intangible assets are below Budget as a result of the transfer of projects into the next financial year.

The liability in relation to the Return of operating surplus is above Budget due to the greater than planned operating surplus for the year.

### Note 21: Capital Charge

The Ministry 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 2016 was 8 per cent (2015: 8 per cent).

### Note 22: Capital Management

The Ministry's capital is its equity, comprising taxpayers' funds, memorandum accounts and revaluation reserves. Equity is represented by net assets.

The objective of managing the Ministry's equity is to ensure that the Ministry achieves its goals and objectives efficiently, while remaining a going concern. Where the

Ministry 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, the Ministry is not permitted to retain any operating surplus.

#### Statement of Departmental Capital Injections

For the year ended 30 June 2016

ACTUAL 2015 \$000		ACTUAL 2016 \$000	APPROPRIATION VOTED 2016 \$000
<b>Vote Business, Science and Innovation</b>			
19,700	Ministry of Business, Innovation and Employment – Capital injection	9,500	48,768

### Note 23: Events After Balance Date

Subsequent to balance day, the Ministry signed a development agreement, incorporating a deed of lease, for redeveloped office space in a property on Bowen Street, Wellington. It is the intention that this property will be occupied by multiple government agencies and there are currently agreements in place for approximately half the floor space to be taken by agencies other than the Ministry. The fit-out costs for the occupying agencies (expected to be in the region of \$29m), are fully funded, and will initially be paid for and on-charged to agencies by the Ministry.

Once the redevelopment is complete the Ministry will be potentially liable for lease payments for any portion not occupied by another agency.

There were no other events after balance date that required adjustment or disclosure in the financial statements.

# Non-Departmental Statements and Schedules

The following non-departmental schedules and statements record the revenue, expenses, assets, liabilities, commitments, contingent liabilities and contingent assets that the Ministry manages on behalf of the Crown.

## SCHEDULE OF NON-DEPARTMENTAL REVENUE

For the year ended 30 June 2016

ACTUAL 2015 \$000		NOTES	ACTUAL 2016 \$000	MAIN ESTIMATES 2016 \$000
<b>Revenue</b>				
36,464	Tax		28,130	37,400
656,319	Non-tax	2	543,294	600,816
36,195	Sale of radio spectrum		36,552	26,978
3,301	Crown entities return of capital		8,676	–
2,318	Gain on other financial assets		–	–
<b>734,597</b>	<b>Total revenue</b>	<b>3</b>	<b>616,652</b>	<b>665,194</b>

## SCHEDULE OF NON-DEPARTMENTAL EXPENDITURE

For the year ended 30 June 2016

ACTUAL 2015 \$000		NOTES	ACTUAL 2016 \$000	MAIN ESTIMATES 2016 \$000
<b>Expenditure</b>				
2,139,616	Output expenses		2,291,320	2,293,763
139,905	Output expenses – multi-year appropriations		191,932	283,608
139,833	Other expenses – annual appropriations		169,877	191,040
186,775	Other expenses – multi-year appropriations		158,821	128,848
63,856	Benefits and other unrequited expenses		105,504	117,823
3,926	Depreciation		2,366	2,985
319	Doubtful debts		152	–
350,276	GST expense		394,806	449,499
	– Revaluation of provision for Financial Assistance Package		(26,751)	–
	– Other		273	–
<b>3,024,506</b>	<b>Total expenditure</b>	<b>4</b>	<b>3,288,300</b>	<b>3,467,566</b>

The accompanying notes form part of the non-departmental schedules and statements. 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 2016.

## SCHEDULE OF NON-DEPARTMENTAL ASSETS

As at 30 June 2016

ACTUAL 2015 \$000		NOTES	ACTUAL 2016 \$000	MAIN ESTIMATES 2016 \$000
<b>Assets</b>				
<b>Current assets</b>				
487,880	Cash and cash equivalents	10	425,136	35,450
3,860	Prepayments		2,673	11,783
134,765	Debtors and other receivables	5,10	109,662	139,334
1,582	Loans	10	1,547	5,233
2,969	Derivative assets		–	3,181
13,904	Assets held for sale		50,380	32,121
644,960	<b>Total current assets</b>		589,398	227,102
<b>Non-current assets</b>				
27,573	Property, plant and equipment	6	14,182	14,096
30,768	Debtors and other receivables	5,10	20,512	2,186
3,047	Loans	10	3,431	963
61,388	<b>Total non-current assets</b>		38,125	17,245
<b>706,348</b>	<b>Total assets</b>		<b>627,523</b>	<b>244,347</b>

Assets held for sale relate to:

Canterbury earthquake transportable units were purchased in 2011 for the purpose of providing temporary accommodation for people displaced by the Canterbury earthquakes.

Land purchases for Christchurch and Auckland housing development will remain in Crown ownership whilst certain development conditions are met. Following confirmation of the development conditions the titles will transfer and funds will be received within the same financial year.

## SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

As at 30 June 2016

ACTUAL 2015 \$000		NOTES	ACTUAL 2016 \$000	MAIN ESTIMATES 2016 \$000
<b>Liabilities</b>				
<b>Current liabilities</b>				
163,767	Creditors and other payables	7,10	155,821	212,612
88,138	Provisions	9	135,395	5,632
2,845	Derivative liabilities	10	20	3,399
158	Employee entitlements		192	371
36,230	Unearned income	8	38,531	35,767
291,138	<b>Total current liabilities</b>		329,959	257,781
<b>Non-current liabilities</b>				
154,400	Provisions	9	60,921	35,929
89	Employee entitlements		–	73
470,067	Unearned income	8	435,311	413,823
624,556	<b>Total non-current liabilities</b>		496,232	449,825
<b>915,694</b>	<b>Total liabilities</b>		<b>826,191</b>	<b>707,606</b>

The accompanying notes form part of the non-departmental schedules and statements. 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 2016.

**SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

As at 30 June 2016

**Unquantifiable contingent liabilities**

The following contingent liabilities 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 an 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 the Ministry would be responsible for are unknown.

**Quantifiable contingent liabilities**

ACTUAL 2015 \$000		ACTUAL 2016 \$000
	<b>Quantifiable contingent liabilities</b>	
26,349	Guarantees and indemnities	349
<b>26,349</b>	<b>Total quantifiable contingent liabilities</b>	<b>349</b>

If 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 2014/15.

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. This is substantially unchanged from 2014/15.

**Contingent assets**

The Ministry on behalf of the Crown had no contingent assets (2015: nil).

**SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS**

As at 30 June 2016

The Ministry had no non-departmental commitments at balance date (2015: nil).

The accompanying notes form part of the non-departmental schedules and statements. 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 2016.



## NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS

For the year ended 30 June 2016

### Note 1: Statement of Accounting Policies

#### Reporting Entity

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

The non-departmental balances are consolidated into the Financial Statements of the Government for the year ended 30 June 2016. 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.

#### Basis of Preparation

The non-departmental statements and schedules have been prepared in accordance with the accounting policies of the Financial Statements of the Government, 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.

The following non-departmental accounting policies are substantially the same as those disclosed in the notes to the departmental financial statements. Any specific considerations are noted in this section:

- › Functional and presentation currency
- › Changes in accounting policies
- › Debtors and other receivables
- › Impairment of property, plant and equipment
- › Foreign currency transactions
- › Derivative financial instruments
- › Creditors and payables
- › Provisions
- › Contingent liabilities
- › Critical accounting estimates, assumptions and critical judgements in applying accounting policies

#### Significant Accounting Policies

##### Revenue

###### *Dividends*

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

###### *Crown Mineral Royalties*

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

###### *Levies*

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

###### *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, the Ministry recognises the entire expense and liability as soon as the grant is approved. Where grants are discretionary and there is an exchange contract the Ministry 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 the Ministry 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 the Ministry 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 the Ministry creates a provision for it.

#### Cash and cash equivalents

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

#### Debtors and other receivables

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.

#### Loans

Loans at nil, or below market, interest rates are initially recognised at the present value of their expected future cash flows, discounted using a rate for loans of a similar term and credit risk. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the schedule of non-departmental expenses.

#### Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

**Note 1: Statement of Accounting Policies, continued**

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

**Property, plant and equipment**

Items of property, plant and equipment costing \$5,000 (excluding GST) or more are capitalised and are initially recorded at cost.

The carrying amounts of property, plant and equipment are reviewed annually to determine if there are any indications of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised in the schedule of non-departmental expenditure.

Realised gains and losses arising from sales of property, plant and equipment are recognised in the schedule of non-departmental revenue or expenditure in the period in which the transaction occurs.

*Depreciation*

Depreciation is charged on a straight-line basis on all property, plant and equipment, other than land and work in progress, at rates that allocate the cost (or revalued amount) of the assets over their estimated useful lives.

The useful lives of major categories of property, plant and equipment have been estimated as follows:

ASSET CLASS	USEFUL LIFE
Buildings – permanent	50 years
Buildings – Canterbury earthquake building and ground work	2-4 years
Infrastructure	10 years
Textphone equipment	4 years

The useful lives of buildings are reassessed following any revaluation.

*Impairment of property, plant and equipment*

Property, plant and equipment 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 for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the Ministry would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that asset class. Where that results in a debit balance in the revaluation reserve the balance is recognised in the schedule of non-departmental expenditure. For assets not carried at a revalued amount, the total impairment loss is recognised in the schedule of non-departmental expenditure.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the schedule of non-departmental expenditure, a reversal of the impairment loss is also recognised in the schedule of non-departmental expenditure.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the schedule of non-departmental expenditure.

**Creditors and payables**

Refer to the notes to the departmental financial statements.

**Provisions**

Refer to the notes to the departmental financial statements.

**Commitments**

Expenses yet to be incurred on non-cancellable contracts that have been entered into at the balance date are disclosed as commitments to the extent that there are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

**Contingent liabilities**

Refer to the notes to the departmental financial statements.

**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**

Refer to the notes to the departmental financial statements.

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

## Note 1: Statement of Accounting Policies, continued

### *Provision for weathertight services financial assistance package (FAP)*

There are three critical assumptions: the number of eligible homes, the take-up rate, and the cost of repairs. Note 9 provides these key assumptions in detail and reasons for the high level of uncertainties.

### *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.

### Budget figures

The 2016 budget figures are for the year ending 30 June 2016, which are consistent with the best estimate financial information submitted to Treasury for the BEFU for the year ending 2015/16.

## Note 2: Non-Tax Revenue

ACTUAL 2015 \$000		ACTUAL 2016 \$000
	<b>Non-tax revenue</b>	
	<b>Revenue from exchange transactions</b>	
108,000	Dividend from Housing New Zealand Corporation	30,000
142	Employee Remuneration Authority filing fee	–
258,360	Crown mineral royalties	193,428
1,462	Interest on deferred payment on sale of Radio Spectrum	–
1,676	Rental income	1,501
317	Other revenue	2,074
<b>369,957</b>	<b>Total revenue from exchange transactions</b>	<b>227,003</b>
	<b>Revenue from non-exchange transactions</b>	
1,117	Commerce Commission levy	8,941
80,464	Electricity Authority levy	87,538
11,073	Energy Safety levy	6,239
5,946	External Reporting Board levy	5,575
21,089	Financial Markets Authority levy	19,944
708	Forfeited ESOL tuition fees	–
88,314	Health and safety in employment levy	55,312
754	Immigration Advisers Authority levy	1,076
–	– Immigration levy	15,446
909	Income Related Rent Subsidy returned	–
9,979	Migrant levy	10,113
5,634	Proceeds of crime	14,035
1,055	Refund from Housing New Zealand Corporation	–
290	Refund from other Crown Entities	–
306	Remuneration Authority levy	322
50,000	Telecommunications development levy	50,000
4,802	Telecommunications regulation levy	1,197
–	– Residential Tenancies Trust Account unclaimed money	32,430
–	– Other revenue	1,689
3,922	Other penalties	6,434
<b>286,362</b>	<b>Total revenue from non-exchange transactions</b>	<b>316,291</b>
<b>656,319</b>	<b>Total non-tax revenue</b>	<b>543,294</b>

**Note 3: Revenue**

ACTUAL 2015 \$000		ACTUAL 2016 \$000
<b>Non-departmental revenue by theme</b>		
	– Growing innovation	87,831
	– Strengthening regions, sectors and businesses	–
380,452	Better utilisation of natural resources	234,085
92,459	Connecting people and ideas	89,802
41,595	Confidence in our markets	47,796
11,897	Ensuring New Zealand has the right skills	27,573
90,144	Making our work environment attractive and safe	56,944
111,042	Well-functioning building and housing sector	64,036
	– Return of surplus from Crown entities	8,676
7,008	Other	(91)
<b>734,597</b>	<b>Total revenue</b>	<b>616,652</b>

**Note 4: Expenditure**

ACTUAL 2015 \$000		ACTUAL 2016 \$000
<b>Non-departmental expenditure by theme</b>		
811,359	Growing innovation	882,289
388,511	Strengthening regions, sectors and businesses	451,810
170,032	Better utilisation of natural resources	134,871
52,694	Connecting people and ideas	50,454
65,633	Confidence in our markets	75,619
2,252	Ensuring New Zealand has the right skills	1,559
1,054,179	Making our work environment attractive and safe	1,183,928
130,584	Well-functioning building and housing sector	139,442
<b>2,675,244</b>	<b>Total expenditure by theme</b>	<b>2,919,972</b>
<b>Other expenditure</b>		
350,276	GST expense	394,806
	– Foreign exchange Loss	208
(1,014)	Other	65
	– Unused provision reversed	(26,751)
<b>349,262</b>	<b>Total other expenditure</b>	<b>368,328</b>
<b>3,024,506</b>	<b>Total expenditure as per Schedule of non-departmental expenditure</b>	<b>3,288,300</b>

## Note 5: Debtors and Other Receivables

ACTUAL 2015 \$000		ACTUAL 2016 \$000
<b>Overclaimed income related rent subsidy</b>		
53,487	Overclaimed income related rent subsidy	14,772
(51,456)	Less provision for impairment	(14,488)
2,031	<b>Net overclaimed income related rent subsidy</b>	284
<b>Receivables from exchange transactions</b>		
103,357	Other receivables	71,167
–	Less provision for impairment	–
103,357	<b>Receivables from exchange transactions</b>	71,167
<b>Receivables from non-exchange transactions</b>		
60,494	Fine, levy & penalties receivables	58,791
(349)	Less provision for impairment	(68)
60,145	<b>Net receivables from non-exchange transactions</b>	58,723
<b>165,533</b>	<b>Total debtors and other receivables</b>	<b>130,174</b>

The carrying value of accrued revenue and other receivables approximates fair value.

The ageing of debtors and other receivables at balance date was:

	2015			2016		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Not past due	163,118	–	163,118	129,746	–	129,746
Past due 1-30 days	233	–	233	93	–	93
Past due 31-60 days	49	–	49	–	–	–
Past due 61-90 days	53,938	(51,805)	2,133	14,891	(14,556)	335
<b>Total</b>	<b>217,338</b>	<b>(51,805)</b>	<b>165,533</b>	<b>144,730</b>	<b>(14,556)</b>	<b>130,174</b>

All debtors and other receivables greater than 30 days in age are considered to be past due.

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

ACTUAL 2015 \$000		ACTUAL 2016 \$000
<b>Impairment provisions as at 30 June</b>		
349	Individual impairment	68
51,456	Collective impairment	14,488
<b>51,805</b>	<b>Total provision for impairment</b>	<b>14,556</b>
<b>Movements in impairment provision</b>		
52,976	Balance at 1 July	51,805
349	Increase in the provision made during the year	99
(1,273)	Provision reversed during the year	–
(247)	Receivables written off during the year	(37,348)
<b>51,805</b>	<b>Balance at 30 June</b>	<b>14,556</b>

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: Property Plant and Equipment**

	CANTERBURY EARTHQUAKE BUILDING AND GROUND WORK \$000	INFRA- STRUCTURE \$000	TEXTPHONE \$000	LAND \$000	BUILDINGS \$000	TOTAL \$000
<b>Cost or valuation</b>						
Balance at 1 July 2014	13,678	20,000	1,797	6,570	18,135	60,180
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other adjustments	-	-	(63)	-	-	(63)
<b>Balance at 30 June 2015</b>	<b>13,678</b>	<b>20,000</b>	<b>1,734</b>	<b>6,570</b>	<b>18,135</b>	<b>60,117</b>
Additions	-	-	-	-	-	-
Disposals	(1,237)	-	-	(793)	(591)	<b>(2,621)</b>
Other adjustments	-	-	-	(1,774)	(7,744)	<b>(9,518)</b>
<b>Balance at 30 June 2016</b>	<b>12,441</b>	<b>20,000</b>	<b>1,734</b>	<b>4,003</b>	<b>9,800</b>	<b>47,978</b>
<b>Accumulated depreciation</b>						
Balance at 1 July 2014	(9,035)	(8,000)	(1,611)	-	(10,032)	(28,678)
Depreciation	(1,839)	(2,000)	(75)	-	(12)	(3,926)
Disposals	-	-	-	-	-	-
Other adjustments	-	-	60	-	-	60
<b>Balance at 30 June 2015</b>	<b>(10,874)</b>	<b>(10,000)</b>	<b>(1,626)</b>	<b>-</b>	<b>(10,044)</b>	<b>(32,544)</b>
Depreciation	(307)	(2,000)	(58)	-	-	<b>(2,365)</b>
Disposals	866	-	-	-	244	<b>1,110</b>
Other adjustments	-	-	3	-	-	<b>3</b>
<b>Balance at 30 June 2016</b>	<b>(10,315)</b>	<b>(12,000)</b>	<b>(1,681)</b>	<b>-</b>	<b>(9,800)</b>	<b>(33,796)</b>
<b>Carrying amounts</b>						
<b>at 30 June 2015</b>	<b>2,804</b>	<b>10,000</b>	<b>108</b>	<b>6,570</b>	<b>8,091</b>	<b>27,573</b>
<b>at 30 June 2016</b>	<b>2,126</b>	<b>8,000</b>	<b>53</b>	<b>4,003</b>	<b>-</b>	<b>14,182</b>

**Note 7: Creditors and Other Payables**

ACTUAL 2015 \$000		ACTUAL 2016 \$000
16,428	Trade creditors	4,435
4,146	Levies refundable	418
128,766	Accrued expenses	131,296
11,832	New Zealand Trade and Enterprises grant payable	14,441
2,595	GST Payable	5,231
163,767	<b>Total current</b>	155,821
<b>163,767</b>	<b>Total creditors and other payables</b>	<b>155,821</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

## Note 8: Unearned Income

ACTUAL 2015 \$000		ACTUAL 2016 \$000
36,230	Radio spectrum sales – current unearned income	38,531
470,067	Radio spectrum sales – non-current unearned income	435,311
<b>506,297</b>	<b>Total unearned income</b>	<b>473,842</b>

Under the Radio Communications 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 9: Provisions

ACTUAL 2015 \$000		ACTUAL 2016 \$000
<b>Current provisions are represented by:</b>		
64,070	New Zealand Screen Production Grant	118,877
19,368	Weathertight services financial assistance package	13,800
4,700	Mine rehabilitation	–
–	– Make-good	2,718
<b>88,138</b>	<b>Total current</b>	<b>135,395</b>
<b>Non-current provisions are represented by:</b>		
–	– New Zealand Screen Production Grant	10,000
84,900	Weathertight services financial assistance package	50,921
69,500	Mine rehabilitation	–
<b>154,400</b>	<b>Total non-current</b>	<b>60,921</b>
<b>242,538</b>	<b>Total provisions</b>	<b>196,316</b>

	WEATHERTIGHT SERVICES: FINANCIAL ASSISTANCE PACKAGE \$000	WEATHERTIGHT SERVICES: GUARANTEE FEE SUBSIDY \$000	NEW ZEALAND SCREEN PRODUCTION GRANT \$000	MINE REHABILITATION \$000	PROPERTY \$000	TOTAL \$000
Balance at 1 July 2014	112,400	30	35,828	60,107	–	208,365
Additional provisions made	–	–	64,070	21,221	–	85,291
Provision utilised during the year	(8,911)	(30)	(33,904)	(7,128)	–	(49,973)
Unutilised provision reversed	–	–	(1,924)	–	–	(1,924)
Unwind of discount rate and effect of the changes in discount rate	779	–	–	–	–	779
<b>Balance at 30 June 2015</b>	<b>104,268</b>	<b>–</b>	<b>64,070</b>	<b>74,200</b>	<b>–</b>	<b>242,538</b>
Additional provisions made	–	–	97,819	–	2,718	<b>100,537</b>
Provision utilised during the year	(15,316)	–	(33,012)	–	–	<b>(48,328)</b>
Unutilised provision reversed	(24,252)	–	–	(74,200)	–	<b>(98,452)</b>
Unwind of discount rate and effect of the changes in discount rate	21	–	–	–	–	<b>21</b>
<b>Balance at 30 June 2016</b>	<b>64,721</b>	<b>–</b>	<b>128,877</b>	<b>–</b>	<b>2,718</b>	<b>196,316</b>

**Note 9: Provisions, continued****Provision for weathertight services financial assistance package**

This provision represents the Government's obligation to contribute 25% of agreed repair costs to eligible owners of leaky homes under the weathertight services financial assistance package (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% of the agreed repair cost and the homeowner pays the remaining 50%. 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 must lodge claims with the Ministry 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 number of eligible homes, the take-up rate, and the cost of repairs.

*Uncertainties*

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

- › The ultimate number and 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

- › 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*

Sensitivity for the FAP provision against the three critical assumptions above is as follows:

ASSUMPTION	CHANGE	TOTAL COST \$000	IMPACT \$000
Central Estimate		<b>64,699</b>	
Takeup rates	+10%	64,833	134
	-20%	64,432	(267)
Repair costs	+10%	71,169	6,470
	-10%	58,229	(6,470)

**New Zealand Screen Production Grant Provision**

The New Zealand Screen Production Grant scheme provides grants for high profile film productions, such as the Hobbit and Avatar, 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 the Ministry's best assessment of projects that will qualify for a grant 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 10: Financial Instruments

### Categories of financial instruments

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

ACTUAL 2015 \$'000		ACTUAL 2016 \$'000
	<b>Loans and receivables</b>	
487,880	Cash and cash equivalents	425,136
165,533	Debtors and other receivables	130,174
4,629	Loans	4,978
	<b>Derivatives assets</b>	
2,969	Foreign exchange contracts – oil contracts	–
<b>661,011</b>	<b>Total financial assets</b>	<b>560,288</b>
	<b>Financial liabilities measured at amortised cost</b>	
163,767	Creditors and other payables	155,821
	<b>Derivatives</b>	
2,845	Foreign exchange contracts – oil contracts	20
<b>166,612</b>	<b>Total financial liabilities</b>	<b>155,841</b>

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The Ministry 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. The Ministry, 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 the USD, AUD and EUR. The Ministry's foreign exchange management policy requires the Ministry 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 forward exchange contracts are not generally required.

#### Other financial risks

For information on the extent to which the Ministry is exposed to interest rate risk, credit risk and liquidity risk, and its policies for managing these risks, refer to note 8 of the departmental financial statements.

## Note 11: Events after Balance Date

There were no events after balance date that required adjustment or disclosure in the financial statements.

# Multi-Year Appropriations

## VOTE BUSINESS, SCIENCE AND INNOVATION

ACTUAL 2015 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2016 \$000	APPROVED APPROPRIATION <sup>^</sup> 2016 \$000
<b>Economic Regulation of Electricity Line Services (2014-2019)</b>			
28,311	Original appropriation	28,311	28,311
	– Cumulative adjustments	782	782
28,311	<b>Total adjusted appropriation</b>	29,093	29,093
	– Cumulative expenditure 1 July	7,244	7,244
7,244	Current year expenditure	4,257	4,530
7,244	<b>Cumulative expenditure 30 June</b>	11,501	11,774
<b>21,067</b>	<b>Appropriation remaining 30 June</b>	<b>17,592</b>	<b>17,319</b>
<b>Economic Regulation of Gas Pipeline Services (2014-2019)</b>			
9,684	Original appropriation	9,684	9,684
	– Cumulative adjustments	182	182
9,684	<b>Total adjusted appropriation</b>	9,866	9,866
	– Cumulative expenditure 1 July	1,580	1,580
1,580	Current year expenditure	1,965	2,044
1,580	<b>Cumulative expenditure 30 June</b>	3,545	3,624
<b>8,104</b>	<b>Appropriation remaining 30 June</b>	<b>6,321</b>	<b>6,242</b>
<b>Economic Regulation of Specified Airport Services (2014-2019)</b>			
2,763	Original appropriation	2,763	2,763
	– Cumulative adjustments	127	127
2,763	<b>Total adjusted appropriation</b>	2,890	2,890
	– Cumulative expenditure 1 July	597	597
597	Current year expenditure	415	396
597	<b>Cumulative expenditure 30 June</b>	1,012	993
<b>2,166</b>	<b>Appropriation remaining 30 June</b>	<b>1,878</b>	<b>1,897</b>
<b>National Science Challenges (2013-2018)</b>			
252,722	Original appropriation	252,722	252,722
6,520	Cumulative adjustments	6,520	6,520
259,242	<b>Total adjusted appropriation</b>	259,242	259,242
	– Cumulative expenditure 1 July	5,796	5,796
5,796	Current year expenditure	40,311	48,200
5,796	<b>Cumulative expenditure 30 June</b>	46,107	53,996
<b>253,446</b>	<b>Appropriation remaining 30 June</b>	<b>213,155</b>	<b>205,246</b>
<b>Research and Development Growth Grants (2013-2017)</b>			
393,000	Original appropriation	393,000	393,000
40,000	Cumulative adjustments	8,221	8,221
433,000	<b>Total adjusted appropriation</b>	401,221	401,221
47,447	Cumulative expenditure 1 July	141,221	141,221
93,774	Current year expenditure	119,661	115,800
141,221	<b>Cumulative expenditure 30 June</b>	260,882	257,021
<b>291,779</b>	<b>Appropriation remaining 30 June</b>	<b>140,339</b>	<b>144,200</b>

<sup>^</sup> These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the PFA.

## VOTE BUSINESS, SCIENCE AND INNOVATION, CONTINUED

ACTUAL 2015 \$000	DETAILS OF MULTI YEAR APPROPRIATIONS	ACTUAL 2016 \$000	APPROVED APPROPRIATION <sup>^</sup> 2016 \$000
<b>Resource Data Acquisition and Management (2014-2018)<sup>1</sup></b>			
8,000	Original appropriation	8,000	8,000
	– Cumulative adjustments	(7,700)	(7,700)
8,000	<b>Total adjusted appropriation</b>	300	300
	– Cumulative expenditure 1 July	200	200
200	Current year expenditure	100	100
200	<b>Cumulative expenditure 30 June</b>	300	300
7,800	<b>Appropriation remaining 30 June</b>	–	–
<b>Resource Data Acquisition and Management (2015-2018)<sup>1</sup></b>			
	– Original appropriation	7,700	7,700
	– Cumulative adjustments	–	–
	<b>– Total adjusted appropriation</b>	7,700	7,700
	– Cumulative expenditure 1 July	–	–
	– Current year expenditure	2,419	1,700
	<b>– Cumulative expenditure 30 June</b>	2,419	1,700
	<b>– Appropriation remaining 30 June</b>	5,281	6,000
<b>Security Management (2012-2017)</b>			
6,000	Original appropriation	6,000	6,000
	– Cumulative adjustments	–	–
6,000	<b>Total adjusted appropriation</b>	6,000	6,000
	– Cumulative expenditure 1 July	–	–
	– Current year expenditure	–	–
	<b>– Cumulative expenditure 30 June</b>	–	–
6,000	<b>Appropriation remaining 30 June</b>	6,000	6,000
<b>Targeted Business Research and Development Funding (2013-2017)</b>			
173,000	Original appropriation	173,000	173,000
(2,250)	Cumulative adjustments	(35,417)	(35,417)
170,750	<b>Total adjusted appropriation</b>	137,583	137,583
36,869	Cumulative expenditure 1 July	67,583	67,583
30,714	Current year expenditure	22,804	30,000
67,583	<b>Cumulative expenditure 30 June</b>	90,387	97,583
103,167	<b>Appropriation remaining 30 June</b>	47,196	40,000
<b>Contestable Fund for Deployment of Marine Energy Devices (2011-2016)<sup>2</sup></b>			
4,949	Original appropriation	4,949	4,949
(4,949)	Cumulative adjustments	(4,949)	(4,949)
	<b>– Total adjusted appropriation</b>	–	–
	– Cumulative expenditure 1 July	–	–
	– Current year expenditure	–	–
	<b>– Cumulative expenditure 30 June</b>	–	–
	<b>– Appropriation remaining 30 June</b>	–	–

<sup>^</sup> These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the PFA.

## VOTE BUSINESS, SCIENCE AND INNOVATION, CONTINUED

ACTUAL 2015 \$000	DETAILS OF MULTI YEAR APPROPRIATIONS	ACTUAL 2016 \$000	APPROVED APPROPRIATION^ 2016 \$000
<b>Home Insulation (2013-2016) <sup>3</sup></b>			
93,000	Original appropriation	93,000	93,000
–	Cumulative adjustments	–	–
93,000	<b>Total adjusted appropriation</b>	93,000	93,000
33,000	Cumulative expenditure 1 July	70,431	70,431
37,431	Current year expenditure	22,391	22,569
70,431	<b>Cumulative expenditure 30 June</b>	92,822	93,000
<b>22,569</b>	<b>Appropriation remaining 30 June</b>	<b>178</b>	<b>–</b>
<b>New Zealand Screen Production Grant – International (2014-2019)</b>			
252,780	Original appropriation	252,780	252,780
517	Cumulative adjustments	517	517
253,297	<b>Total adjusted appropriation</b>	253,297	253,297
–	Cumulative expenditure 1 July	109,762	109,762
109,762	Current year expenditure	118,474	112,000
109,762	<b>Cumulative expenditure 30 June</b>	228,236	221,762
<b>143,535</b>	<b>Appropriation remaining 30 June</b>	<b>25,061</b>	<b>31,535</b>
<b>Broadband Investment (2011-2016) <sup>4</sup></b>			
408,000	Original appropriation	408,000	408,000
357,000	Cumulative adjustments	357,000	357,000
765,000	<b>Total adjusted appropriation</b>	765,000	765,000
365,000	Cumulative expenditure 1 July	575,000	575,000
210,000	Current year expenditure	190,000	190,000
575,000	<b>Cumulative expenditure 30 June</b>	765,000	765,000
<b>190,000</b>	<b>Appropriation remaining 30 June</b>	<b>–</b>	<b>–</b>
<b>Venture Investment Fund (2014-2018)</b>			
37,453	Original appropriation	37,453	37,453
(12,000)	Cumulative adjustments	(12,000)	(12,000)
25,453	<b>Total adjusted appropriation</b>	25,453	25,453
–	Cumulative expenditure 1 July	5,000	5,000
5,000	Current year expenditure	10,000	9,896
5,000	<b>Cumulative expenditure 30 June</b>	15,000	14,896
<b>20,453</b>	<b>Appropriation remaining 30 June</b>	<b>10,453</b>	<b>10,557</b>

<sup>4</sup> These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the PFA.

## VOTE HOUSING

ACTUAL 2015 \$000	DETAILS OF MULTI YEAR APPROPRIATIONS	ACTUAL 2016 \$000	APPROVED APPROPRIATION^ 2016 \$000
	<b>Social Housing Fund (2015-2017) <sup>5</sup></b>		
	- Original appropriation	29,142	29,142
	- Cumulative adjustments	8,708	8,708
	- <b>Total adjusted appropriation</b>	<b>37,850</b>	<b>37,850</b>
	- Cumulative expenditure 1 July	-	-
	- Current year expenditure	-	21,600
	- <b>Cumulative expenditure 30 June</b>	<b>-</b>	<b>21,600</b>
	- <b>Appropriation remaining 30 June</b>	<b>37,850</b>	<b>16,250</b>
	<b>Social Housing Fund (2010-2015) <sup>5</sup></b>		
104,100	Original appropriation	-	-
12,046	Cumulative adjustments	-	-
116,146	<b>Total adjusted appropriation</b>	<b>-</b>	<b>-</b>
67,856	Cumulative expenditure 1 July	-	-
39,582	Current year expenditure	-	-
107,438	<b>Cumulative expenditure 30 June</b>	<b>-</b>	<b>-</b>
<b>8,708</b>	<b>Appropriation remaining 30 June</b>	<b>-</b>	<b>-</b>
	<b>Weathertight Services: Guarantee Fee Subsidy (2010-2015) <sup>6</sup></b>		
13,520	Original appropriation	-	-
(12,818)	Cumulative adjustments	-	-
702	<b>Total adjusted appropriation</b>	<b>-</b>	<b>-</b>
102	Cumulative expenditure 1 July	-	-
-	- Current year expenditure	-	-
102	<b>Cumulative expenditure 30 June</b>	<b>-</b>	<b>-</b>
<b>600</b>	<b>Appropriation remaining 30 June</b>	<b>-</b>	<b>-</b>

<sup>^</sup> These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the PFA.

Notes:

1. This MYA was dis-established in October 2015 with the remaining funding in 2015/16 and outyears transferred to the new Resource Data Acquisition and Management 2015-2018 – MYA. The reason for the new MYA was to address a minor technical wording matter in the original language of the scope of the appropriation and allow non-seismic geological surveys to be undertaken.
2. This MYA expired 30 June 2016.
3. This MYA expired 30 June 2016.
4. This MYA expired 30 June 2016.
5. This MYA expired 30 June 2015. A new Social Housing Fund (2015-2017) MYA was established to start 2015/16 ending 2016/17.
6. This MYA expired 30 June 2015.

# Statement of Expenses and Capital Expenditure Incurred without, or in Excess of, Appropriation or Other Authority

For the year ended 30 June 2016

	ACTUAL 2016 \$000	APPROPRIATION	
		VOTED 2016 \$000	UNAPPROPRIATED 2016 \$000
<b>VOTE BUSINESS, SCIENCE AND INNOVATION</b>			
<b>Non-departmental output expense</b>			
Impairment of Crown Assets	1,206	1,140	66
The Pike River Mine Site	125	–	125

## Impairment of Crown Assets

In June 2016, Whoosh Wireless (NZ) Ltd (a wireless broadband operator) had gone into voluntary administration owing \$66,000 to the Ministry for the Telecommunications Development Levy charges. This debt is now doubtful and the Ministry has incurred the full \$66,000 as an expense to the Impairment of Crown assets appropriation.

## The Pike River Mine Site

At Budget 2015 there was no baseline for the Pike River but there was an in principle expense transfer for \$1.834m which couldn't be accessed until November (after October Baseline Update 2015). The \$0.125m spend was from July 2015 to October 2015.

## CHANGES IN APPROPRIATION STRUCTURE

Vote mergers and changes for 2015/16:

- › Vote Commerce and Consumer Affairs, Vote Communications, Vote Economic Development (Vote Employment transferred to Vote Labour Market), Vote Energy, Vote Science and Innovation, and Vote Tourism merged and named Vote Business, Science and Innovation
- › Vote ACC, Vote Employment, Vote Immigration, and Vote Workplace Relations and Safety (previously named Vote Labour) merged and named Vote Labour Market, and
- › Vote Housing renamed Vote Building and Housing

- › As a result of the above mergers, the following Multi-Class Appropriations (MCAs) were established:
  - Under Vote Business, Science and Innovation all Departmental Policy Advice and Ministerial Servicing appropriations from previous Votes merged into one MCA and named Policy Advice and Related Outputs MCA with their associated categories.
  - Under Vote Labour Market all Departmental Policy Advice and Ministerial Servicing appropriations from previous Votes merged into one MCA and named Policy Advice and Related Outputs MCA with their associated categories.



## SECTION D: Appendices

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**APPENDIX 4:  
OTHER  
DISCLOSURES**

# Independent Auditor's Report

To the readers of the Residential Tenancies Trust Account's financial statements for the year ended 30 June 2016

The Auditor-General is the auditor of the 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 her behalf.

## OPINION

We have audited the financial statements of the Trust on pages 136 to 140, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, reconciliation of movements in bondholders' funds 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.

In our opinion, the financial statements of the Trust:

- › present fairly, in all material respects:
  - its financial position as at 30 June 2016; and
  - its financial performance and cash flows for the year then ended; and
- › comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Our audit was completed on 30 September 2016. This is the date at which our opinion is expressed.

The basis of 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 explain our independence.

## BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust's financial statements 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.



An audit also involves evaluating:

- › the appropriateness of accounting policies used and whether they have been consistently applied;
- › the reasonableness of the significant accounting estimates and judgements made by the Chief Executive of the Ministry of Business, Innovation and Employment;
- › the adequacy of the disclosures in the financial statements; and
- › the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### **RESPONSIBILITIES OF THE CHIEF EXECUTIVE OF THE MINISTRY OF BUSINESS, INNOVATION AND EMPLOYMENT**

The Chief Executive is responsible for the preparation and fair presentation of financial statements for the Trust that comply with generally accepted accounting practice in New Zealand and Public Benefit Entity Standards Reduced Disclosure Regime.

The Chief Executive's responsibilities arise from section 126 of the Residential Tenancies Act 1986.

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. The Chief Executive is also responsible for the publication of the financial statements, whether in printed or electronic form.

### **RESPONSIBILITIES OF THE AUDITOR**

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

### **INDEPENDENCE**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting 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

# Financial Statements

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2016

ACTUAL 2015 \$000		ACTUAL 2016 \$000
<b>Revenue</b>		
23,204	Interest earned from bank deposits	22,694
<b>Expenditure</b>		
23,204	Interest to Ministry of Business, Innovation and Employment	22,694
	– Operating surplus	–
	– Other comprehensive revenue and expenses	–
	– <b>Total comprehensive revenue and expenses</b>	–

Note: Residential Tenancies Trust Account audit fees are paid by the Ministry of Business, Innovation and Employment.

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

ACTUAL 2015 \$000		NOTES	ACTUAL 2016 \$000
<b>Current Assets</b>			
9,017	Cash and cash equivalents	3	11,386
202,288	Investment	2,3,4	167,000
31,644	Interest receivables	3	33,326
242,949	<b>Total current assets</b>		<b>211,712</b>
<b>Non-current assets</b>			
258,000	Investment	2,3,4	258,000
258,000	<b>Total non-current assets</b>		<b>258,000</b>
<b>500,949</b>	<b>Total assets</b>		<b>469,712</b>
<b>Current liabilities</b>			
43,379	Interest payable to the Ministry of Business, Innovation and Employment		1,770
34	Other current liabilities		276
43,413	<b>Total current liabilities</b>		<b>2,046</b>
<b>43,413</b>	<b>Total liabilities</b>		<b>2,046</b>
<b>457,536</b>	<b>Net assets</b>		<b>467,666</b>
<b>Bondholders' funds</b>			
420,750	Opening balance		457,536
36,786	Net increase		10,130
<b>457,536</b>	<b>Total bondholders' funds</b>		<b>467,666</b>

The accompanying notes form part of these financial statements.

## RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS

For the year ended 30 June 2016

ACTUAL 2015 \$000		ACTUAL 2016 \$000
420,750	<b>Bondholders' funds at 1 July</b>	457,536
208,162	Bond lodged	230,953
(171,376)	Bonds refunded	(188,393)
	– Unclaimed bond paid to The Treasury	(32,430)
<b>457,536</b>	<b>Total bondholders' funds at 30 June</b>	<b>467,666</b>

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

ACTUAL 2015 \$000		NOTES	ACTUAL 2016 \$000
	<b>Cash flows from operating activities</b>		
	<b>Cash was provided from:</b>		
15,779	Interest received		21,012
	<b>Cash was disbursed to:</b>		
(20,000)	Interest payments to Ministry of Business, Innovation and Employment		(64,303)
<b>(4,221)</b>	<b>Net cash flows from operating activities</b>	<b>5</b>	<b>(43,291)</b>
	<b>Cash flows from investing activities</b>		
	<b>Cash was provided from:</b>		
159,990	Proceed from maturity of investments		203,444
	– Disposal of goods		–
	<b>Cash was disbursed to:</b>		
(192,000)	Purchase of investments		(168,156)
<b>(32,010)</b>	<b>Net cash flows from investing activities</b>		<b>35,288</b>
	<b>Cash flows from financing activities</b>		
	<b>Cash was provided from:</b>		
208,162	Lodgement bonds		230,953
	<b>Cash was disbursed to:</b>		
	– Unclaimed bond paid to The Treasury		(32,430)
(171,376)	Refund of bonds		(188,393)
	– Provision for incorrect forfeiture		242
<b>36,786</b>	<b>Net cash flows from financing activities</b>		<b>10,372</b>
555	Net increase in cash held		2,369
8,462	Cash at the beginning of the year		9,017
<b>9,017</b>	<b>Cash at the end of the year</b>		<b>11,386</b>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2016

**Note 1: Statement of Accounting Policies for Residential Tenancies Trust Account**

**Reporting entity**

The Ministry of Business, Innovation and Employment (The Ministry) was established and commenced operations on 1 July 2012, and manages the Residential Tenancies Trust Account (RTTA) pursuant to the Public Finance Act 1989 and the Residential Tenancies Act 1986.

The financial statements of the Residential Tenancies Trust Account are for the year ended 30 June 2016 and were authorised for issue by the Acting Chief Executive of the Ministry on 30 September 2016.

**Basis of preparation**

The financial statements of the RTTA non-departmental statements and schedules have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

These financial statements have been prepared in accordance with, and comply with tier 2 PBE accounting standards on the basis that expenditure exceeds \$2 million but is less than \$30 million 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 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.

*Accounting policies*

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**Revenue – exchange transactions**

The RTTA derives revenue from interest on investments. Interest on investments is accrued on a monthly basis.

**Cash and cash equivalents**

Cash and cash equivalents are defined as coins, notes and demand deposits in the RTTA bank accounts and other deposits held on call.

**Receivables**

Receivables are stated at estimated realisable value.

**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.

**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.

**Taxation**

The RTTA is exempt from income tax in terms of the Income Tax Act 2007.

**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.

**Note 2: Book Value of Investments**

ACTUAL 2015 \$000	ACTUAL 2016 \$000
460,288 Bank deposit	425,000
<b>460,288 Total book value of investments</b>	<b>425,000</b>

Fair value of the investments approximates the book value.

### Note 3: Financial Instruments

Financial instruments that are potentially subject to credit risk principally consist of cash and cash equivalents, accounts receivable and investments.

#### Credit risk

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 2015 \$000	ACTUAL 2016 \$000
9,017 Cash held	11,386
31,644 Accounts receivable	33,326
460,288 Investments	425,000
<b>500,949 Total financial assets</b>	<b>469,712</b>

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 by Counterparty

Investments are undertaken in line with the Ministry's investment policy. Investments were held with the following

counterparties as at 30 June (investment values at book value).

ACTUAL 2015 \$000	ACTUAL 2016 \$000
<b>Current</b>	
43,500 ANZ	27,500
37,288 ASB	94,000
36,000 BNZ	5,000
85,500 Westpac	40,500
<b>202,288 Total current</b>	<b>167,000</b>
<b>Non-current</b>	
52,500 ANZ	35,000
153,000 ASB	78,500
5,000 BNZ	75,500
– Kiwi	7,000
47,500 Westpac	62,000
<b>258,000 Total non-current</b>	<b>258,000</b>
<b>460,288 Total investments by counterparty</b>	<b>425,000</b>

#### Weighted average interest rates

4.93% Short-term deposits	5.27%
5.38% Long-term deposits	4.30%

**Note 5: Reconciliation of Operating Surplus to Net Cash Flows from Operating Activities**

ACTUAL 2015 \$000	ACTUAL 2016 \$000
– Operating surplus	–
Add/(less) movements in working capital	
(7,425) (Increase) in interest receivable	(1,682)
3,204 Increase/(decrease) in interest payable	(41,609)
<b>(4,221) Net cash flows from operating activities</b>	<b>(43,291)</b>

**Note 6: Commitments and Contingent Liabilities**

The RTTA had no commitments or contingent liabilities as at 30 June 2016 (2015: nil).

**Note 7: Capital Management**

The RTTA's capital is its bondholders' funds and is represented by net assets.

**Note 8: Events after the Balance Date**

There were no events after balance date that required adjustment or disclosure in the financial statements.

# Statement of Trust Monies

For the year ended 30 June 2016

The Ministry operates trust accounts as an agent under section 66 of the Public Finance Act 1989. They are not included in the Ministry's own financial statements.

Movements in these accounts during the year ended 30 June 2016 were as follows:

	OPENING BALANCE 1 JULY 2015 \$000	CAPITAL INCREASE \$000	DISTRIBUTIONS MADE \$000	RECEIPTS \$000	EXPENDITURE \$000	CLOSING BALANCE 30 JUNE 2016 \$000
Coal and Minerals Deposits Trust	64	4	6	–	–	62
Criminal Assets Management and Enforcement Regulators Association Trust	16	5	–	–	–	21
Employment Relations Act Security of Costs Trust	4	42	–	–	–	46
Employment Relations Service Trust	58	465	177	2	26	322
New Zealand Immigration Trust	1,302	259	342	33	–	1,252
Official Assignee's Office Trust	28,407	22,322	14,711	864	13,629	23,253
Patent Co-operation Treaty Fees Trust	134	1,109	1,098	4	28	121
Petroleum Deposits Trust	81	–	–	–	–	81
Proceeds of Crime Trust	63,551	24,458	14,036	1,323	10,979	64,317
Radio Frequencies Tender Trust	226	10	17	–	–	219
Residential Tenancies Trust	457,536	230,952	220,822	22,694	22,694	467,666
Weathertight Financial Assistance Package	–	6,429	6,429	–	–	–

## 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 licensees are required to lodge a bond with the Ministry. 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 Act Security of Costs Trust (previously called the Employment Court Trust)

This Trust account was established in February 1990 for monies at the direction of the Employment Relations Authority.

## Employment Relations Service Trust

This Trust account was established in September 1988 for monies received by labour inspectors on behalf of workers.

## New Zealand Immigration Trust

This Trust account was established in 1999 for bonds paid by visitors with a higher risk profile.

## Official Assignee's Office Trust

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 combines the No Asset Procedure Account, Summary Instalment Order Account and Official Assignee Account.

## Patent Co-operation Treaty Fees Trust

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 Organisation, which administers the Treaty.

**Petroleum Deposits Trust**

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.

**Proceeds of Crime Trust**

This Trust account was established following the introduction of the Proceeds of Crime Act 1991 to manage the financial arrangements of restraining and forfeiture orders made by the courts. Under the Act, the Court has the power to seize certain assets of individuals and companies that are accumulated through the proceeds of criminal activities and place them in the authority of the Official Assignee. These assets are then sold or disposed of by the Official Assignee and all of the resulting monies transferred to the Crown.

**Radio Frequencies Tender Trust**

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**

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 1.

**Weathertight Financial Assistance Package**

This Trust account is used to temporarily hold the building consent authorities' 25% share of repair costs claimed by eligible leaky home owners under the Government's Weathertight Financial Assistance Package, once approved, but prior to payment to the eligible home owners.



# 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 2016. The allocation of a remuneration band is based on

employee's base salary only (and is not FTE adjusted); it does not include allowances or employer superannuation contributions.

Salary bands above \$300,000 have been combined to protect the privacy of those employees.

AGE BRACKET GENDER	UNDER 30		30-39		40-49		OVER 50		UNKNOWN	TOTAL
	F	M	F	M	F	M	F	M	F	
<b>SALARY BAND</b>										
\$30,000 – 39,999	77	21	27	11	22	1	17	2	–	178
\$40,000 – 49,999	167	81	107	37	68	24	75	21	–	580
\$50,000 – 59,999	100	40	85	44	62	32	70	23	–	456
\$60,000 – 69,999	58	42	83	61	69	46	81	54	1	495
\$70,000 – 79,999	23	11	51	38	59	43	42	43	–	310
\$80,000 – 89,999	12	9	66	48	43	25	34	33	1	271
\$90,000 – 99,999	3	2	48	30	44	33	31	30	–	221
\$100,000 – 109,999	1	1	23	15	26	21	28	33	1	149
\$110,000 – 119,999	–	–	17	11	18	14	16	25	–	101
\$120,000 – 129,999	–	–	9	20	19	12	14	17	–	91
\$130,000 – 139,999	–	–	8	9	15	13	10	19	–	74
\$140,000 – 149,999	–	–	2	3	11	18	13	21	1	69
\$150,000 – 159,999	–	–	5	5	7	21	6	16	1	61
\$160,000 – 169,999	–	–	3	2	5	8	4	8	–	30
\$170,000 – 179,999	–	–	2	3	9	5	4	15	–	38
\$180,000 – 189,999	–	–	2	–	5	6	1	8	–	22
\$190,000 – 199,999	–	–	1	1	3	3	–	3	–	11
\$200,000 – 209,999	–	–	–	–	2	1	2	6	–	11
\$210,000 – 219,999	–	–	–	–	1	1	–	3	–	5
\$220,000 – 229,999	–	–	–	–	–	2	1	–	–	3
\$230,000 – 239,999	–	–	–	–	1	2	1	1	–	5
\$240,000 – 249,999	–	–	–	–	–	1	1	2	–	4
\$250,000 – 259,999	–	–	–	–	1	–	–	2	–	3
\$260,000 – 269,999	–	–	–	–	–	4	1	–	–	5
\$270,000 – 279,999	–	–	–	1	–	–	–	–	–	1
\$280,000 – 289,999	–	–	–	–	1	–	–	2	–	3
\$290,000 – 299,999	–	–	–	–	1	–	–	–	–	1
\$300,000 – 389,999	–	–	–	–	–	4	–	1	–	5
<b>Totals</b>	<b>441</b>	<b>207</b>	<b>539</b>	<b>339</b>	<b>492</b>	<b>340</b>	<b>452</b>	<b>388</b>	<b>5</b>	<b>3,203</b>

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# Other Disclosures

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## **Immigration Act 2009**

Recent changes to the Immigration Act 2009 have meant that from May 2016, immigration officers have certain powers to search employers' premises for 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 2002**

The Ministry is a member of the Victims of Crime inter-agency group led by the Ministry of Justice (MoJ). The Victims Code was released by MoJ 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.

The Ministry 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. The Ministry is able to report that it has not received any complaints during the reporting year.

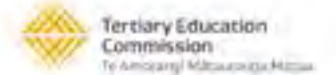
## **New Zealand Business Number (NZBN)**

On 25 May 2016, the Ministry was one of a number of agencies that was party to a Cabinet office circular that sets out requirements for implementation of the NZBN. A project has been established to ensure the Ministry meets these requirements.

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# Crown entities we partner with

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Te Kaporeihana Āwhina Hunga Whara



New Zealand Government